

TIP Group

A year of disruption delivered major benefits

24 August 2022

Teaminvest Private Group Limited (ASX:TIP) (Company) is pleased to announce record Proportional Revenue of \$152.1m for the year ended 30 June 2022 (FY22) despite the coronavirus related Sydney construction shutdown, which reduced Proportional EBITDA to \$13.5m.

The Company is also pleased to announce its first fully-franked final dividend of 0.30 cents per share. This is in addition to the fully franked half-yearly dividend of 0.25 cents per share.

The dividend is accompanied by a dividend reinvestment plan (DRP). The Company intends purchasing shares 'on market' to satisfy the take-up. A copy of the DRP can be found at the Company website (www.tipgroup.com.au).

The Company's FY22 investor presentation and Q&A will be held via Zoom at 10am AEST on Thursday 25 August 2022 at the link below:

<https://us06web.zoom.us/j/83555965916?pwd=TmFrRXkrS3BITlpyekMIT2E0NDI5QT09>

Meeting ID: 835 5596 5916

Passcode: 972064

The Annual Report, including CEO letter, follows.

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Teaminvest Private Group Limited

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TiP Group

Teaminvest Private Group Limited (ASX: TIP)

ACN 629 045 736

ANNUAL REPORT

Year ended
30 June 2022

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ANNUAL REPORT

Year ended 30 June 2022

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About TIP Group

TIP Group is an ASX-listed financial institution focussed on transferring knowledge and wealth between generations. TIP aims to be the financial institution of choice for first-generation wealth, linking the knowledge and capital accumulated over their careers with the next generation of business leaders to achieve outstanding returns.



Noble purpose

Transferring knowledge and wealth between generations.



Vision

To build a society in which the knowledge and wealth we accumulate over a lifetime isn't lost, forcing the next generation to learn (and earn) it all again.



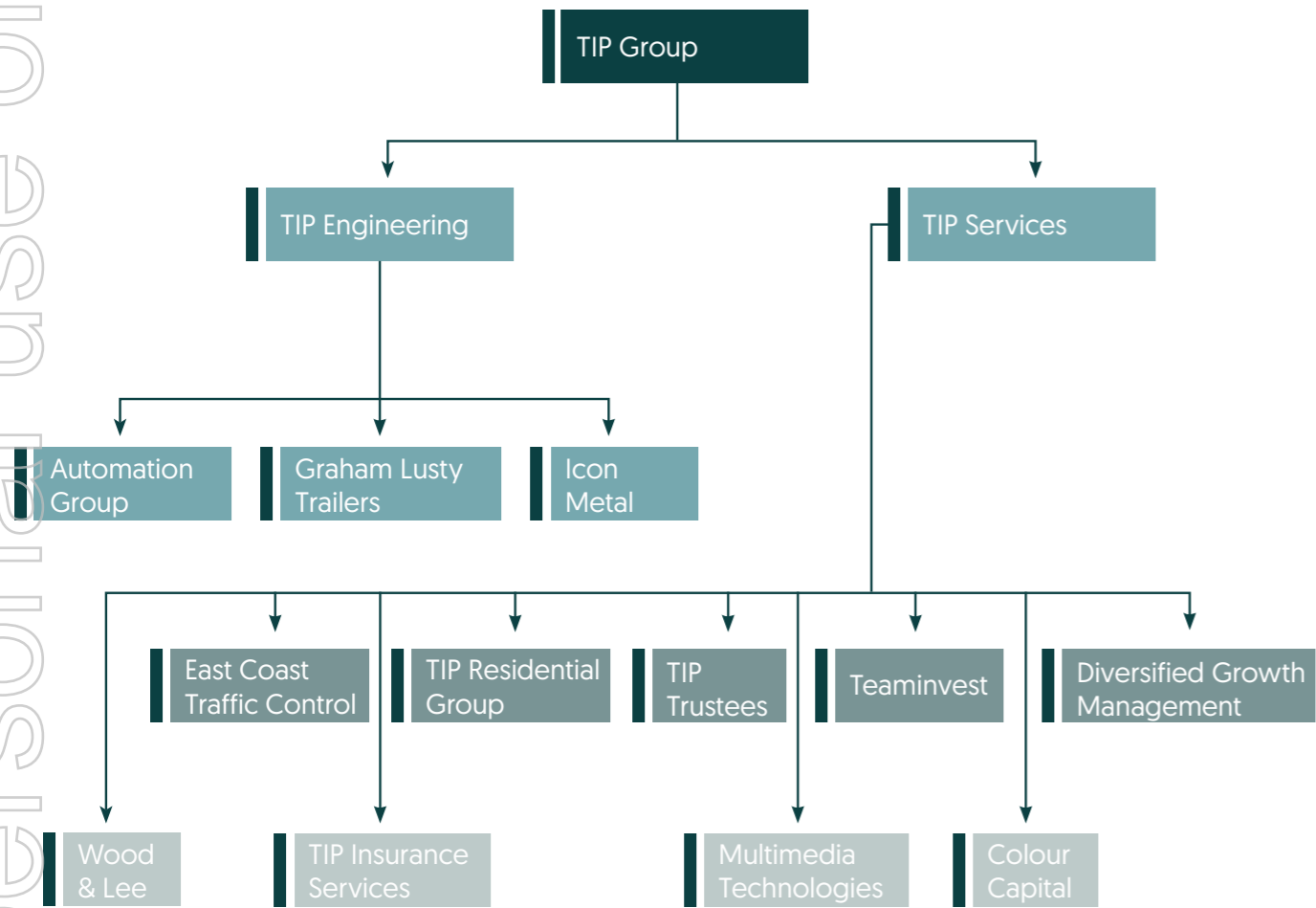
Mission

We invest the wealth and experience of successful people to develop the next generation of business leaders, enhancing the legacy of all.

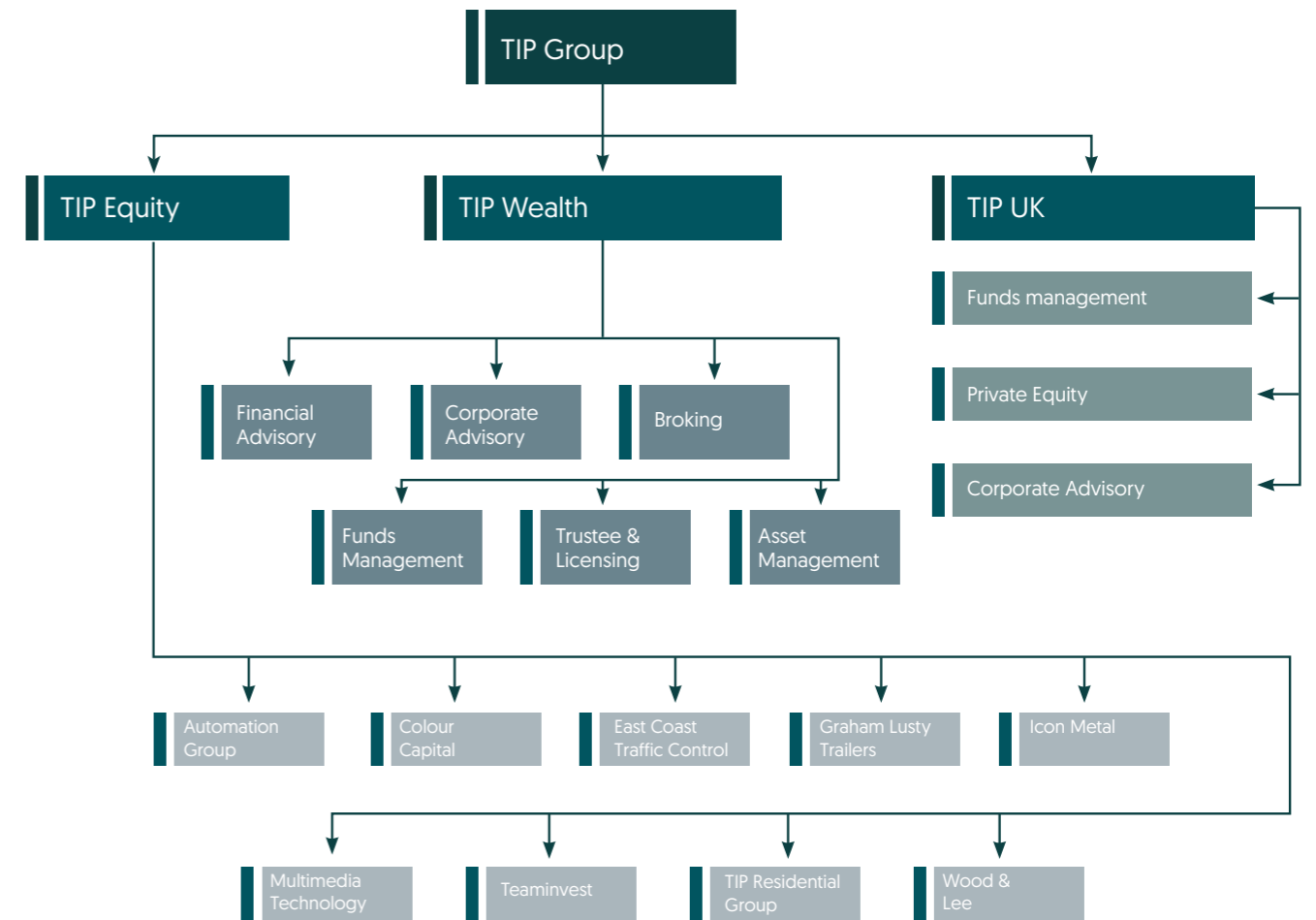


From a private equity firm to a full-service financial institution

Group structure to 30 June 2022



Group structure from 1 July 2022



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CEO's Letter



A year of disruption delivered major benefits

The financial year ended 30 June 2022 (**FY22**) can be summed up in two words: 'global disruption'.

The world began FY22 amidst the first truly global pandemic since the 1920's and a tech boom delivering revenue valuation multiples that exceeded the heady days of 2001. It ended with unprecedented supply constraints, the fastest inflation in forty years, the first war in Europe in seventy years and an astronomic decline in the value of venture investments. A pace of change not often seen in a decade!

As a global citizen the level of disruption we experienced has been tragic and disturbing. But as an investor in quality businesses, it has proved a once-in-a-generation opportunity.

Our ability to seize opportunities saw Teaminvest Private Group Limited (**TIP**): achieve record Proportional Revenue of \$152.1m (up 5%); record Statutory Revenue of \$92.7m (up 1%); secure a record number of new investments; and deliver our maiden fully-franked half-yearly dividend of 0.25 cents per share. We have also declared our first fully-franked final dividend of 0.30 cents per share, an increase of 20% on the half-year.

While FY22 was transformative, TIP has not been immune to the challenges faced by the global economy. As flagged in our half-yearly report, the Sydney construction shutdown and flow-on effects caused a temporary decline in Proportional EBITDA of 8% to \$13.5m.

The effect of the construction shutdown, coupled with abnormal items of \$21.9m (discussed on page 13), saw Statutory NPAT decline to a loss of \$17.8m. Operating NPAT was a profit of \$4.2m for the year.

Disruption creates opportunities

Warren Buffett is quoted that the art of investing consists of 'being fearful when others are greedy; and greedy when others are fearful'. As disciples of Buffett, we live and breathe this maxim.

Around the end of last financial year, I was asked about our reduced number of external acquisitions since listing in May 2019. At the time I explained that this had been due to three factors:

1. High market valuations made it difficult to find great medium-sized businesses within our target valuation range of four to eight times historical price to earnings ratios;
2. This meant it was more valuable to pay down debt and accumulate a war-chest to support future acquisitions; and
3. We were building a pipeline of potential investments for when markets returned to more reasonable values.

In FY22 the pendulum swung back. Over the course of the financial year valuations dropped substantially:

- The ASX all-ordinaries dropped by 11%;
- The ASX all-tech index dropped by 36%; and
- By the end of the year most private company valuations were again tethered to profits and not revenue or customers.

Consequently, we made a number of meaningful additions:

- On 30 June 2021 (the last day of FY21 and so our first act of FY22) we acquired our former parent Teaminvest, a provider of investment education services and the developer of the Conscious Investor software and related intellectual property;
- In November we acquired a 70% stake in Diversified Growth Management, the manager of the Teaminvest Diversified Growth Fund; and acquired a 50% stake in law firm Wood & Lee;
- In April we established TIP UK and made our first UK investment, a strategic 20% stake in Enhanced Trading Solutions;
- In June we launched the Co-Living Future Property Fund; and acquired our first retail fund manager, Burman Invest.

Seven investments in the 12 months since 30 June 2021 as prices returned to our target band.

As an investor in quality businesses, FY22 has proved a once-in-a-generation opportunity.

Seizing opportunities has transformed us

In June 2021 we were a private equity business that operated a portfolio of engineering and services businesses delivering tangible products and services. Compared to the “tech-bro’s” and venture capitalists sweeping up the rich list with a mantra of “disrupt, grow or die”, TIP may have appeared decidedly pedestrian.

Our focus on growing profits, paying reasonable prices, husbanding cash, and self-funding our expansion of financial services capability in old industries like value investing and trustee services felt very lonely. We often seemed to be the only ones in the room who wanted to ask “how will this actually make a profit?”

But sticking to these principles during the ‘toppy’ market has enabled us to acquire significant assets since the beginning of FY22 and by focussing our investments in wealth management and investment banking we have transformed TIP from a private equity firm into a financial institution.

As of 1 July 2022, TIP now operates three divisions:

TIP Equity – our traditional private equity business, focused on investing in stable founder-led businesses who can benefit from mentorship and capital. Equity is the engine room of our business and from 1 July is led by Tim Wong, who brings a wealth of operational executive leadership to drive further growth.

TIP Wealth – our wealth management and investment banking business, focussed on harnessing the knowledge and intellectual property accumulated by TIP to provide a home for first generation wealth. Wealth is led by Michael Baragwanath and provides a platform for substantial growth through annuity-like revenues.

TIP UK – our British and European operations, leveraging off the methods, people and process we have developed over the first ten years of our business operation in Australia. UK is led by Malcolm Rutherford and adds geographic diversity to our growing portfolio of investments.



Trailers by Graham Lusty Trailers

Proportional Results

Proportional Results are the proportional revenue and EBITDA for our Group (**Proportional Results**, formerly called Segment Results). Proportional Results are the sum of the proportion of each Portfolio Company’s revenue and EBITDA attributable to TIP Group. They are a non-IFRS measure which we find more useful for understanding operating performance than Statutory Comprehensive Income (**SCI**) reported in accordance with accounting standards.

From 1 July 2022 we report three segments: TIP Equity, TIP Wealth and TIP UK. However as most of the investments that spurred this reorganisation occurred too late in FY22 to affect our financial results, our FY22 report maintains the old reporting structure of ‘Engineering’ and ‘Services’.

Segment	Revenue						Δ%	EBITDA						Δ%
	FY17	FY18	FY19	FY20	FY21	FY22		FY17	FY18	FY19	FY20	FY21	FY22	
Engineering	57.7	61.6	66.0	67.9	66.5	61.5	(7%)	(0.7)	4.6	3.6	7.7	7.9	7.2	(8%)
Services	59.6	64.1	69.7	69.6	78.1	90.6	16%	1.5	3.8	3.6	5.9	6.8	6.3	(8%)
Pre-abnormal	117.3	125.7	135.7	137.5	144.6	152.1	5%	0.8	8.4	7.2	13.6	14.7	13.5	(8%)
Abnormal				3.5	(0.1)						3.5	(2.2)	(4.6)	
Total	117.3	125.7	135.7	141.0	144.5	152.1	5%	0.8	8.4	7.2	17.1	12.5	9.0	(28%)

Note: For a reconciliation of Proportional Results to SCI, including abnormal, see page 15.

Group Proportional EBITDA before abnormal was down 8% to \$13.5m, similar to FY20. While we regard revenue as less important than profit (as the saying goes: “revenue is vanity while profit is sanity”), Proportional Revenue grew 5% to a new record of \$152.1m.

Our Portfolio Companies in areas other than construction grew steadily over FY22, and in five cases delivered a record result. Those Portfolio Companies exposed to construction suffered due to the government imposed shutdown, supply chain constraints and unprecedented material price inflation.

Sticking to these principles during the ‘toppy’ market has enabled us to acquire significant assets.

New records

Teaminvest Pty Ltd (**Teaminvest**) [Services Division, 100% owned] continued to grow membership. Teaminvest provides investor education for those who wish to learn to manage their own money wisely, in line with the principles of Benjamin Graham and Warren Buffett. Their firm principles and collegiate environment provide a significant differentiator. Combined with a successful launch of Team USA [an extension to cover US markets] this increased revenue by 12% and EBITDA by 30% to new records. The expanded team of facilitators, including some long-standing members, has also injected new enthusiasm and wider perspectives.

Colour Capital [Services Division, 33% owned and equity accounted in SCI] delivered a fourth consecutive record operating result by continuing to develop and support franchisees. Colour Capital operates the GJ Gardner home building master franchises for NSW/ACT and WA, the Gold's Gym's business in Australia and New Zealand, and the Raw Energy café's business in Australia. Despite the disruptions to all three operating arms at various points during FY22 [first lockdowns, then natural disasters and finally inflation!] Colour Capital's focus on assisting franchisees continues to deliver results with revenue up 19% and EBITDA up 15% compared to FY21.

Our world-leading trailer engineering business Graham Lusty Trailers (**GLT**) [Engineering Division, 100% owned] delivered a third consecutive record annual result. The team led by Graham and Fiona Lusty have a passion for innovation, quality and efficiency – and this delivered record revenue (up 11% compared to FY21) and record EBITDA (up 7%) despite cost inflation and significant labor and material shortages. GLT's unique designs command a substantial premium in the transport market, and their ongoing innovation cements their reputation as the "Rolls Royce" of bulk haulage. A GLT trailer enhances customers' profit so significantly that the order book now stretches over 18 months despite utilising a second manufacturing facility to meet demand.

Multimedia Technology (**MMT**) [Services Division, 30% owned and equity accounted in SCI] achieved a third consecutive record annual result. Despite the interruptions, disruptions, and stress caused by the coronavirus pandemic,



Toughbook by Multimedia Technology

MMT grew Revenue by 15% and EBITDA by 1% compared to FY21. This outstanding business, founded by John Hassall and now led by Johan Meyer, has been so successful that were it to be trading on the ASX at a similar P/E multiple to listed competitors, our 30% share would be worth about the same as TIP's whole market cap at 30 June this year!

Rounding out the list of records for FY22, our boutique insurance brokerage Teaminvest Private Insurance Services (**TIPIS**) [Services Division, 50% owned] grew revenue by 74% and EBITDA by 1,385% compared to FY21. While these figures are off a low base, skewing the percentages, TIPIS is growing rapidly by focusing on outstanding customer service and tailoring packages that deliver superior coverage to business clients. Check what you are paying for your business insurance and contact Blaize – you may be surprised just how much more you can get for the same price.

Construction companies

After three consecutive years of record revenue and earnings, Icon Metal [Engineering Division, 100% owned] was significantly affected by the construction shutdown and associated coronavirus impact. Combined with increased costs as Icon Metal invested to meet Tier-1 customer timelines despite lost production hours and material price inflation, this resulted in a \$1.4m EBITDA loss prior to adding back abnormal costs. Icon's decision to prioritise customer delight over short-term profits has paid off, with the last few months of FY22 returning to profitability while industry competitors continue to face existential crises.

Teaminvest Private Residential Group (**TIPRG**) [Services Division, 100% owned], was also affected by the coronavirus construction impacts, supply chain disruptions and soaring building material inflation. FY22 revenue fell 35% compared to FY21, and EBITDA dropped to a loss of \$1.9m prior to adding back abnormal costs. In response TIPRG has materially adapted its operating model: shifting from a predominantly fixed cost manufacturing, construction and logistics business to a predominantly variable cost design and project management business. This change, combined with uncertainty in the residential construction sector, has resulted in a non-cash impairment of \$17.4m. More on the divergence between economic and accounting goodwill – and how understanding this can be used to enhance your returns - can be found on page 18.

Five portfolio companies delivered a record result.

Statutory Comprehensive Income (SCI)

Unlike Proportional Results, which are compiled on a proportional ownership (i.e. operating) basis, SCI is calculated in accordance with the Australian accounting standards in force at any time. It encompasses consolidation accounting where we control a business, equity accounting where we own a substantial share and have significant influence (typically between 20% and 50%), and investment accounting where we don't have significant influence (typically less than 20%).

While SCI is the official published result of the Group, shareholders should be aware of its limitations when using it to understand operating performance. The table below sets out our SCI and a summary balance sheet.

P&L					Balance Sheet				
	FY19	FY20	FY21	FY22		FY19	FY20	FY21	FY22
Revenue	28.4	89.0	91.4	92.7	Current assets	27.0	35.0	38.7	38.4
Operating expenses	(28.4)	(77.3)	(78.4)	(88.7)	Non-current assets	68.2	72.9	93.8	77.7
EBITDA	(0.0)	11.7	13.1	4.0	Total assets	95.2	108.0	132.5	116.2
D&A	(0.3)	(2.5)	(7.1)	(22.4)	Current liabilities	21.6	23.3	24.8	27.0
EBIT	(0.3)	9.2	5.9	(18.4)	Non-current liabilities	0.9	3.5	9.1	7.6
Interest income / (expense)	(2.3)	(0.3)	(0.1)	(0.3)	Total liabilities	22.5	26.8	33.9	34.6
PBT	(2.7)	8.9	5.8	(18.8)	Equity	72.7	81.2	98.6	81.5
Tax income / (expense)	0.2	(0.6)	(0.6)	1.0	Cash	6.7	10.8	12.3	6.4
Statutory NPAT	(2.5)	8.3	5.2	(17.8)	Total debt (traditional)	5.2	1.5	2.2	0.6
Abnormal items	-	(3.3)	1.7	21.9	Total debt (AASB 16)	5.2	5.6	6.0	4.2
Operating NPAT	(2.5)	5.0	6.9	4.2					

Comparison	FY20	FY21	FY22	Δ%
Statutory NPAT	8.3	5.2	(17.8)	(442%)
- insurance payout	(2.8)	-	-	
- FY20 windfall gain	(0.5)	-	-	
- ECT one-off bonus	-	0.4	-	
- Coastal Energy restructuring charge	-	0.6	-	
- Coastal Energy non-cash impairment	-	4.3	-	
- Teaminvest 'bargain purchase'	-	(3.7)	-	
- Other small items	-	0.2	-	
- Icon construction shutdown	-	-	2.6	
- Icon restructure (cash)	-	-	0.2	
- TIPRG construction shutdown	-	-	0.4	
- TIPRG restructure (cash)	-	-	0.0	
- TIPRG impairment (non-cash)	-	-	17.4	
- Acquisition amortisation (non-cash)	-	-	1.3	
Operating NPAT	5.0	6.9	4.2	(40%)

Note: Calculated on a 'post-tax' basis, assuming Group 30% marginal tax rate.

Comparing SCI across periods

I again include a reconciliation of Statutory NPAT with Operating NPAT (left).

This shows the after-tax effect of the 'abnormal' items in FY20, FY21 and FY22. Positive abnormal items refer to one-off costs that should be added back to compare Operating NPAT, and negative items refer to one-off gains that should be removed.

From the table you can see that Operating NPAT is significantly less volatile than Statutory NPAT [not surprisingly given the nature of accounting standards].

Our Operating NPAT declined by 40% to \$4.2m in FY22. This compares to a Statutory NPAT decline of 442%.

Reconciliation of Proportional Results to SCI

Because we own both wholly and partially owned businesses, comparing SCI and Proportional Results is not always intuitive.

As discussed on page 11, the key difference between Proportional Results and SCI is how the performance of partially owned Portfolio Companies is recorded.

Proportional Results "look through" to derive an attributable share. For example, where we own 30% of a business, this means recording 30% of revenue and EBITDA.

In contrast, SCI follows the accounting standards in only considering revenue and EBITDA from businesses we control. Where we don't control a business, revenue and EBITDA is excluded.

Rather than proportionally appearing in revenue and EBITDA, the performance of non-controlled businesses affects the SCI as follows:

- where we have significant influence, our share of their profits after tax (but not revenue or EBITDA) appears as "share of profits of associates"; and
- where we don't have significant influence, our share of dividends received (but not revenue or profits) is included in "other income".

A reconciliation of our SCI revenue and EBITDA to Proportional Revenue and EBITDA is provided above.

Explanation of abnormal items

Sydney coronavirus construction shutdown

As discussed in my HY22 letter, the unprecedented Sydney coronavirus construction shutdown materially impacted the performance of Icon Metal and TIPRG. From October to January as the disruption and costs flowed through, Icon Metal and TIPRG posted a combined EBITDA loss of \$4.3m, equivalent to \$3.0m after tax.

Proportional Revenue (non-IFRS)				
	FY20	FY21	FY22	Δ%
Statutory Revenue (post-abnormals)	89.0	91.4	92.7	1%
- net other income (incl. abnormals)	1.8	2.5	0.7	
Proportional Revenue (pre-abnormals) from controlled companies	90.8	93.9	93.4	(1%)
Proportional Revenue from non-controlled companies	47.3	50.7	58.8	
Proportional Revenue (pre-abnormals)	138.1	144.6	152.1	5%
Proportional EBITDA (non-IFRS)				
	FY20	FY21	FY22	Δ%
SCI EBITDA (post-abnormals)	11.7	13.1	4.0	(70%)
- insurance payout	(2.8)	-	-	
- FY20 windfall gain	(0.7)	-	-	
- ECT one-off bonus	-	0.6	-	
- Coastal Energy restructuring charge	-	0.9	-	
- Teaminvest 'bargain purchase'	-	(3.7)	-	
- Other small items	-	0.3	-	
- Icon construction shutdown	-	-	3.6	
- Icon restructure (cash)	-	-	0.2	
- TIPRG construction shutdown	-	-	0.6	
- TIPRG restructure (cash)	-	-	0.0	
SCI EBITDA (pre-abnormals)	8.2	11.0	8.5	(23%)
- remove corporate costs	3.9	2.5	3.0	
- remove share of profits from significant influence	(1.9)	(2.9)	(2.7)	
- other adjustments	0.2	(0.3)	0.2	
Proportional EBITDA from controlled companies	10.5	10.4	9.0	(14%)
Proportional EBITDA from non-controlled companies	3.1	4.3	4.6	5%
Proportional EBITDA (pre-abnormals)	13.6	14.7	13.5	(8%)

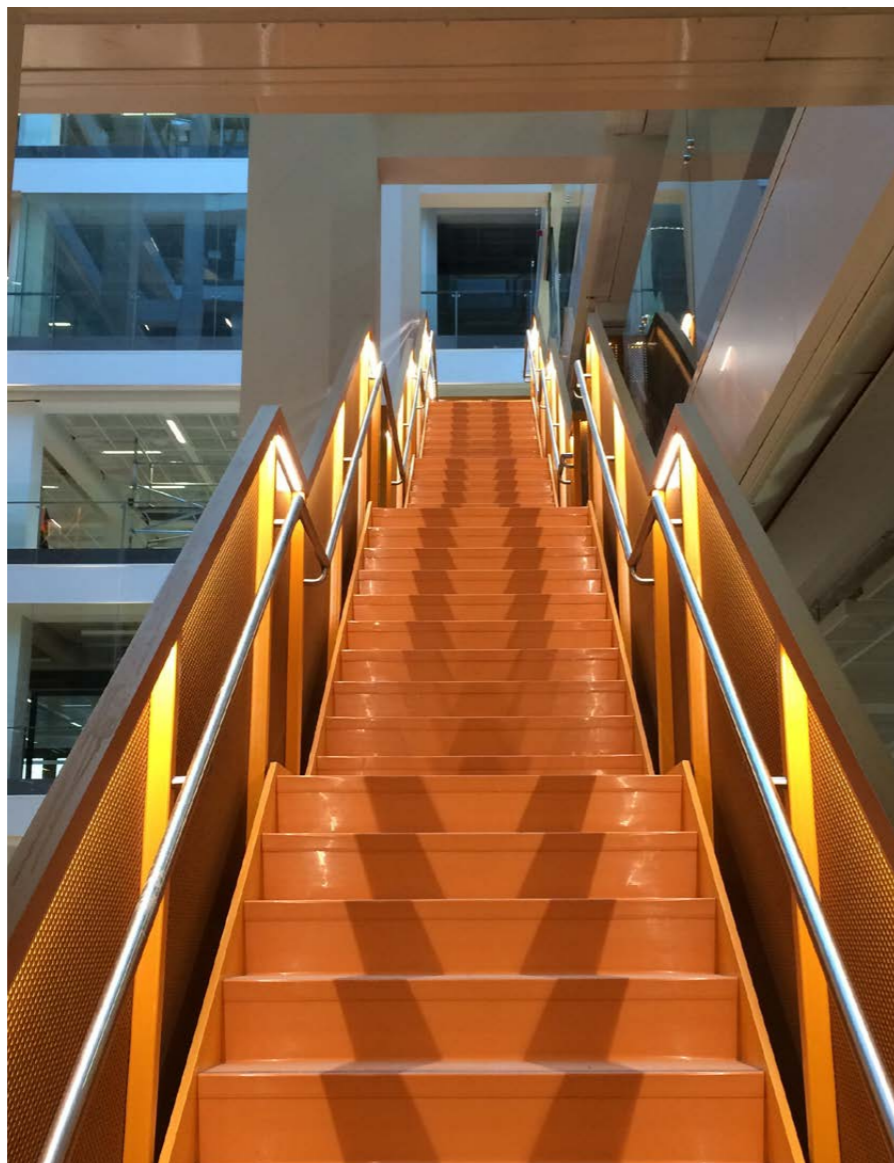
This compares to a combined positive EBITDA of \$1.2m (\$0.8m after tax) delivered by these companies in the same months of FY21. The total impact of the shutdown and its flow-on was therefore \$5.5m at the EBITDA line (\$3.8m after tax), although we have conservatively only classified the realised losses (and not the hypothetical foregone comparison gains) as the abnormal portion of the impact.

TIPRG non-operating charge

In response to the coronavirus and ongoing supply chain disruptions experienced by the residential construction sector, we took the step in June 2022 of redesigning TIPRG from being “supply” focused to “design” focused.

We have increased capability in the front-end of our service offering (design, customer service, project management and advice) and begun phasing out the back-end service offerings (supply chain management, construction and direct manufacturing). We expect this will enhance the parts of our business that customers value most, while reducing risk of supply chain disruption. It also has the benefit of converting formerly fixed to variable costs in line with our focus on improving BESM (BESM is discussed in more detail in the guidance documents that follow this letter).

We believe these changes are good long-term strategy and position the business to grow in a disrupted industry, but they come at a short-term cost. The change in operating model, at the same time as a poor financial year, has resulted in a write-off of the entirety of goodwill (\$16.6m) and a write-down of other assets (\$0.8m) associated with the TIPRG business. A \$17.4m non-cash cost that affects our SCI and balance sheet but not our operations.



Metalwork by Icon Metal

Acquisition amortisation

When we acquire any business, the accounting standards require us to record the fair value of all assets on acquisition.

In FY21 we acquired two businesses: Automation Group and Teaminvest. The calculation of fair value was conducted by EverEdge Global, a global leader in intellectual asset valuation. The exercise identified \$22.0m of intangible assets, including: technology (\$6.7m); confidential information and know how (\$5.9m); goodwill (\$3.9m); network and relationships (\$2.2m); brand (\$1.8m); customer relationships (\$0.5m); regulatory approval (\$0.3m); formation costs (\$0.3m); software (\$0.3m); and content (\$0.2m).

Under the accounting standards, some of these assets (like goodwill, brand and confidential information) are held on balance sheet and tested for impairment each period. Others are treated like motor vehicles and “amortised” (the term for the depreciation of an intangible asset) over periods of three to 15 years.

With no impact on cash, and despite both Automation Group and Teaminvest having a positive year (my letter has already covered the new records set by Teaminvest), we have therefore incurred a \$1.3m amortisation charge in FY22 and expect to incur similar amortisation charges in future years.

Just as we exclude “gains” from identifying intangible assets for Proportional Results (see my FY20 and FY21 letters), so too are corresponding amortisation “losses” excluded. What the accounting lords giveth, they taketh way.



East Coast Traffic Control

In response to the challenges in residential construction, we redesigned TIPRG from being “supply” focused to “design” focused.

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Glass by DecoGlaze



One-off items last year (FY21)

During our comparison period the Group recorded one-off abnormal impacts from the:

- ECT long-term reward;
- Coastal Energy restructure and impairment; and
- Teaminvest acquisition.

If you would like more information about these abnormal items, greater detail can be found in the FY21 CEO letter.

Education: the divergence of economic and accounting goodwill

Each reporting season the appearance of large, non-cash, impairment charges amongst some listed companies gives rise to a familiar argument.

In the one camp are those who argue that all impairments are meaningless and should be ignored when considering the performance of a company (“cash is king!” is the old refrain). In the other camp are those who argue that impairments are critical in determining performance (“the only part of underlying profit that is true is the use of the word lying!” is the witty rejoinder).

Much of the argument arises because the two camps use different understandings of goodwill. Each is right... if only the other would adopt their definition!

In a reporting season with more than the usual share of impairments due to the confluence of covid, rising interest rates, soaring inflation and supply chain disruptions, I thought it would be valuable for shareholders if I focus the ‘education’ section of this letter to explain the divergence between economic and accounting goodwill: with a special focus on how understanding this can help generate better returns.

Understanding goodwill can impact your investing returns
Impairments are almost certain to occur to companies in your portfolio over time. When they do, they are likely to be sudden and large. Understanding what they mean is therefore critical in making good investing decisions.

This is particularly important as most market analysts either exclude impairments when presenting earnings (avoiding the fluctuation but potentially failing to alert you of a major risk) or carry them in full (presenting the appearance of volatility when none may exist).

Investors who understand the cause of impairments, and what they can tell us, are likely to earn greater returns than those who ignore them completely or panic on the news of a sudden drop in non-cash profits. For those interested in seeing how the “Rules and Realities” of goodwill have always been of importance to value investors, I refer you to the appendix Warren Buffett wrote and attached to the 1983 Berkshire Hathaway shareholder letter, reproduced in full following my report. The need to understand goodwill better hasn’t changed in 40 years!

To understand impairments, we need to understand goodwill
When we think of goodwill, most of us will have one of two competing images.

In the one camp will be those to whom the concept of goodwill is synonymous with an accounting entry on a balance sheet. This camp will correctly state that goodwill is the “amount by which the price of an acquisition exceeds the value of the net identifiable assets”. Goodwill is an accounting entry to ensure a “balance” sheet does just that.

The need to understand goodwill better hasn’t changed in 40 years.

In another camp will be those to whom the concept of goodwill refers to the qualities of a business that allow it to derive revenue and profit. It is the intellectual property, the business know-how, reputation, processes and the value of the employees that work for it to deliver an outcome that delights customers and delivers returns. Goodwill is what Warren Buffet terms the “moats” of a business.

Both are right.

Economic goodwill is a value that flows over time. Every action that delights customers and increases their willingness to pay enhances economic goodwill, creating moats and increasing returns. Every action that disappoints customers will reduce their willingness to pay and “impair” economic goodwill, weakening moats and reducing returns. For this reason, US research house Ocean Tomo calculated that in 2020 more than 90% of the S&P 500’s market capitalisation was made up of intangible assets (another synonym for economic goodwill), up from just 17% in 1975. Further illustrative of this gulf, in 2018 the global insurer Aon calculated that \$21tn of the value insured in the S&P 500 comes from intangible assets, more than five times the same value of the tangible assets such as property, people and equipment insured at these same companies.

In contrast, but equally correct, accounting goodwill is a static measure. Accounting goodwill is generated not by delighting customers, developing patents, training staff or creating moats, but to preserve the balancing necessity of the accounting identity at the time of acquisition.

The history of accounting goodwill

To understand how this divergence between the two “goodwills” occurred, a brief look at the history of accounting is instructive.

As readers may know, in the 14th century the merchants of Florence introduced the concept of double-entry accounting to the bankers of Europe. This standard, creating the system of debits and credits that remains the bane of every first-year commerce student today, was vastly superior to the standard of accounting then in use since it enabled a snapshot of an entity’s position to be created at any point in time that could be verified simply by seeing if it “balanced” (i.e. the sum of all debits equalled the sum of all credits). From this invention came the “balance sheet”: a summation of all these credits and debits into categories associated with specific assets and liabilities. Each balance sheet entry represented the net credit or debit position of each “identifiable” item on the general ledger.

The power of the balance sheet was three-fold:

- Firstly, it provided a vastly improved system of verifying the position of an entity, vital for bankers in determining if they wished to extend a loan.
- Secondly, it allowed the owner of an entity to see in table form where their capital was deployed: this amount was in cash, this amount was in stock, and that amount was owing to those meddling Medici!
- Thirdly, it created the first accounting identity “Assets = Liabilities + Equity”, from which all further improvements to the system of accounting were enabled. Without this identity, the concept of a profit and loss statement, or accrual accounting, could not be possible.

All rules create exceptions

While the double-entry accounting system created a vastly improved system of accounting it also had some limitations. One noticeable gap is that the accounting identity that “Assets = Liabilities + Equity” doesn’t work when trading non-tangible goods.

The first example that struck early accounting pioneers was that of art. Italy of the 14th century quickly gave way to the Renaissance of the 15th century and the explosion of art and art appreciation it entailed. When the same Medici bankers elected to beautify their city with the works of Leonardo and Michelangelo, the accounting identity just didn’t hold up. The value they were being asked to pay for the newest fresco or statue, vastly exceeded the assets expended in its creation!

Enter the “intangible asset”: the 15th century accountants attempt to tread the fine line between preserving the identity and not angering the duke whose profligate spending needed to be reflected in the accounts. Quickly severed from employment (if not their shoulders) was the head of the young deacon bookkeeper who told Pope Sixtus IV that the Sistine Chapel’s ceiling was worth only the sum of the pigments and brushes used by the temperamental artist.

To understand how divergence between the two “goodwills” occurred, a brief look at the history of accounting is instructive.



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This system, with its minor addition of intangible assets served its purpose well for another hundred years... until the formation of stock markets in the early 17th century.

With the invention of the stock market our enlightenment accountants were faced with a new challenge: how could they explain that people would be willing to purchase a share for more than the proportion of equity to which it entitled the owner?

Faced with being caught between either denying the reality or telling these early boards of directors that they were crazy for overpaying, enterprising accountants developed the term “goodwill” to represent the gap. Rather than “overpaying”, these bewigged directors were paying for the “goodwill” of the business’ customers and suppliers... a far nicer term to see in their report to “joint-stock holders”.

And despite the odd-hiccough, the system worked well. As late as 1949, Benjamin Graham could advocate that one of the key avenues to value investing was to pay less for a stock than the proportion of net tangible assets it represented.

It has only been with the change in society from one based on land (agriculture) and fixed assets (industrial machinery) that the amounts represented by these tweaks to the accounting identity, have caused material divergence. Today as the studies by Aon and Ocean Tomo show, most businesses are worth far more than the depreciated value of their identifiable assets (gone are the days when desks are worth more than the people at them!), and therefore most acquisitions of a business create an entry for accounting goodwill. An entry that isn't just a small line to account for the exuberance of our 17th century brethren, but an entry that can represent the majority of value acquired.

Impairments

The rise of accounting goodwill as a material item on balance sheets created a problem for accounting regulators.

To ensure that management couldn't game the system and increase the net assets of a company simply by acquiring and overpaying for businesses (remember Enron?), regulators required that accounting goodwill – the goodwill created from assets changing hands rather than moats delivering customer delight – is examined twice a year. While the accounting standards list a detailed set of potential impairment indicators, they broadly fall into three categories:

1. Do the operations that gave rise to the accounting entry still exist?

If not, the goodwill no longer exists. This test ensures management can't grow net assets through financial trickery: buying businesses, creating goodwill, and then closing them without fanfare while keeping the inflated net asset figure.

2. Do recent market transactions support the price paid for the business?

If not, a reduction in goodwill must be considered. This test ensures that net assets can't be inflated by overpaying. For example, Square (now Block) announced a \$39bn acquisition of Afterpay this year in the largest acquisition in Australian history; and this test allows auditors to ask if that is still a “fair and reasonable” reflection of value acquired in light of current market conditions.

3. Do the profits of the business, valued on a discounted cashflow valuation basis, exceed the amount paid?

If not, the goodwill must be written down. This test determines if the business, as it currently stands, justifies the value held on the company's books.

If any of these tests are failed, the reduction in goodwill is referred to as an impairment, reflected in the balance sheet as a reduced intangible asset value and in the P&L as an expense.

Accounting goodwill can only decrease; economic goodwill ebbs and flows

Economic goodwill is derived by changes to a business that make it stronger or weaker. It is a measure that can increase or decrease over time and is a function of strategic decision making. The test of economic goodwill is whether a business will deliver appropriate returns to shareholders over the course of one or more economic cycles.

Contrastingly, accounting goodwill is a static measure that can only ever decrease. It is usually tested by projecting results over half an economic cycle (five years) and adding a terminal value based on the results in the fifth year. Accounting goodwill thus looks at the business as it is today, and asks if the price that was paid is justified in terms of:

- a) Is it the same as what was acquired?
- b) Does the current market cycle support comparable prices? and
- c) Do short-term cashflow projections pay back the acquisition cost?

How can we use this to enhance returns?

The divergence between economic and accounting goodwill allows us to ask five questions that can enhance our returns.

Knowing whether or not an impairment reflects a long-term change to economic goodwill can help a conscious investor decide if market reactions present a buying or selling opportunity.

Question 1: Has economic goodwill risen or fallen?

No matter how well a business is run, accounting goodwill can never increase. It is therefore valuable to ask each reporting period: "have the moats of the business become stronger or weaker?". With stronger moats, long-term profits are likely to rise, and the value of the business exceed that shown on the balance sheet. With weaker moats, earnings are likely to decline in the long-term, and shareholders suffer decreasing returns.

Question 2: Is an impairment (or its absence) evidence of bad tactics or good strategy?

Impairment testing risks rewarding bad tactics over good strategy. Good strategic decisions usually require sacrifice today for the chance to do better in future. However, impairment testing looks at the "here and now": modelling out only half an economic cycle (five years). This can create a tension between good strategy and bad tactics – especially if good strategy will take time to deliver results. Kodak's decision to hide their patent for a digital camera makes more sense when considered in this light: the board and executives who willingly propose incurring a large impairment by disrupting a historically profitable business model tend to have less job security than those willing to kick the can down the road.

If we are confident economic goodwill has risen at the same time an impairment occurs, we can use this knowledge to pounce on a great purchase if Mr Market reacts negatively. Conversely, if economic goodwill has fallen without an impairment, it may be a good time to look for alternative homes for our capital before Mr Market wakes up.

Question 3: What does the size of goodwill, or an impairment, tell us about attitude to risk?

Goodwill often accounts for more than 90% of the value of an acquisition. This means the size of an impairment is likely on average to be 90% or more of the initial acquisition price. Such a figure is likely to dwarf any annual operating profits or losses. For example, if a business is acquired for ten times profit and 90% goodwill, then a full impairment would be on average nine times the profits generated in a normal year.



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A large carrying goodwill balance, or a large impairment, therefore tells us very little on its own. However, what is valuable to long-term investors is what the ratio of goodwill to equity can tell us about the risk appetite of management. A risk averse management team is likely to generate a lower ratio of goodwill to equity than one more accepting of risk.

Question 4: Is an impairment a buying opportunity or the time to sell out?

Impairments are sudden. Because impairment testing utilises a short review horizon, small changes in input assumptions like growth rates, discount rates or comparable market prices, can generate large swings in outcome. One period the business may pass an impairment test with flying colours, and the next it may fail and be impaired with only a few tweaks to the forecasts.

Consider the situation of a business making \$1m per annum of profit and acquired for a multiple of ten. Under impairment testing, this business must be tested across the three criteria every six months: Is it the same? Do market prices still support a \$10m valuation? Do its profits justify the \$10m price over the next five years? It is quite feasible that a small change in market multiples or interest rates, or a short-term drop in profits, can cause the business to fail a test it previously passed with ease (the recent rise in interest rates and spate of tech impairments provides a graphic example).

Knowing whether or not an impairment reflects a long-term change to economic goodwill can help a conscious investor decide if market reactions present a buying or selling opportunity.

Question 5: Can an impairment tell us something about trustworthiness?

Very few acquisitions ultimately escape impairment regardless of long-term performance. Few businesses remain substantially the same after an economic cycle or two. Interest rates continually change. Mr Market is bipolar. Over several economic cycles most businesses experience at least one temporary downturn.

While impairments in general are to be expected, asking how a specific impairment is disclosed helps an investor judge the trustworthiness of management. Look at the language used in the CEO or Chair's report, and how remuneration in future years is structured. More than one company has swept poor strategy under the rug by glossing over the "non-cash" nature of impairments; and more than one executive has used a now lower comparison period to increase remuneration when results return to normal.

Economic goodwill will almost certainly exceed accounting goodwill.

What does goodwill tell us about TIP Group?

TIP Group makes regular acquisitions and will regularly have new entries for accounting goodwill on our balance sheet. We also tend to acquire medium-sized businesses which are subject to greater volatility than their larger peers¹.

TIP Group therefore expects that:

Firstly, **our economic goodwill will almost certainly exceed accounting goodwill.** When we make a great acquisition, we can never increase the amount at which it is held on our balance sheet. The moats may be stronger and the profits larger but there can be no increase in the value assigned to it on our balance sheet.

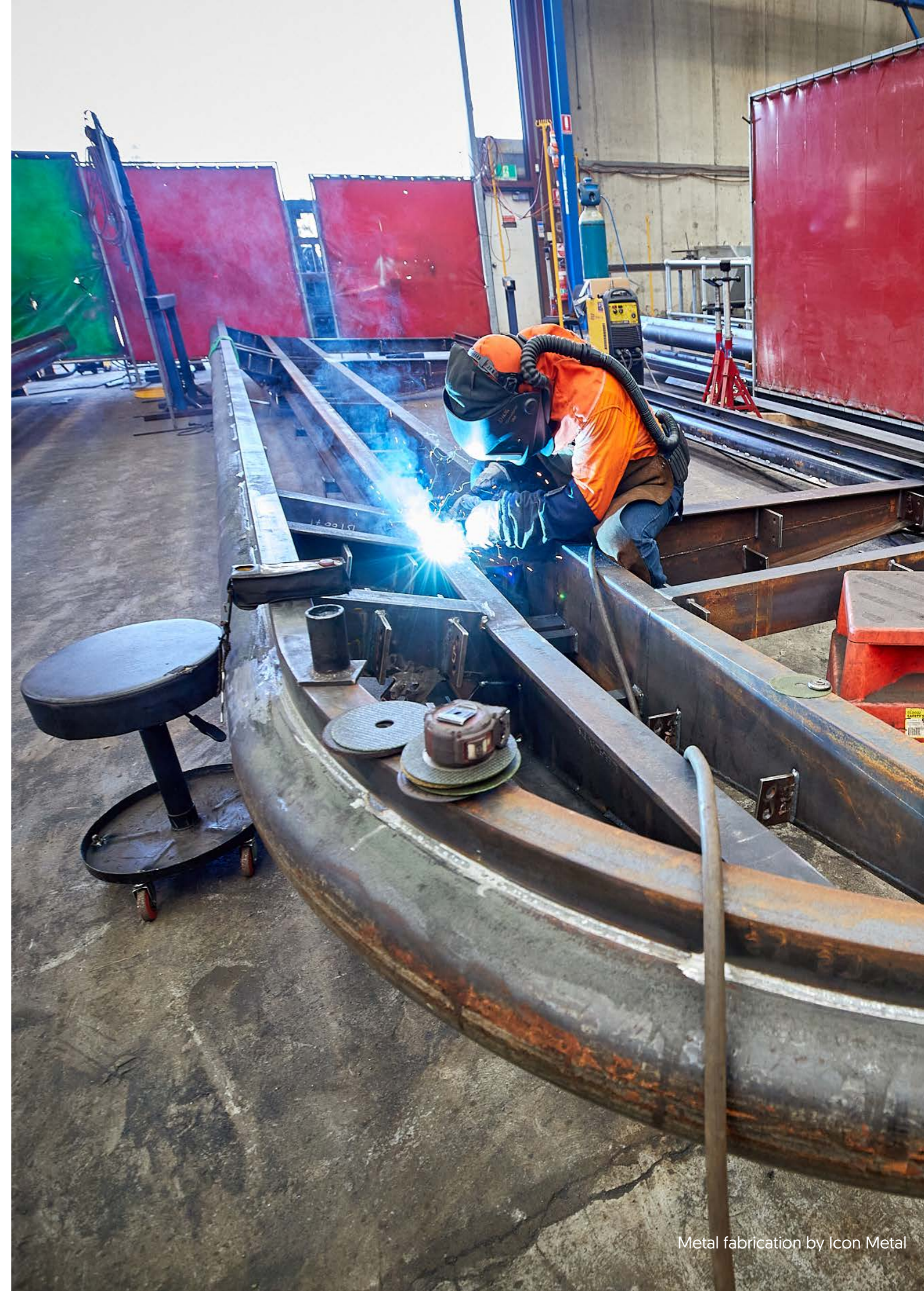
In contrast, if an acquisition ever fails the impairment tests (even if only due to short-term uncertainty), we must immediately decrease the carrying value which we assign to it and take an impairment.

Over time we expect this means our balance sheet will substantially understate the true economic value of our business.

Secondly, **TIP Group risks impairments.** Each time TIP Group acquires a new business or makes a strategic change with the aim of enhancing long-term value, the company risks a future impairment. This is a truism: with each acquisition, and each strategic change, there is a greater likelihood that an individual impairment test fails in any period. Our job as management is therefore threefold:

1. To acquire businesses which, over the long-term, increase economic goodwill beyond accounting goodwill. By achieving a better than 50% success rate, TIP Group's value will exceed our balance sheet position.
2. To maintain the internal fortitude to make good strategic decisions regardless of the risk of impairment. Good strategy delivers compound returns. Avoiding an impairment can only save a one-off, non-cash, expense.
3. To be good stewards of shareholder capital. Good stewards of shareholder capital should be conservative and impair goodwill immediately upon failing a test. By taking our medicine quickly, and not hiding it or obfuscating, we build a culture that rewards executives for being honest and acting quickly. Businesses which kick the can down the road, or obfuscate the underlying cause, are destined for long-term problems regardless of any short-term benefits.

¹ We do this deliberately: being smaller might come with greater volatility, but it also allows us to generate increases in value from our contribution of mentorship and capital support. If interested, see my 1H22 letter for more detail.



TIP Group's current goodwill

Below is a table summarising the current goodwill balances across our portfolio, along with the purchase price we paid to acquire the asset and the returns generated from FY19 to FY22.

Portfolio Company	Acquisition date	Acquisition value			Segment EBITDA (FY19 - FY22)	Return (FY19 - FY22)	Goodwill (@acq)		Goodwill (@current)
		Cash cost	Shares issued	(@current)			Impairments		
Graham Lusty Trailers	May-19	1.0	16.8	10.7	13.1	122%	10.5	-	10.5
TIP Residential Group	May-19	1.5	28.5	18.0	2.9	16%	20.9	(20.9)	-
East Coast Traffic Control	May-19	-	5.1	3.0	5.1	171%	3.1	-	3.1
Icon Metal	May-19	0.7	13.4	8.4	12.4	147%	8.6	-	8.6
Colour Capital	May-19	-	9.8	5.7	4.4	78%	-	-	-
Multimedia Technology	May-19	1.0	9.0	6.2	9.5	153%	-	-	-
TIP Insurance Services	Sep-19	0.1	-	0.1	0.0	53%	-	-	-
TIP Trustees	May-20	0.1	-	0.1	0.4	668%	-	-	-
Automation Group	Sep-20	-	4.6	2.6	0.7	28%	3.7	-	3.7
Teaminvest	Jun-21	-	12.7	7.4	1.8	24%	-	-	-
Diversified Growth Management	Nov-21	-	-	-	0.0	n.m.	0.2	-	0.2
Wood & Lee	Nov-21	0.2	-	0.2	0.0	11%	-	-	-
TIP UK	Feb-22	2.1	-	2.1	(0.1)	(4%)	-	-	-
Coliving Future Property Fund	Jun-22	-	-	-	(0.1)	n.m.	-	-	-
Burman Invest	Jun-22	0.2	-	0.2	-	-	0.1	-	0.1
TIP Sterling Debt Fund	Aug-22	-	-	-	-	-	-	-	-
Total		6.8	99.8	64.7	50.3	78%	46.9	(20.9)	26.1

Note:
 1. Acquisition cost uses a share price of \$0.58, as at 22 August 2022.
 2. Return > 100% means TIP has to date received more in EBITDA than was spent to acquire the stake in the entity. A return of 0 - 100% means TIP has received profits but the sum of those profits is yet to exceed acquisition cost. A return <0% means the entity has made a loss to TIP and has yet to repay any of the acquisition cost.

Year ahead

In my 1H22 letter I wrote:

"The second half of FY22 will require significant adjustment throughout the economy. As government stimulus reduces, inflation rises and society learns to live with the coronavirus, our management teams will need vigilance to navigate their businesses towards profitable opportunities and around potential pitfalls.

We are confident the majority of our outstanding Company management and boards will continue finding ways to enhance and exploit their moats, while reacting quickly and decisively to any risks that arise.

As competitors find themselves in difficulty, we will be ready take advantage. When we get it wrong [as we sometimes will], we will quickly accept our mistakes and change course."

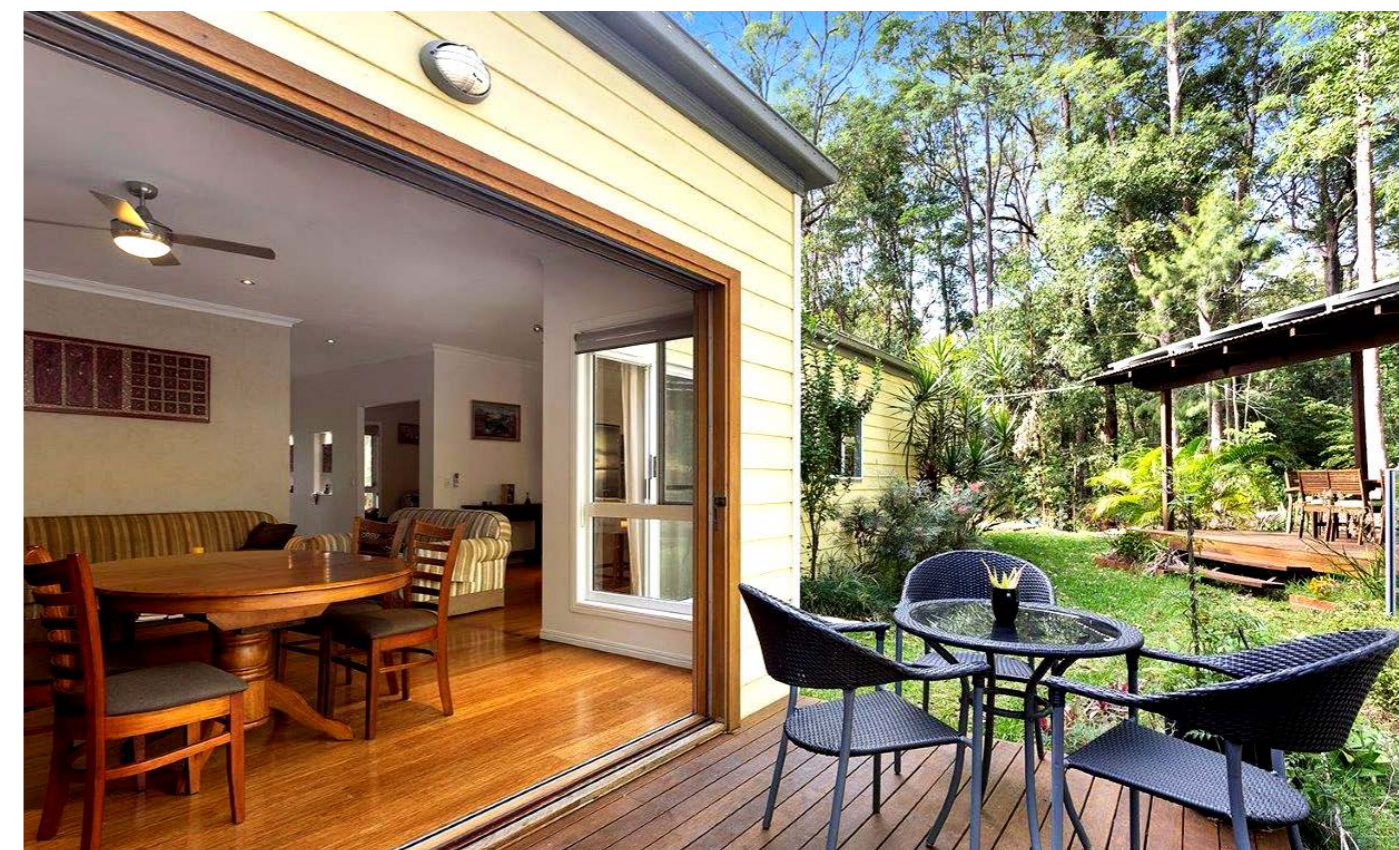
The second half of FY22 did just that. Inflation rose, society struggled to adapt to the "new normal" and we have entered a period of economic upheaval. We made acquisitions as others became fearful, and our outstanding management teams adapted and repositioned.

During the year:

- We acquired or established seven new Portfolio Companies (six if you exclude Teaminvest, acquired on the last day of the previous year). These increase our stock of valuable intellectual property and should generate substantial and growing profits;
- Five of the ten Portfolio Companies we owned for the full year delivered record earnings despite the challenges of a pandemic, rising inflation, rising interest rates, material supply shortages, Ukraine war and trade restrictions; and
- Our management and Selected Shareholders redesigned and improved operations at our two construction businesses to increase future profitability, while reducing future exposure to inflation and supply shortages.

FY23 promises to deliver significant growth. The expansion of our geographical footprint, our increase in financial services offerings, and the continued mentorship and development of our talented Portfolio Company management, positions TIP Group strongly for the next twelve months.

FY23 promises to deliver significant growth.



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Long-term goals

FY22 marks 10 years since our inception in January 2012.

In my very first presentation to potential investors (many of whom still own shares and act as Selected Shareholders) I ended on the following slide reproduced to the right.

Our goal has never changed. We established TIP to provide a mechanism for successful people to generate outstanding returns by mentoring and developing the next generation of Australian businesses.

Our first ten years have done just that.

Our goal for the next ten years is to expand our business further into financial services both in Australia and abroad so that we can continue to fulfil our mission of investing the wealth and experience of successful people to develop the next generation of business leaders.

We have never deviated from this noble purpose. That focus has taken us from an idea in January 2012 to a listed financial institution ten years later. I would be disappointed if our next ten years doesn't result in a similar level of growth in our scale and an impact on the business community. Especially now that we have brought so many exceptionally talented executives into the team.

Echoing our goals from 2012, in my first public letter to the market in 2019 I wrote that:

“Looking forward ten years we want to develop and grow an ever-increasing portfolio of entrepreneurial CEOs who think differently to their competition and enhance society while delivering outstanding profits. Whenever we look at acquiring a new business, or mentoring an existing one, we do so through a lens of growing management and business capability: our people and our moats.”

Just as my closing slide from 2012 rings true today, I expect this statement from 2019 will be equally as valid when I write to you in 2030. The difference being that we should be closer to our vision of building a society where the knowledge we accumulate over a lifetime isn't lost, forcing the next generation to learn (and earn) it all again.

Profiting from Teaminvest Private

Access to private *Wealth Winners*®

Access to illiquid listed *Wealth Winners*®

Input to corporate governance

Helping to grow the companies in which you invest

“More enjoyable and profitable investing”



A final word

If you are excited by our noble purpose, and would like to participate in our unique organisation, [please apply online to become a Selected Shareholder](#). The knowledge you bring, and the value you add, will accelerate our future growth.

Best wishes,

Andrew Coleman
CEO
Teaminvest Private Group Limited



Teaminvest meeting

Goodwill and its Amortization: The Rules and The Realities

By Warren Buffett, 1983 Berkshire Hathaway letter to shareholders

This appendix deals only with economic and accounting Goodwill – not the goodwill of everyday usage.

For example, a business may be well liked, even loved, by most of its customers but possess no economic goodwill. (AT&T, before the breakup, was generally well thought of, but possessed not a dime of economic Goodwill.) And, regrettably, a business may be disliked by its customers but possess substantial, and growing, economic Goodwill. So, just for the moment, forget emotions and focus only on economics and accounting.

When a business is purchased, accounting principles require that the purchase price first be assigned to the fair value of the identifiable assets that are acquired. Frequently the sum of the fair values put on the assets (after the deduction of liabilities) is less than the total purchase price of the business. In that case, the difference is assigned to an asset account entitled “excess of cost over equity in net assets acquired”. To avoid constant repetition of this mouthful, we will substitute “Goodwill”.

Accounting Goodwill arising from businesses purchased before November 1970 has a special standing. Except under rare circumstances, it can remain an asset on the balance sheet as long as the business bought is retained. That

means no amortization charges to gradually extinguish that asset need be made against earnings.

The case is different, however, with purchases made from November 1970 on. When these create Goodwill, it must be amortized over not more than 40 years through charges – of equal amount in every year – to the earnings account. Since 40 years is the maximum period allowed, 40 years is what managements (including us) usually elect. This annual charge to earnings is not allowed as a tax deduction and, thus, has an effect on after-tax income that is roughly double that of most other expenses.

That’s how accounting Goodwill works. To see how it differs from economic reality, let’s look at an



example close at hand. We’ll round some figures, and greatly oversimplify, to make the example easier to follow. We’ll also mention some implications for investors and managers.

Blue Chip Stamps bought See’s early in 1972 for \$25 million, at which time See’s had about \$8 million of net tangible assets. (Throughout this discussion, accounts receivable will be classified as tangible assets, a definition proper for business analysis.) This level of tangible assets was adequate to conduct the business without use of debt, except for short periods seasonally. See’s was earning about \$2 million after tax at the time, and such earnings seemed conservatively representative of future earning power in constant 1972 dollars.

Thus our first lesson: businesses logically are worth far more than net tangible assets when they can be expected to produce earnings on such assets considerably in excess of market rates of return. The capitalized value of this excess return is economic Goodwill.

In 1972 (and now) relatively few businesses could be expected to consistently earn the 25% after tax on net tangible assets that was earned by See’s – doing it, furthermore,

with conservative accounting and no financial leverage. It was not the fair market value of the inventories, receivables or fixed assets that produced the premium rates of return. Rather it was a combination of intangible assets, particularly a pervasive favorable reputation with consumers based upon countless pleasant experiences they have had with both product and personnel.

Such a reputation creates a consumer franchise that allows the value of the product to the purchaser, rather than its production cost, to be the major determinant of selling price. Consumer franchises are a prime source of economic Goodwill. Other sources include governmental franchises not subject to profit regulation, such as television stations, and an enduring position as the low cost producer in an industry.

Let’s return to the accounting in the See’s example. Blue Chip’s purchase of See’s at \$17 million over net tangible assets required that a Goodwill account of this amount be established as an asset on Blue Chip’s books and that \$425,000 be charged to income annually for 40 years to amortize that asset. By 1983, after 11 years of such charges, the \$17 million had been reduced to about \$12.5 million. Berkshire, meanwhile, owned

Our first lesson: businesses logically are worth far more than net tangible assets.

60% of Blue Chip and, therefore, also 60% of See's. This ownership meant that Berkshire's balance sheet reflected 60% of See's Goodwill, or about \$7.5 million.

In 1983 Berkshire acquired the rest of Blue Chip in a merger that required purchase accounting as contrasted to the "pooling" treatment allowed for some mergers. Under purchase accounting, the "fair value" of the shares we gave to (or "paid") Blue Chip holders had to be spread over the net assets acquired from Blue Chip. This "fair value" was measured, as it almost always is when public companies use their shares to make acquisitions, by the market value of the shares given up.

The assets "purchased" consisted of 40% of everything owned by Blue Chip (as noted, Berkshire already owned the other 60%). What Berkshire "paid" was more than the net identifiable assets we received by \$51.7 million, and was assigned to two pieces of Goodwill: \$28.4 million to See's and \$23.3 million to Buffalo Evening News.

After the merger, therefore, Berkshire was left with a Goodwill asset for See's that had two components: the \$7.5 million remaining from the 1971 purchase, and \$28.4 million newly

created by the 40% "purchased" in 1983. Our amortization charge now will be about \$1.0 million for the next 28 years, and \$.7 million for the following 12 years, 2002 through 2013.

In other words, different purchase dates and prices have given us vastly different asset values and amortization charges for two pieces of the same asset. (We repeat our usual disclaimer: we have no better accounting system to suggest. The problems to be dealt with are mind boggling and require arbitrary rules.)

But what are the economic realities? One reality is that the amortization charges that have been deducted as costs in the earnings statement each year since acquisition of See's were not true economic costs. We know that because See's last year earned \$13 million after taxes on about \$20 million of net tangible assets – a performance indicating the existence of economic Goodwill far larger than the total original cost of our accounting Goodwill. In other words, while accounting Goodwill regularly decreased from the moment of purchase, economic Goodwill increased in irregular but very substantial fashion.

Another reality is that annual amortization charges in the future will

not correspond to economic costs. It is possible, of course, that See's economic Goodwill will disappear. But it won't shrink in even decrements or anything remotely resembling them. What is more likely is that the Goodwill will increase – in current, if not in constant, dollars – because of inflation.

That probability exists because true economic Goodwill tends to rise in nominal value proportionally with inflation. To illustrate how this works, let's contrast a See's kind of business with a more mundane business. When we purchased See's in 1972, it will be recalled, it was earning about \$2 million on \$8 million of net tangible assets. Let us assume that our hypothetical mundane business then had \$2 million of earnings also, but needed \$18 million in net tangible assets for normal operations. Earning only 11% on required tangible assets, that mundane business would possess little or no economic Goodwill.

A business like that, therefore, might well have sold for the value of its net tangible assets, or for \$18 million. In contrast, we paid \$25 million for See's, even though it had no more in earnings and less than half as much in "honest-to-God" assets. Could less really have been more, as our purchase price implied?

The answer is "yes" – even if both businesses were expected to have flat unit volume – as long as you anticipated, as we did in 1972, a world of continuous inflation.

To understand why, imagine the effect that a doubling of the price level would subsequently have on the two businesses. Both would need to double their nominal earnings to \$4 million to keep themselves even with inflation. This would seem to be no great trick: just sell the same number of units at double earlier prices and, assuming profit margins remain unchanged, profits also must double.

But, crucially, to bring that about, both businesses probably would have to double their nominal investment in net tangible assets, since that is the kind of economic requirement that inflation usually imposes on businesses, both good and bad. A doubling of dollar sales means correspondingly more dollars must be employed immediately in receivables and inventories. Dollars employed in fixed assets will respond more slowly to inflation, but probably just as surely. And all of this inflation-required investment will produce no improvement in rate of return. The motivation for this investment is the survival of the business, not the prosperity of the owner.

Remember, however, that See's had net tangible assets of only \$8 million. So it would only have had to commit an additional \$8 million to finance the capital needs imposed by inflation. The mundane business, meanwhile, had a burden over twice as large – a need for \$18 million of additional capital.

After the dust had settled, the mundane business, now earning \$4 million annually, might still be worth the value of its tangible assets, or \$36 million. That means its owners would have gained only a dollar of nominal value for every new dollar invested. (This is the same dollar-for-dollar result they would have achieved if they had added money to a savings account.)

See's, however, also earning \$4 million, might be worth \$50 million if valued (as it logically would be) on the same basis as it was at the time of our purchase. So it would have gained \$25 million in nominal value while the owners were putting up only \$8 million in additional capital – over \$3 of nominal value gained for each \$1 invested.

Remember, even so, that the owners of the See's kind of business were forced by inflation to ante up \$8 million in additional capital just to stay even in real profits. Any unleveraged

While accounting Goodwill regularly decreased from the moment of purchase, economic Goodwill increased in irregular but very substantial fashion.

business that requires some net tangible assets to operate (and almost all do) is hurt by inflation. Businesses needing little in the way of tangible assets simply are hurt the least.

And that fact, of course, has been hard for many people to grasp. For years the traditional wisdom – long on tradition, short on wisdom – held that inflation protection was best provided by businesses laden with natural resources, plants and machinery, or other tangible assets (“In Goods We Trust”). It doesn’t work that way. Asset-heavy businesses generally earn low rates of return – rates that often barely provide enough capital to fund the inflationary needs of the existing business, with nothing left over for real growth, for distribution to owners, or for acquisition of new businesses.

In contrast, a disproportionate number of the great business fortunes built up during the inflationary years arose from ownership of operations that combined intangibles of lasting value with relatively minor requirements for tangible assets. In such cases earnings have bounded upward in nominal dollars, and these dollars have been largely available for the acquisition of additional businesses. This phenomenon has been particularly evident in the

communications business. That business has required little in the way of tangible investment – yet its franchises have endured. During inflation, Goodwill is the gift that keeps giving.

But that statement applies, naturally, only to true economic Goodwill. Spurious accounting Goodwill – and there is plenty of it around – is another matter. When an overexcited management purchases a business at a silly price, the same accounting niceties described earlier are observed. Because it can’t go anywhere else, the silliness ends up in the Goodwill account. Considering the lack of managerial discipline that created the account, under such circumstances it might better be labeled “No-Will”. Whatever the term, the 40-year ritual typically is observed and the adrenalin so capitalized remains on the books as an “asset” just as if the acquisition had been a sensible one.

If you cling to any belief that accounting treatment of Goodwill is the best measure of economic reality, I suggest one final item to ponder.

Assume a company with \$20 per share of net worth, all tangible

assets. Further assume the company has internally developed some magnificent consumer franchise, or that it was fortunate enough to obtain some important television stations by original FCC grant. Therefore, it earns a great deal on tangible assets, say \$5 per share, or 25%.

With such economics, it might sell for \$100 per share or more, and it might well also bring that price in a negotiated sale of the entire business.

Assume an investor buys the stock at \$100 per share, paying in effect \$80 per share for Goodwill (just as would a corporate purchaser buying the whole company). Should the investor impute a \$2 per share amortization charge annually (\$80 divided by 40 years) to calculate “true” earnings per share? And, if so, should the new “true” earnings of \$3 per share cause him to rethink his purchase price?

We believe managers and investors alike should view intangible assets from two perspectives:

- In analysis of operating results – that is, in evaluating the underlying economics of a business unit – amortization charges should be ignored. What a business can be expected to earn on unleveraged

net tangible assets, excluding any charges against earnings for amortization of Goodwill, is the best guide to the economic attractiveness of the operation. It is also the best guide to the current value of the operation’s economic Goodwill.

- In evaluating the wisdom of business acquisitions, amortization charges should be ignored also. They should be deducted neither from earnings nor from the cost of the business. This means forever viewing purchased Goodwill at its full cost, before any amortization. Furthermore, cost should be defined as including the full intrinsic business value – not just the recorded accounting value – of all consideration given, irrespective of market prices of the securities involved at the time of merger and irrespective of whether pooling treatment was allowed. For example, what we truly paid in the Blue Chip merger for 40% of the Goodwill of See’s and the News was considerably more than the \$51.7 million entered on our books. This disparity exists because the market value of the Berkshire shares given up in the merger was less than their intrinsic business value, which is the value that defines the true cost to us.

Operations that appear to be winners based upon perspective [1] may pale when viewed from perspective [2]. A good business is not always a good purchase – although it’s a good place to look for one.

We will try to acquire businesses that have excellent operating economics measured by [1] and that provide reasonable returns measured by [2]. Accounting consequences will be totally ignored.

At yearend 1983, net Goodwill on our accounting books totaled \$62 million, consisting of the \$79 million you see stated on the asset side of our balance sheet, and \$17 million of negative Goodwill that is offset against the carrying value of our interest in Mutual Savings and Loan.

We believe net economic Goodwill far exceeds the \$62 million accounting number.

*During inflation,
Goodwill is the
gift that keeps
giving.*

For personal use only

Glossary

Term	Definition
BESM	Break-even safety margin
Company	Teaminvest Private Group Limited, ACN 629 045 736
Executives	The executive team of a Portfolio Company. Usually the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.
Founders	The founders of a Portfolio Company.
Group	The Company, TIP Group, each Portfolio Company and their respective subsidiaries.
KPI	Key performance indicator.
Management	The management team of a Portfolio Company encompassing the Executives and their managerial reports.
Portfolio Company	A private Australian business which the Company has (or, historically, TIP Group's members have) invested in.
Selected Shareholders	A Shareholder who has been selected by the Company to participate in the Company's investment process or ongoing management.
Shareholder	A holder of shares in the Company.
SMaRT	A full day meeting convened between a potential investment's board and management and attended by select investors.
SMEs	Small and medium-sized enterprises.
TIP Group	Teaminvest Private Group Limited.
TIPBars	The Teaminvest Private Board accounting reporting system, a management tool used by the Company for assessing the financial performance of Portfolio Companies.
TIPRep	A Selected Shareholder who has been nominated by the Company (from time-to-time) to act as a nominee director of a Portfolio Company.
TIPTool	A proprietary financial analysis tool used by the Company for assessing the financial impact of various Portfolio Company decisions.

Guidance for Investors

1.1 Our Noble Purpose drives every decision we make

We have long held the belief that businesses perform best when they act in the service of others. It is why we started Teaminvest Private, and why we developed our unique Selected Shareholder model. Our noble purpose, mission and vision are core to who we are and what we do. They are:

Noble purpose: Transferring knowledge and wealth between generations

Mission: We invest the wealth and experience of successful businesspeople to mentor and grow the next generation of business leaders, thereby enhancing the legacy of all.

Vision: To build a society where the knowledge and wealth we accumulate over a lifetime isn't lost to retirement, forcing the next generation to learn (and earn) it all again

It is core to our being that we will never take an action that could be detrimental to the long-term delivery of our noble purpose. Similarly, we are always prepared to invest in areas that will see our ability to deliver our

noble purpose increase: even if doing so comes at a short-term cost.

Our noble purpose is core to who we are and what we do. As part owners in our business, we trust all our investors share our passion.

1.2 It takes time for share prices to reflect intrinsic value

Time is the enemy of poor businesses, and the friend of the good business. Research by Dr John Price (and Teaminvest) have proven



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this truism over and over. While the market can move on momentum for a while, in the end price must always tend towards the formula "Price = Earnings * P/E ratio".

While P/E ratios can fluctuate wildly for days, weeks, months or even a few years, over the course of an economic cycle they will (by definition) gravitate towards the market average. In Australia this has usually been around 4x for a private company and 17.5x for a listed company.

Therefore, the only way for a company to dramatically increase its share price in the long-term is through consistently increasing earnings. Any business that grows earnings consistently will, over time, see a corresponding increase in share price and value. Conversely, any company with declining profits will have a decrease in value.

As investors you should therefore be aware that we measure, reward and focus our executives on growing the earnings generated by our Portfolio Companies. We have no rewards based on share price, P/E ratio or “market reputation”. We do this because, as long-term investors we want concrete earnings increases: not the value gains driven by sentiment that can come and go with the newest fad.

You will also note that our letters to investors will never talk about moves made to “gain exposure” or “increase institutional awareness”: but they will talk about concrete steps taken to increase profits generated. This will mean that our share price may, for long periods, deviate from our intrinsic value as we focus on profits not media exposure. This can create great opportunities for those investors who seek to increase their holdings when Mr Market offers our

stock at a price below what they consider is the intrinsic value driven by our earnings. This however is up to you: we don't intend to intervene in the market or put fluff pieces in the press: doing so would just be a distraction from our single focus of delivering our noble purpose and growing our earnings over time.

1.3 Portfolio approach

Diversification is a cost-effective way to reduce risks and improve returns in financial markets. We consider it wise to spread our investments over a portfolio of underlying companies, rather than investing in only one – no matter how much we may like the company and the management. Over time, this should provide better returns at lower risk.

1.4 Risks and opportunities over five years

Companies do not commonly run for five years without disappointments or ‘bad’ news on the sector, their market or the general economy. Our Portfolio Companies also expect short-term disappointments and ‘bad’ news. Being smaller than our group as a whole, they may experience larger ups and downs than we do. Investing in the Company is not risk-free. We expect our Investment Committee,

TIPReps and Strategy Committee will keep a keen eye out for structural or long-term negative news that may be a sign of an eventual Capital Killer™, but we are human and could miss them or fail to act appropriately.

1.5 Long-term investments

In private equity, it takes several years before we can begin to consider the success of an investment. When you choose to make an investment in the Company, we suggest a similar logic applies. Some shareholders may trade in-and-out of our shares regularly; however we believe value creation has a different cadence and does not move daily. We consider an investment in the Company is best held for the medium or long term.

1.6 Guidance for Selected Shareholders

In addition to being a passive shareholder of the Company, Shareholders may apply to participate directly in our investment process by applying to be appointed a Selected Shareholder. A Shareholder may wish to become a Selected Shareholder for several reasons including:

- passing their knowledge and experience to a younger generation;

- mentoring an already successful CEO as they develop their business;
- seeking more intellectual stimulation than possible from passive investing; or
- giving back to the Australian business community.

Any shareholder may apply to become a Selected Shareholder. Before being accepted, they are required to undertake a rigorous selection process and must demonstrate the appropriate skills, alignment and acumen to either participate in the investment process, or to provide guidance and mentorship. The role can be highly rewarding, but it comes with significant responsibilities as outlined throughout this document.

Any business that grows earnings consistently will, over time, see a corresponding increase in share price and value.

To apply to be a Selected Shareholder, please complete this online form.



Some of the talented staff at Graham Lusty Trailers

Guidance for TIPREPS

1.7 Ways Selected Shareholders can contribute to the Group

This section provides a detailed overview of the Company's philosophy towards Selected Shareholders. Participation as a Selected Shareholder may involve:

Participating in SMaRT meetings:

Selected Shareholders may be invited to participate in management meetings with potential investments. SMaRT meetings improve our initial analysis on whether or not to invest and, if an investment proceeds, also improve how we manage the Portfolio Company in future years. The application of collective wisdom at SMaRT meetings is a crucial stage of the Group's investment process.

Commercial due diligence: Selected Shareholders may be invited to participate as members of the committee formed to conduct due diligence on a potential investment.

Commercial due diligence is designed to confirm the initial assessment of the SMaRT meeting, to confirm there are no misunderstood or significant risks, and to confirm that Portfolio Company management are suitable for investment by the Group. This committee forms a key risk mitigation step for our investment process.

Strategy days: Selected Shareholders may be invited to attend strategy days attended by the Board, Company management, the management of Portfolio Companies and TIPREPs. Strategy days are designed to provide insights and ideas for future growth.

Adviser, Consultant or Interim Executive: Selected Shareholders – depending on their professional experience and mentoring skills – can help increase value for the Group by becoming a TIPRep or providing assistance in other ways, for example as an adviser, consultant

or interim executive to a Portfolio Company. Once TIPREPs understand the most important profit-levers in a particular business, (assisted by our TIPBars reporting system), they can assist our investments to deliver outstanding returns.

1.8 Compliance with policies

Selected Shareholders are required to agree to be bound by all Company policies including our investment philosophy, confidentiality obligations and the Company's securities trading policy. In particular, Selected Shareholders will be subject to the same trading restrictions that apply to the Company's Board and management. An investor seeking to become a Selected Shareholder should seek their own advice before applying to ensure they are familiar with all relevant legal and compliance obligations.

2.1 Introduction

Investing in TIP Group opens the opportunity for Selected Shareholders to be a non-executive board member (TIPRep) of a Portfolio Company. The following section provides guidance for shareholders who may be interested in applying for the role of TIPRep. It is not an attempt to take into account legal obligations as a board member. For that, we refer you to the Australian Institute for Company Directors, ASIC and ASX Governance documents, amongst others.

Our approach draws on how Warren Buffett and Charlie Munger stimulate the management of their private businesses to grow profits organically and via bolt-on acquisitions.

TIPREPs are appointed to instill our philosophy into our Portfolio Companies. We expect them to deliver:

1. A clear and obvious path to significant capital gain over the longer-term; while
 2. Providing attractive periodic dividends to the Company in return for the funds we have invested
- We expect TIPREPs to transfer

Investing in TIP Group opens the opportunity for Selected Shareholders to be a non-executive board member (TIPRep) of a Portfolio Company.



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Everki laptop bag by Multimedia Technology

wisdom and experience to our executives – enabling them to grow as CEOs, generate increasing free cash, and materially increase the value of the business. This is often accomplished by providing an attractive vision to keep creative juices flowing and enthusiasm high.

2.2 The role of a TIPRep

TIPReps have five roles for which they are appointed and against which their performance is judged. These are to:

1. Mentor executives;
2. Allocate capital within the business;
3. Strengthen moats and reduce risks;
4. Ensure compliance with all laws, regulations and governance requirements; and
5. Deliver regular dividends to TIP Group.

The best TIPReps are those who regularly examine and improve upon these objectives. TIPReps who fail to do so will be replaced over time as they are letting themselves, our executives, and our shareholders down.

Mentoring executives

TIPReps are responsible for mentoring executives. Mentorship is distinct from managing: it involves guiding, educating and encourage executives to think differently to enhance their

skill set and grow the business in a visionary manner. It does not include getting involved in day-to-day decision making or short-term tactical considerations which are the role of executives. Executives are responsible for delivering monthly results and, if TIPReps become concerned that executives are not delivering appropriately, they should immediately notify the Strategy Committee so that TIP Group can look to enhance or replace the executive team rather than becoming quasi-executives themselves. TIPReps should ensure that they understand the distinction between acting as a director or a member of the executive team.

Allocating capital

TIPReps are responsible for examining and approving capital allocation within the business up to the amounts set out in the TIP Group Limits of Authority policy. Capital can be used in three main ways: funds for organic growth towards the long-term strategy of building value; funds for bolt-on acquisitions that can increase future dividends and capital value; and returning capital to TIP Group via attractive dividends. TIP Group expects that all companies should deliver a combination of increased value and attractive dividends over time.

Strengthening moats and reducing risks

One of the key responsibilities of a TIPRep is to continually seek ways to strengthen moats and reduce risks. Strengthened moats allow the business to increase profitability and grow faster. Reduced risks ensure that profits and dividends can continue to grow without undue stress. TIPReps would do well to remember that the simplest way to reduce risk is to improve the Break-Even Safety Margin (**BESM**), and one of the key tasks of a board is to ensure that the BESM continues to increase over time.

Ensuring compliance

One of the biggest risks to any business is damage to reputation or the advent of litigation. Ensuring a culture of compliance to the highest possible standards helps to protect each Portfolio Company and the Group as a whole. As the saying goes: “it takes a lifetime to make a reputation, and one oversight to ruin it”.

Delivering regular dividends to TIP Group

When TIP Group agrees to acquire a share of a business we do so on the expectation it will deliver returns to our shareholders for the use of their funds, the effort they put in as mentors, and the belief they place in executives and TIPReps. The best

proof of success of any Portfolio Company and its TIPReps is delivering on this expectation.

2.3 Preparation before becoming a TIPRep

Application

If you have experience or other wisdom to offer, please make your interest known to the Company. Following a formal selection process, we may appoint you to the board of one of our Portfolio Companies as a TIPRep. TIPReps serve at the pleasure of the Company and can be removed or replaced at any time.

Compliance obligations

TIPReps are bound by the same legal and compliance obligations as Selected Shareholders. This includes adherence to the Company’s investment philosophy,

confidentiality obligations and securities trading policy.

Desirable experience

While there is no set formula for a great TIPRep, candidates should have run a larger business (in terms of staff, revenue and profits) than the business on which they serve.

This enables them to better mentor executives and grow the company. TIPReps should enjoy thinking about visionary opportunities as this is one of the key roles of a board or mentor. An understanding of accounting, corporate law and governance are valuable but not a prerequisite.

Prior participation in the SMaRT and Due Diligence Process

It is preferable for potential TIPReps to have previously participated in SMaRT

One of the key responsibilities of a TIPRep is to continually seek ways to strengthen moats and reduce risks.



East Coast Traffic Control

and due diligence processes. This enables them to better understand our philosophy and the ways they can add value. We consider it advantageous for TIPReps to have participated in the SMaRT and due diligence process for the business to which they are appointed. This provides a greater understanding of the moats the company should enhance (to drive profits), the future risks the company should mitigate or prepare for (to avoid or minimise losses) and the personalities involved. If a potential TIPRep has not participated in the specific SMaRT and due diligence, we will usually require them to attend board meetings as an observer before we confirm their appointment.

SMaRT and Due Diligence Reports

Before their first board meeting, TIPReps should review the SMaRT and due diligence reports. These contain analysis of the rationale behind our investment, and the moats and risks identified. Knowledge of these is a pre-requisite to adding value as a board member.

Terms of Acquisition

TIPReps should ensure they understand the key acquisition terms. These differ by company and may include performance hurdles, conditional payments,

remuneration packages, debt funding arrangements, vendor financing and succession plans. TIPReps should periodically review progress against the terms of acquisition and keep TIP Group informed.

TIPBars and TIPTool

TIPReps must be familiar with TIPBars and TIPTool, our two proprietary financial analysis tools. TIPBars provides a standardised set of board financial reporting across the group. It also contains built-in audit functions to enhance the integrity of financial reporting. TIPTool allows the board to easily model alternative paths for substantially increasing profits. If substantially increasing profits were easy, executives would already have done so. TIPTool allows board and management to have an accurate and robust discussion about the most practical path to achieve their targets.

2.4 Common learnings

TIPReps have experienced the following common learnings:

1. You can't have valuable board meetings without best-practice financial reporting: Many creative entrepreneurs are wonderfully successful through inspiring and motivating their staff to work 'miracles' and their clients to pay highly for their products. However,

many see financial record-keeping and reporting to a board as a distraction. Since our formation in 2012, we have learned that it is impossible for boards to add value to Executives without the benefit of best-practice financial reporting. Worse, if there are concerns about the veracity of reporting, the board will quickly become dysfunctional, and profits will decline as trust breaks down. TIPReps must therefore work to address this concern as one of their highest priorities by either:

- a. Encouraging the Portfolio Company to hand financial reporting over to TIP Group head office. This will ensure that Executives and TIPReps can focus on strategy without being concerned or distracted about the preparation, and accuracy, of financial reporting and the six-monthly audit process. It is also likely to be financially beneficial due to the costs saved by harnessing group economies of scale. Portfolio Companies who were not already audited for a number of years prior to partnering with TIP Group, or who don't already have the benefit of a highly educated, multi-person, financial team will benefit most from this approach; or
- b. Showing how best-practice record keeping, reporting and discussions

can increase profits and enhance decision making - enhancing company internal structures and creating an environment where the board can encourage profitable action based on forward looking projections, not just rear-view examination. This approach is best available to Portfolio Companies who already have robust, audit ready, systems in place with a highly educated CFO leading discussions. TIPReps in this situation can immediately focus on TIPBars and TIPTool, confident that the forward-looking analysis is meaningful for strategic discussion.

2. True leadership rarely extends below one or two key executives:

SME's rarely have top quality executives below the C-level. This is simply a function of their size: supremely talented people are unlikely to be attracted to a smaller organisation with limited career development opportunities. Therefore, in order for the business to grow, or the founder to reduce their hours, a key requirement will be attracting the right kind of talent into the right roles. In particular we have found that:

- a) Existing employees rarely have the drive or skill required to step up to C-level in an SME. This is a function of self-selection, ambitious and talented employees are unlikely

We have learned that it is impossible for boards to add value to Executives without the benefit of best-practice financial reporting.



Glass by DecoGlaze

to remain in a business where they cannot see opportunities for rapid advancement. In smaller businesses this career path caps out by about the age of 30, so most supremely talented staff either move on to bigger companies, or remain only if their ambition has declined. With ambition being one of the three key requirements for leadership success (the other two being passion and intelligence), fishing in the existing pool is likely to be unrewarding, and may well be why the founder was attracted by TIP Group's promise to help "transfer knowledge and wealth between generations";

b) When external hires are considered, they are almost always the wrong kind. One of the great hiring fallacies is that we look to hire people with already demonstrated experience in the role for which they are applying. This sounds seductive, but it is a big mistake: someone who has demonstrated success in a role, is almost never looking to take on the same role again in a smaller organisation. The only reason they would be prepared to take such a role is if they know they had failed. Hiring "with experience" is almost certain to result in hiring the wrong calibre of employee.

c) As we get older we forget just how young we were when we first took a leadership role. Most successful CEOs got their first real leadership break in their 20's, and by their 30's were running teams of 30 or more. Yet when we look for leadership hires these same 20- and 30-year-olds (as we once were) often appear brash, uncultured and inexperienced, so we gloss over them for older hires. This plays into two traps: firstly, it means that we never hire the best talent – because a supremely talented 30-year-old who is passed over for a role at your company is running something far too large by 40 for us to ever get them; and secondly it means we miss out on the well-documented fact that ambition and passion decline from middle-age onwards. While a 50-year-old is likely to know more than a 25 year old, they are unlikely to be prepared to throw themselves in with the ambition and passion required to drive transformational growth... and they are certainly unlikely to do so if they still report upwards to another Executive!

3. Distractions kill. A year may elapse between when our Portfolio Companies approach a broker to market their business, to when we finalise contracts and appoint TIPReps. Sales and profits may become secondary to 'doing the

deal'. Working with a board may also initially distract our Portfolio Companies. Together this may cause revenue and profits to disappoint. This can result in a downward spiral unless (and until) TIPReps once again make driving the profits of the business the core focus of the Executive team.

4. Vendor remorse is normal but must be addressed head-on. It is natural that after selling part of their baby, founders and executives will wonder if they made the right decision. If there is more than one senior executive or founder, one may feel regret more keenly, causing internal friction. TIPReps should address this head on by discussing the issue to give comfort, and immediately working on creating a company-wide Noble Purpose, Mission, Vision and Big Hairy Audacious Goal. By setting these as a team early, we harness the power of passion to drive results and overcome any fear or concern about the decision to sell. A clear path to "growing their baby together" is the fastest and most effective way of motivating Executives and giving comfort that they made the right decision to partner with TIP Group.

5. Focus board time on delivering the Noble Purpose, not working on the day to day. Executives working 'in the business' rarely have time to think in a visionary way 'outside of the business'. Day-to-day issues keep them busy and are most likely to be reported to the board. TIPReps should not involve themselves in day-to-day business and instead should constantly work on focussing Executives on the steps needed

to achieve the company's Noble Purpose. By doing so you will get most out of the board meeting and drive double digit growth. Discussions will focus on major opportunities, new moats and mitigating risks, not the daily grind. A TIPRep who finds themselves involved in day-to-day decision making, is doing a disservice to executives and their fellow shareholders.

Focus board time on delivering the Noble Purpose, not working on the day to day.



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2.5 Interacting with executives

Learn what 'makes them tick'

Before joining a board, TIPReps should meet with Executives and other board members informally to learn 'what makes them tick'. It is easier to mentor and build profits with people we understand. Meeting in an informal setting allows a prospective TIPRep to see what interests and cultural values they have in common with the Executives (critical for mentoring and driving profit) and their prospective fellow directors (critical for defining long term goals and maintaining passion towards achieving them). You should also use this opportunity to find out more about the business, discuss moats and risks identified during the SMaRT and Due Diligence, and to find out what has already done to strengthen moats and eliminate, mitigate or manage risks. With a good starting point a TIPRep is certain to add more value than coming in blind and learning on the job.

Understand the business

It takes time for a relative outsider to understand the most important Key Performance Indicators (KPIs) that drive profits. Executives with a history of profitable leadership

in the business should already know what is most important to measure: even if they may not always communicate it with clarity. TIPReps would therefore be wise to ask lots of "Why" questions. "Why did we do X?", "Why do you consider Y worth measuring?", "Why do you think this is a good or bad idea?". Asking lots of Why questions (instead of What or How questions) is the fastest way to build a deep and intuitive understanding of the key drivers of the business. And as a board member you need that intuitive understanding to better mentor the CEO and make fast decisions.

Focus on the Noble Purpose and long-term goals

It is the responsibility of Executives to ensure a profitable business every month. Providing the Executives are doing so, the key responsibility of TIPReps becomes focussing on mentoring and developing executives to achieve the Noble Purpose and long-term goals of the Portfolio Company. TIPReps should therefore spend the majority of their time with Executives focussed on exploring how the company can grow its moats, reduce its risks and deliver its Noble Purpose.

Keep in mind the executive remuneration structure

Executive remuneration is set by the Strategy Committee and follows TIP Group's principles of handsomely rewarding performance, and penalising failure. In particular, TIPReps should be aware that executives are remunerated with three components:

- A low base salary, of sufficient size to keep the lights on but small enough that a poor performing Executive will quickly look for a job elsewhere;
- A monthly bonus paid for every month that is profitable, to incentivise Executives to design and operate the business in such a way that it never loses money; and
- A share of the audited NPAT of the business, providing an outsized reward for stellar performance.

Any changes in remuneration for Executives is therefore linked entirely to their performance. TIPReps should be aware of this, and take actions that encourage the Executives to achieve their monthly bonus every month (e.g. focussing on BESM), while ensuring a path to meaningful long term profit growth. In this way both the Executive and TIP Group's shareholders will win together.

Assist with succession planning

Risks associated with key management personnel are front-of-mind when the board interacts with management. This risk scores highly in every SMaRT. TIPReps should ameliorate this risk by encouraging our Portfolio Company executives to delegate and to develop an executive team. Within a few years of investment in a Portfolio Company, the board and CEO should have identified an appropriate successor for an emergency - or should the CEO retire.

Provide guidance on growth planning

Most valuable is for TIPReps to assist Portfolio Company founders to develop a team of talented reports who enjoy doing what our Portfolio Company founders enjoys least. This will free up the time of our CEOs for strategic thinking to add value in conjunction with their board, rather than being immersed in day-to-day management.

Focus on BESM (Break-Even Safety Margin)

A powerful way of reducing risks is by increasing the gap between sales

A powerful way of reducing risks is by increasing the gap between sales revenue and the Break-even Point of the business.



Teaminvest meeting

revenue and the Break-even Point of the business. This increases the BESM (Break-Even Safety Margin). Replacing fixed costs with variable costs increases BESM and reduces risk. Focussing on increasing BESM is a key hallmark of a successful business.

Consider the size of companies and expected volatility

Our Portfolio Companies are predominantly SMEs. Missteps by management or TIPReps can wipe out short-term profits, while good decisions can hugely lift short-term profits. Even when long-term profits are excellent, short-term profits may vary between disappointing and enthralling. Experience shows us that

the most effective way to reduce volatility is by increasing BESM.

Keep an eye on trustworthiness

It is a pre-requisite that the executives who manage the business are trustworthy. If TIPReps are ever concerned that this is changing, they should inform the Strategy Committee immediately and in the strongest possible terms.

Hold monthly board meetings

Meetings should be face-to-face with an option to join by teleconference. If board meetings are taking full days, chances are TIPReps are becoming involved in issues best left to management. A few days prior to

the board meeting, each CEO should provide the monthly TIPBars financial report plus a short explanation on any issues on which they seek input.

Help our Portfolio Companies grow

TIPReps should inspire, mentor, and act as a sounding board for our executives. They should regularly ask themselves three questions: "What visionary ideas can we suggest to substantially grow profits?" and "How can we help make the CEO's role simpler?" and "How can we assist the CEO make faster and more profitable decisions?"

Be Mindful they have sold 'part of their baby'

Portfolio Company founders have

sold 'part of their baby' which they loved and nurtured for years. Nothing will faster demotivate them, and destroy the value of our investment, than giving the impression 'the baby is ugly and needs cosmetic surgery'. It is natural for one or more executives to initially experience some vendor remorse. This should dissipate once they realise we are working towards growing the business and substantially increasing profits.

Don't overfocus on financial terminology

Executives of SMEs may appear unsophisticated in the use of financial terminology or reporting procedures.

Fortunately, financial terminology and detailed reporting are not a pre-requisite for building a great niche business. However, they become more important as the business grows. TIPBars will provide financial information most useful to TIPReps. Executives can provide any other information they know is important. Meetings can then focus on "what can we do to build free cash and profits" and testing this in TIPTool.

Leave instructing management to the board

The board as a whole may instruct executives. Individual board members should never do so.

TIPReps should inspire, mentor, and act as a sounding board for our executives.



Trailers by Graham Lusty Trailers

2.6 Capital Management and Board Strategies

Dividends and cash buffers

The boards of our Portfolio Companies have a responsibility to return part of profits as free cash to the Company via periodic dividends. This is covered in detail in the Group Distribution Policy. TIPReps should be familiar with this policy, and in particular its focus on the mix between paying down debt, reinvesting for growth and paying dividends.

Bolt-on acquisitions or disposals of divisions

Each board should continually monitor their markets for a substantial increase of profitability via a bolt-on acquisition. Conversely, they may conclude that the business would be more profitable after the disposal of an unwanted division. Such major capital allocation decisions should be referred to the Strategy Committee for assistance.

More capital or debt

It is our philosophy that debt increases risk. Boards should avoid raising debt unless it is for highly profitable organic growth or accretive acquisitions. If debt is needed, it must first be approved by the Strategy Committee.

Focus on high margin revenue

Market share is vanity, profits are sanity and free cash flow is reality! We acquire niche businesses that make higher profits and generate more cash from increasing margins, than from chasing market share. This can be quickly tested using TIPTool. Good strategy often involves turning away low-margin business. If a business is short of cash, the chances are the margins are too low. In niche businesses, it's often easier to increase value through increasing margins than increasing size.

Moats and outside circumstances

'Circumstances beyond our control' are often blamed for a profit downturn. TIPReps should look beyond this and seek ways the company can increase profits even in a downturn. If profits disappoint, and TIPReps can't immediately find a way to fix this, raise it with the Strategy Committee quickly, so we can brainstorm ways of benefiting from adversity – whether real or perceived. Outside influences can often be overcome by a concerted effort to strengthen moats.

Deal with causes not symptoms

Niche businesses may experience cash-flow challenges from time to time. TIPReps and executives must strengthen the businesses by dealing with the cause of cash-flow problems, rather than dealing with symptoms. TIPTool can be useful for this. Eliminating causes of cash-flow challenges can add huge value to any investment.

Leverage technology

Technology, data and online connectivity are rapidly changing the world. Every business will be affected. Those that remain stuck in the past find competitors able to offer similar outcomes cheaper or faster, or superior products at the same prices. Those that embrace 'modernisation' benefit via higher margins. TIPReps should continually seek to modernise everything our Portfolio Companies do to stay ahead, and to improve margins against the competition. The outcomes of any costs and margin improvement can easily be checked in TIPTool.

Use our tools

TIPBars and TIPTool allow the board to model the various alternative paths for substantially increasing profits. TIPReps should frequently use TIPTool

to strengthen the business by testing the likely increased profits from the choices of increased sales, decreased fixed or variable costs, and increased prices. No path is likely to be easy, but choosing the best path to profit is made easier using TIPTool.

2.7 Culture

Skills available

An incredible range of skills and experiences are available from Selected Shareholders. TIPReps should regularly contact the Strategy Committee to seek advice about the challenges they face.

We are all in it together

Boards of profitable niche businesses work as a non-hierarchical team. To maximise profits, board members should ensure a culture of open, frank and enjoyable cooperation between executives (who know the business very well), non-executives (who know business principles well) and the Strategy Committee.

Serving while you add value

TIPReps should stay on a board while they remain enthusiastic about the business and feel they can help deliver excellent returns. When considering whether to serve another year on the same board, you should assess how you have added value to

date, and how you can add further value in the coming year.

Comfort with executives

TIPReps and Portfolio Company executives must get along well professionally to be successful. If a TIPRep is uncomfortable with an executive for personal reasons they should inform the Strategy Committee and seek to be replaced. If a majority of TIPReps are uncomfortable with an executive, they should inform the Strategy Committee immediately so that we can replace that executive (if we control the Portfolio Company) or find a timely exit (if we are a minority shareholder).

Choosing the best path to profit is made easier using TIPTool.



EVGA graphics card from Multimedia Technology

Guidance for Executives

Making improvements

Businesses of the size of our Portfolio Companies are unlikely to have the resources to implement more than one 'improvement' at any time. A board that successfully implements one substantial profit improvement in any half-year has provided excellent value. Asking a CEO to implement several 'improvements' simultaneously, risks overwhelming executives and almost certainly ensuring the 'improvements' won't happen.

Cash flow is king

The value of a business is in the cash it generates. If the business is paying attractive half-yearly dividends to the Company, and earnings are growing, TIPReps and executives are doing an excellent job. However, if this is not happening, then TIPReps and management are letting down shareholders and themselves. If the TIPReps can't see a way to deliver attractive dividends, they should request the help of the Strategy Committee or request to be replaced.

2.8 Reporting to TIP Group

Strategy Committee

TIPReps report to the Strategy Committee. The Strategy Committee meets with each board on a quarterly basis to assess performance and

provide advice. In particular, each Portfolio Company is required to fill out a quarterly board self-assessment sheet (focussed on the performance of the board) and a Quarterly Traction Report (focussed on the performance of the company towards its Noble Purpose and growth targets). The Strategy Committee will use the performance of the Portfolio Company, and the results of these quarterly assessments to tweak the TIPRep mix to achieve the best results for the Group.

Annual reports and reporting to TIP Group

Each company must report regularly to the Strategy Committee and produce an annual report. While annual reports are not widely distributed, they are an important strategic tool that disciplines each company to regularly set and track results against their targets. They are also invaluable should we one day decide to raise capital for, divest, or spin-out one of our Portfolio Companies.

Budgets and cash flow projections

While detailed budgets and cash flow projections have been shown to improve results in large corporations they can be detrimental to profits in smaller entrepreneurial companies when they shift focus from 'acting'

to 'reporting'. A simple high-level target, accompanied by a report on the main variables (KPIs) contributing to the Break-Even Point (BEP) and the approximate net profits at any level of sales above the BEP significantly improves profit generation in smaller niche companies. TIPBars and TIPTool automatically provide the BEP, Profit, and Break-even Safety Margin (BESM) for all possible scenarios. The Strategy Committee will work with each Portfolio Company to establish appropriate long-term profit and cash flow targets via the Quarterly Traction Report.

Strategy days

Twice yearly, TIPReps and executives are required to attend Strategy Days. Each Portfolio Company is expected to develop their plans for one or more of the four ways for delivering shareholder value:

1. Maximising half-yearly dividends;
2. Organic Growth or a new division using the current assets of the business;
3. Bolt-on acquisitions or growth that may require additional capital at attractive returns;
4. Combining with another Portfolio Company to enhance the returns from each.

3.1 The role of executives

Executives have four roles for which they are appointed and against which their performance is measured. These are to:

1. Deliver monthly profits;
2. Manage the cash;
3. Develop a great culture; and
4. Increase BESM.

The best executives are those who regularly work on fostering a high performing culture to deliver growing profits and margins. TIPReps are there to mentor management to deliver on these key goals, but ultimately it is the responsibility of executives to manage day-to-day operations and deliver monthly profits.

Monthly profits

Good businesses are designed such that they rarely make a loss in any month. Great businesses are those that never do. The primary role of an executive is to ensure that the business is designed and operated such that monthly profits are expected and delivered year in, year out. Executives should seek guidance from TIPReps and the Strategy Committee if they are ever unsure how better to ensure this.

Managing the cash

Cash flow is the lifeblood of any business. Great executives look at ways of not only growing profits but

enhancing cash flow which can then be made available for reinvestment or delivering healthy dividends to shareholders. Building a healthy cash buffer ensures executives can sleep easily, knowing that they are protected from any unexpected headwind. It also allows for healthy dividends, which are the fastest way for executives to gain promotion within the group or receive a pay rise. Conversely, an executive who regularly "mines shareholders wallets" will soon find themselves without a role.

Good businesses are designed such that they rarely make a loss in any month. Great businesses are those that never do.



East Coast Traffic Control

Culture and mentoring

Just as it's the role of TIPReps to mentor and grow the skills of executives, it is the role of executives to mentor and grow the skills of their staff. Good executives look to constantly improve and educate their team: either by enhancing staff members' existing skills or hiring high achievers. A focus on mentorship and the development of a high-performance culture is key to making the role of an executive less stressful, and it is the simplest long-term path to higher earnings.

Increasing BESM

The most effective way for executives to increase profits while reducing risk is by working to increase BESM. Building a culture of understanding BESM within an organisation will allow younger managers to similarly provide ideas to enhance the business. Those executives who regularly increase BESM will most likely be offered larger roles within the Group.

3.2 Economic Moats are the Path to Higher Profits

Businesses generate attractive returns when they build and maintain economic moats. During the SMaRT and Due Diligence, the Company assessed and scored the promising economic moats of the business.

This list won't be complete and some scores may not be accurate. Executives should discuss these moats with their board and make an accurate list. Then they can continually seek ways to maintain and strengthen moats – and find ways to develop new ones.

Test for economic moats

Warren Buffett tells the CEOs of his many businesses to frequently ask themselves: "Would we have to call a prayer meeting before increasing prices to our customers?" Ask yourself the same question. If the answer is 'yes' then you have not yet built

strong economic moats. If the answer is 'no' then you can increase prices and be proud of the strong moats you have built.

3.3 Capital Management

Capital allocation

A sure path to increasing returns is to allocate capital to the most profitable parts of the business. Minimise costs in those parts of the business that generate low profits or don't directly generate income. For example, a good extra salesperson should generate more profit than cost, while

larger premises often eat more profit than they generate. Property expense also adds risk since a mistake can be time consuming to undo. A mistake in hiring can be quickly reversed.

Capital for growth

The Company can provide additional capital when executives find opportunities to grow profits at attractive rates of return via geographic expansion, acquisition of another business, or adding a profitable division. When such an opportunity offers outstanding returns (greater than 15% per annum), please inform the Strategy Committee in a timely manner.

Dividends matter

In order to make cash available for the most profitable opportunities, the Company looks to receive funds from our investments via dividends. These funds are then allocated to those who can use them best. If you have a profitable opportunity that requires further investment, you should write a succinct business case and put this to the Strategy Committee. In this way, opportunities can be compared across the group and funds allocated to those offering the best returns.

Fast action

The primary responsibility of a CEO is to look after cash and keep the

business running profitably every month and every quarter. The Company trusts executives and TIPReps will take immediate action should a Portfolio Business ever fall into a loss. Fast action to bring the business back to profit is always better than delaying for discussion.

Capital for turnarounds

The Company has an aversion to providing capital to help a business out of difficulty. Getting into financial distress is a key symptom of executives either failing to develop an appropriate BESM, being blindsided by changes in their market, or a result of a significant error in judgement. Only where executives can demonstrate a clear path to returning a business to profitability and are prepared to agree to strict conditions around the use of cash, will Group funds be made available. Asking for cash to "save a business" is the largest indicator of an executive team that has failed in their role. While we understand that everyone may make mistakes, the decision to invest Group money to save a once profitable business is perhaps the most serious decision the Strategy Committee can make. In effect, it is asking those who have performed well to use their hard earned cash to subsidise the bad decisions of another.

The most effective way for executives to increase profits while reducing risk is by working to increase BESM.



Toughbook from Multimedia Technology

3.4 Financial Reporting

Financial reporting and TIPBars

The best financial reports help boards and CEOs make large improvements in profits for the least effort. Before we invest, most executives use financial reports designed for accountants and the tax office. These focus on the past, but rarely point the way to increasing profits. We have developed TIPBars to improve profits with the least amount of work, while highlighting dangerous risks. TIPBars is produced every month and shows where each business is working well financially, where hidden risks may be lurking, and where financial improvements should be made.

Break-even safety margin

TIPBars highlights the trend in Break-even Safety Margin ('BESM'): whether the business is becoming less risky (as we prefer), or more risky (a dangerous trend). Should the trend show increasing risk, TIPBars shows where you and your board can fix this well before the business loses money. Standard accounting usually highlights losses after the money is gone.

Easiest path to improve profits

TIPTool allows board and executives to quickly ascertain which levers

can be pulled to improve profits most easily. When joining TIP Group, each business is required to provide general ledger data for the previous 12 months. This allows TIPBars and TIPTool to be implemented immediately. Used properly, TIPBars and TIPTool can add considerably to profit every year.

Audits

Upon joining TIP Group, each Portfolio Company is required to participate in the Company's regular audits. Rather than seeing this as an imposition on executive time, each Portfolio Company should see it as a way of learning how to better improve systems and processes so that greater returns can be made in the future. What seems like a frustration at first can add profound value if used to address weaknesses in company systems.

3.5 Building a Stronger Executive Team

The Company can help each Portfolio Company develop a stronger executive team. That way more can be achieved with less time from executives and board members. This increases the value of the business; produces bigger half-yearly profits and dividends; allows executives and board to be more relaxed and makes shareholders happier.

The 'perfect' chief executive

It is virtually impossible to be the 'perfect' chief executive. A perfect chief executive would have expertise in leadership, production, general management, marketing, sales, finance, administration, accounting, people management and business management. The Strategy Committee can advise how to surround the CEO with quality executives reporting to them who can add missing strengths.

Why an executive team

CEOs of outstanding niche businesses live in a gruelling combination of being the Chief 'Enthusiasm' Officer and the Chief 'Operating' Officer. As Enthusiasm Officer they must inspire their team to greatness and inspire their clients to provide a good margin for their wonderful work. As Operating Officer, they must ensure work is efficient, of the highest standard, and systems are scalable for doubling and tripling volume and profits. This is a gruelling task and limits the growth of the organisation.

What to delegate to grow

As a business grows, these dual roles become exhausting. As a first step to working less hard for more profit, the CEO will benefit from either an outstanding Operating Officer to take off their shoulders

much of the thinking about day-to-day business, or they will benefit from an 'Enthusiasm' Officer to reduce their role of thinking about inspiring staff and customers to maximise profits. In choosing which to delegate first, choose the role they find less enjoyable. Once the business becomes larger, the company may need one of each reporting to the CEO.

Functional executives

When a business grows at 20% per year, after 10 years it will be six times the size. To avoid executives having to work impossibly harder, the business eventually needs an executive (not simply a manager) to take responsibility for each functional area: production, marketing, sales, finance, administration and accounting. TIPReps and executives should act before the CEO becomes overwhelmed by rapid growth. Then look to promote or recruit an executive to relieve some of the load and facilitate further expansion. Our aim should be to make the business more profitable and less stressful.

Develop or recruit

Businesses develop a superior culture when they develop and promote internal candidates rather than recruiting externally. If the business has not had previous success with

developing internal management, do not despair. Several of our Selected Shareholders have extensive experience in building organisations around rapid management development and can advise if asked. Similarly, if the business has not had positive experience recruiting external candidates, you are not alone. Several of our Selected Shareholders have considerable experience in hiring executives for entrepreneurial companies and can advise if asked.

Replacing a successful CEO

If tempted to seek one person to take over from a successful CEO, including all the thinking they do about the business, ask two questions: "How easily will we find someone who can handle both roles of Chief Enthusiasm Officer and Chief Operating Officer?" and "If a candidate seems capable of handling everything superbly, why aren't they running their own business – one at least as big and profitable as ours?" It is likely that we will need several outstanding executives to replace a successful CEO: one to provide enthusiasm and one or more responsible for operations. Provided the board does this while the successful CEO is still engaged, they will have time to mould their thinking and ensure a smooth transition.

Businesses develop a superior culture when they develop and promote internal candidates rather than recruiting externally.

3.6 Continuing Roles and Responsibilities

As an executive, the role of profitably running the business remains largely unchanged after becoming part of the Group. Executives gain access to our tools, balance sheet, TIPReps and Selected Shareholders, but they are still responsible for the results of the business. In exchange they are expected to regularly report to their board and follow the advice of the Strategy Committee. The board and Strategy Committee are there to help mentor and guide executives to grow the business but executives are still responsible for ensuring results and will be judged accordingly.

Reporting to a Board

Reporting to a board can be daunting for those not used to it. Executives should ask three questions before including anything in a report to their board: “Could input from the board be helpful on this?”, “Could this be financially material?” and “Could this provide an opportunity to substantially increase profits?” If the answer is “yes” to any one of these questions, include it in the meeting agenda. If the answer to all three is “no”, omit it.

Continuous and immediate disclosure

A key principle of the Company,

and the ASX, is that of continuous and immediate disclosure of all material information. This means that if executives become aware of anything that could have a material impact on the business, they must immediately inform their board. Where the board agrees, they must immediately inform the Strategy Committee who, in conjunction with the Board of the Company, will determine if the item requires disclosure to the market.

3.7 Gaining most benefit from a board

Our Portfolio Companies derive most benefit from their board when they share half-formed ideas, major dilemmas and concerns, knowledge of their business and why they run it as they do. Well briefed, TIPReps can arrange a host of free contacts with expertise the business could not otherwise access.

Briefing the board

A week prior to the meeting, executives should provide a report from the CEO, including a short explanation of any issues on which they would like input, plus TIPBars and any other important reports, so everyone is properly briefed. If board meetings regularly take longer than half a day, executives are probably involving the board in matters best

left to management.

Forward looking discussion

TIPReps add most value when executives use TIPBars and TIPTool to provide a helicopter view of the past month and then provide forward looking key indicators to show where the business is heading. These include activity indicators driving sales or revenue in coming months; sales driving profits in coming months; and actions building moats to improve future margins. The board adds most value when focused on factors that improve these leading indicators.

Questions at board meetings

TIPReps will ask challenging questions to identify where and how they can assist executives to generate higher cash profits. The better they understand the business, the more they can make profitable suggestions; and the more they will be able to introduce executives to shareholders who can add value. If questions get into minutiae, say so: boards are most valuable when focused on big picture items that increase capital value.

Thinking in a visionary way

Until the CEO has built an executive team to free up their time, they will continue working in the business. TIPReps will think along lines like: “How could the business make larger

profits without doing more work?” or “How could this business expand into other business or geographic areas?” or “How could this business combine with another TIP Company to increase profits for both?” Executives should ask their TIPReps for these ideas at meetings so they can implement the best one or two each year.

Governance

Governance is, and should be seen as, a powerful way to enhance the performance of a company. Good governance grows sustainable profits rather than being a dead weight. To ensure good governance, and assist our Companies to develop sustainable profits, TIP Group provides each board with a ‘governance checklist’ as a customisable template to keep track of many regulatory and governance requirements. The updated checklist should be discussed at the meeting following each calendar quarter.

3.8 Gaining most value from the Company

Executives and board are responsible to the Company and our shareholders. When considering any major decision, the board should ask: “Will this increase the regular dividends we pay to the Company?” If the answer is ‘no’, ask: “Will this increase the capital value

of the business?” If the answer is still ‘no’, ask: “Will this strengthen an economic moat or reduce a risk?” If the answer is still ‘no’ ask: “Why are we considering this?”

Strategy Committee

Each quarter, executives and TIPReps must present their board self-assessment and Quarterly Traction Report to the Strategy Committee. Each company can use this opportunity to ask the Strategy Committee for contacts or assistance with any challenges they are facing. The Strategy Committee is also

Governance is, and should be seen as, a powerful way to enhance the performance of a company.



Designing a trailer at Graham Lusty Trailers

likely to ask challenging questions aimed at improving the business or assessing performance.

Strategy days

TIP Group holds half-yearly strategy days: one in February and the other after the conclusion of the financial year. Executives and TIPReps must attend the Strategy Days. During the day, each company presents their plans for one (or more) of the four ways for delivering shareholder value:

1. Maximising profits and dividends without sales growth;
2. Growth or a new division using the current assets of the business;
3. Bolt-on acquisitions or growth that may require extra capital;
4. Working with another Portfolio Company to enhance returns.

Value from other Portfolio Companies

The Company invests in an increasing number of businesses, all of them run by talented people. Portfolio Companies should work together to generate increased profits. This can vary from being suppliers to one another, quoting together where a wider range of skill sets is needed, sharing executive or staff expertise, pooling marketing ideas, or combining to create a larger company with more depth of management.

Economies of scale

Through the Group, each business has access to considerable buying power. This can save money on insurance, vehicle financing, accounting, legal costs and other services. If you are considering a merger, acquisition or divestment, the Company can save substantial legal, accounting, secretarial, compliance and distribution costs.

3.9 Delivering value

Benchmark profitability

Portfolio Companies should be among the most profitable businesses: they were founded by talented executives and have a shareholder that can provide access to expertise and capital. Over time, our Portfolio Companies should aim to achieve Net Profit Margins of 10% to 15% of revenue. Above 15% they should feel proud. Below 10% they are letting down the Company and themselves.

Focus on building moats

Building economic moats enables businesses to earn more profits than competitors. To test whether a business has developed economic moats the board should ask: "Can we increase prices faster than inflation without having to call a prayer meeting?" If the answer is 'yes', then

they have built at least one strong economic moat. If the answer is 'no', think: "How can we build at least one economic moat to increase our profit percentage?"

Increasing margins or increasing sales

Niche businesses increase profits more via a small increase in margins, than via a large increase in sales. Executives can use TIPTool to see the relative uplift in profits from increases in margins, increases in sales and reductions in costs. Test scenarios to find the fastest way to increase profits with the least additional work.

Fixed versus variable expenses

The best businesses should never record a loss. Reduce the risk of losses by building the business around a higher proportion of variable expenses (which go up or down as sales revenue goes up or down) and a lower proportion of fixed expenses. Fixed expenses such as long leases on premises, increase the risk of losses while reducing flexibility for growth. For fastest growth with lowest risk, minimise fixed costs by converting them to variable expenses.

The world is changing fast

Technology, data and online

connectivity are changing the world. All businesses will be affected. Those stuck in the past will find competitors offering similar outcomes cheaper or faster, or superior products at the same prices. Those embracing 'modernisation' will thrive via higher margins. Modernise the business to stay ahead of the competition and improve margins. Use TIPTool to check the improved profit from higher margins after any planned 'costs of modernisation'.

Profiting from inflation

Inflation is both an opportunity and threat. Business inflation is generally above CPI. A business that doesn't develop and maintain economic moats is hurt as input and labour costs rise before the business can increase prices. Businesses without moats grow weaker still. Some go broke. Executives can ensure their business thrives by strengthening existing moats and building new moats. This enables the business to dominate its industry by increasing prices faster than inflation, building a war chest, and seizing opportunities to acquire competitors.

Profit growth matters

When profits are growing quickly, the best employees can see opportunities for advancement and higher income. This motivates

them to produce better quality work. When profits cease growing, the best staff seek employment elsewhere, staff quality goes down and output suffers. This makes it imperative that executives continue growing their profits.

Sales team

To grow profits substantially, it is almost certain the business will need a dedicated sales team. Hire only those who are highly enthusiastic. Poor salespeople cost more than any profit they generate. The right salespeople generate far more profit than they cost.

3.10 Long Term Aims

The Company invests for many years at a time. We aim to assist executives to grow profits and dividends attractively each year. For new Portfolio Company founders, a substantial way of increasing wealth is by exchanging shares owned in an underlying business for shares in the Company. At the right exchange, this increases the value of both their shares and ours. It also improves access to finance, adds liquidity and makes it easier to buy competitors and dominate the industry.

Succession planning

Although our executives plan to continue leading our businesses for

Niche businesses increase profits more via a small increase in margins, than via a large increase in sales.

For many years, a major responsibility of senior executives is to develop a top-quality leadership team. A quality executive team helps a business grow faster and ensures it is preserved should anything happen to senior executives. To reduce risk, the board should identify an emergency successor and ensure that key staff are aware of the decision so they can act quickly and with reduced impact if anything untoward occurs.

Expertise available

TIPReps and Selected Shareholders are available to provide advice, inspiration, and suggestions for executives to build value beyond what would be possible alone.

3.11 Reporting to TIP and the company board

Each month, the company board will want to know:

- sales revenue for the period (month, quarter, year to date);
- profitability for the period;
- how this translated to free cash;
- how executives are building, maintaining or strengthening moats to improve margins;
- any OH&S issues - and that they have been dealt with appropriately; and

- the view of executives on how the business is tracking.

Reporting to the Strategy Committee

The Strategy Committee will want to know each quarter what the board and executives have done to:

- strengthen the profit-enabling moats of our business;
- reduce the likelihood or severity of any risks to the business;
- increase the net profit of our business;
- increase dividends; and
- make progress towards building a stronger executive team.

Bad news and good news

Material good and bad news should be reported to the board immediately. Good news so we can share the success, and bad news so that we can act quickly to solve the problem. When communicating bad news, a good executive team will also provide potential ways of addressing the problem. This is so the board may act quickly in advising the best path to mitigate damage and turn the bad news into a new opportunity.

Loss-making quarter

Should the business report a loss

for a calendar quarter, the company board must immediately arrange a meeting with the Strategy Committee and Board of the Company. The purpose of the meeting is to seek advice or assistance, and discuss what changes, if any, are necessary to get the business back to acceptable profit. We will be happier with the Portfolio Company when they also inform us how they have already ensured the loss will not be repeated. If acceptable changes are not made, the Strategy Committee would expect to replace the executives and TIPReps.

Compliance and culture

Executives are expected to comply with all of the Company's corporate governance policies, and to instil a culture of acting entrepreneurially, ethically and responsibly.



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Teaminvest Private Group Limited

ABN 74 629 045 736

Annual Report - 30 June 2022

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Directors	Malcolm Jones - Chair Andrew Coleman Howard Coleman Ian Kadish Regan Passlow
Company secretary	Anand Sundaraj Dean Robinson
Registered office	Suite 302 80 Mount Street North Sydney NSW 2060
Share register	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford VIC 3067 Tel: 1300 850 505
Auditor	KPMG Level 38, Tower Three, International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000
Solicitors	Sundaraj & Ker Level 36, Australia Square 264 George Street Sydney NSW 2000
Stock exchange listing	Teaminvest Private Group Limited shares are listed on the Australian Securities Exchange (ASX code: TIP)
Website	http://www.teaminvestprivate.com.au
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Teaminvest Private Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Teaminvest Private Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The Group's Corporate Governance Statement, which was approved by the Board of Directors at the same time as the Annual Report, sets out the corporate governance practices that were in operation during the financial period and identifies and explains any Recommendations that have not been followed. The Corporate Governance Statement for the year ended 30 June 2022 and the Group's corporate governance policies can be found on the Company's website at https://www.teaminvestprivate.com.au/investor-information.</p>

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Teaminvest Private Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Teaminvest Private Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Malcolm Jones - Chair
- Andrew Coleman
- Howard Coleman
- Ian Kadish
- Regan Passlow

Principal activities

During the financial period the principal continuing activities of the Group consisted of investing in Australian privately-owned businesses.

Dividends

On 17 February 2022, the company declared a maiden dividend of 0.25 cents per share. On 24 August 2022 the company declared a dividend of 0.30 cents per share for payment on 14 October 2022.

Review of operations

The profit after tax excluding impairment, amortisation of intangible assets and gain on bargain purchase of the group for the year was \$1,104,000 (30 June 2021: Profit of \$4,366,000). The impairment charge after tax for the year was \$17,442,000 (30 June 2021: \$4,260,000), a tax gain on bargain purchase of \$Nil (30 June 2021: \$3,734,000) and the amortisation of intangibles after tax was \$1,435,000 (30 June 2021: \$309,000). The loss for the Group after providing for income tax amounted to \$17,733,000 (30 June 2021: Profit of \$5,201,000).

The Group has achieved mixed results this year leading to a loss. Some individual subsidiaries were negatively impacted by the construction shutdown and supply chain disruptions. The inflationary environment driven by these events subsequently impacted cost structures which were exposed to fixed price contracts. TIP Residential Group was exposed to residential construction and fixed price contracts and has been significantly impacted resulting in impairment of assets in the business. Icon Metal was exposed to fixed price contracts and negatively impacted due to the Sydney construction shutdown impacting their profits. The remainder of the group, due to strength of management have been able to capitalise on the opportunities presented by the pandemic and have grown revenue and managed overheads to be able to increase profits.

Refer to the 'CEO report' for further details of operations and commentary on the results.

Significant changes in the state of affairs

On 12 November 2021, the Group acquired 70% of the shares in Diversified Growth Management Pty Ltd for nil consideration. The acquisition intends to leverage the Company's FY20 investment in TIP Trustees Limited in line with our strategy to develop a financial services division. Refer to note 34 to the financial statements for further information.

On 12 November 2021, the Group acquired 50% of the shares in Wood & Lee Pty Ltd for a total of \$200,000 consideration. This acquisition was a strategic decision to enable the growth of our services division, through an innovative founder who is a leading voice in the legal profession, with a strong international client base.

In March 2022, the Group entered into the UK market via an 80% investment into TIP Group (UK) Pty Ltd. The UK arm is a private equity firm domiciled in the UK under the leadership of Malcolm Rutherford.

On 15 June 2022, the Group acquired 100% of the shares in Burman Investment Management Ltd for a total of \$212,020 consideration. This acquisition was a strategic move to acquire the company that is a manager of a retail fund that furthers our strategy to develop a financial services division. Refer to note 34 to the financial statements for further information.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

From 1 July 2022, the Group has restructured the reporting divisions. The group now consists of the following divisions:

- TIP Private Equity, which consists of the majority of the current companies under control and any future acquisitions not in the TIP Wealth division.
- TIP Wealth, which will provide a range of financial services.
- TIP UK, this division will provide financial services and private equity to the UK.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Refer to the 'CEO letter' for details of likely developments and expected results of operations.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Malcolm Jones
Title: Independent Chair
Qualifications: FCA
Experience and expertise: Malcolm has experience in managing large organisations. He has held positions as a Member of the Group Management Board Zurich Financial Services in Switzerland, CEO Zurich Financial Services Asia Pacific, CEO Zurich Financial Services Australia Ltd, CEO NRMA Ltd & NRMA Insurance Ltd and CEO State Government Insurance commission of South Australia

Prior to these executive roles Malcolm was a Partner at Ernst & Young where he had worked for 18 years

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interest in shares: 2,260,519
Interest in options: None
Contractual rights to shares: None

Name: Andrew Coleman
Title: Managing Director and Chief Executive Officer ('CEO')
Qualifications: B.Ec (Hons)
Experience and expertise: Andrew is a Co-Founder of Teaminvest Private and is responsible for sourcing, structuring and overseeing investments and general management. Prior to joining Teaminvest Private, Andrew worked in Sydney as an investment banker for Credit Suisse. Andrew advised and assisted clients on significant corporate deals in Australia and internationally with a specific focus on mergers and acquisitions and capital raising activity. He is also a co-author of 'Relative Performance Incentives and Price Bubbles in Experimental Asset Markets' published in the Southern Economic Journal.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the strategy committee and investment committee
Interest in shares: 6,829,634
Interest in options: None
Contractual rights to shares: None

Name: Howard Coleman
Title: Non-Executive Director
Qualifications: BSc in Physics
Experience and expertise: Howard has over 40 years' experience as a founder and CEO in the areas of sales, marketing, publishing, consumer finance, and language and mathematics education in Australia, South Africa and the UK. Howard has held Board positions in a number of private companies in several countries. His background and experience are invaluable for assessing the strengths and weaknesses of companies. This particularly applies to identifying their future risks, and the ability and strategies of the board and senior management to deal with them.

He is a graduate of the Harvard Business School Owner/President Management Program and completed the Australian Institute of Company Directors' program for company directors. Howard has regularly appeared as a guest commentator on Sky Business and Ausbiz.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the strategy committee
Interest in shares: 18,435,244
Interest in options: None
Contractual rights to shares: None

Name: Ian Kadish
Title: Independent Non-Executive Director
Qualifications: MBBSCH MBA
Experience and expertise: Ian has significant public company board and executive experience as CEO and Managing Director of ASX listed Integral Diagnostics Limited; CEO and Managing Director of ASX listed Pulse Health Group; CEO and Managing Director of private equity owned Healthcare Australia Limited and Executive Director of JSE listed Network Healthcare Holdings Limited. In addition to his public company experience, he has served as a senior executive and board member of large private businesses owned and operated by private equity and listed equity, including CEO of Laverty Pathology, Chief Operating Officer of Greencross Vets Limited, and Co-founder and Non-Executive Director of Digital Healthcare Solutions.

Ian holds a Master's of Business Administration ('MBA') from the Wharton Business School at the University of Pennsylvania, United States of America, and a Bachelor of Medicine and Surgery from the University of Witwatersrand, South Africa. In addition to his executive career in the United States, South Africa and Australia, Ian has also worked as a consultant for McKinsey and as an advisor to boards on executing and integrating mergers and acquisitions.

Other current directorships: Integral Diagnostics Limited (ASX: IDX)
Former directorships (last 3 years): None
Special responsibilities: Chairman of the strategy committee
Interest in shares: 292,603
Interest in options: None
Contractual rights to shares: None

Name: Regan Passlow
Title: Non-Executive Director
Qualifications: MA, Mgmt
Experience and expertise: Regan has worked as an executive director for nearly 40 years for both national and multi-national companies. His focus has been primarily on strategic business development, administration and back-office systems.

He has over 40 years' experience in senior management and governance roles in private organisations. He is the former co-founder of WebProfit.com.au, a business established in the 1990's to provide executives of small and medium-sized enterprises ('SMEs') with strategic advice on the use of the Internet and e-commerce. He is also the co-founder of retail lender EM Finance Corporation and a founding director of Teaminvest, Teaminvest Private and EM Commercial Finance. He has historically chaired the investment committee and has held directorships on five portfolio companies.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of the investment committee and member of the strategy committee.
Interest in shares: 3,696,531
Interest in options: None
Contractual rights to shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Anand Sundaraj is a corporate lawyer with over 20 years' experience and is currently a principal at Sundaraj & Ker, a Sydney-based law firm. Anand specialises in advising on mergers and acquisitions, and capital raisings for both publicly listed and privately held entities. He also advises on funds management and general securities law matters including listing rule compliance and corporate governance.

Dean Robinson is the CFO and Company Secretary. He is responsible for overseeing financial strategy and operations including sourcing, structuring and overseeing investments and general management. Dean worked as a Director of Mergers and Acquisitions with KPMG. In this role, he led the growth and development of the Greater Western Sydney team. Dean holds a Master's in Applied Finance from Macquarie University Applied Finance Centre and a Senior Executive MBA from University of Melbourne.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		Investment Committee		Strategy Committee	
	Attended	Held	Attended	Held	Attended	Held
Malcolm Jones	12	12	-	-	12	12
Andrew Coleman	12	12	21	22	12	12
Howard Coleman	12	12	-	-	11	12
Ian Kadish	12	12	-	-	12	12
Regan Passlow*	11	12	21	22	4	12

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

*Regan Passlow joined the strategy committee from January 2022

Audit Committee

The Company has established an Audit Committee which has three members, two of whom are independent (including an independent Chair):

- Dr Ian Kadish, independent chair of the committee;
- Mr Malcolm Jones, independent member of the committee; and
- Mr Regan Passlow, non-executive member of the committee.

The number of meetings of the Audit Committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Audit Committee		Risk and Compliance Committee	
	Attended	Held	Attended	Held
Malcolm Jones	3	3	3	6
Ian Kadish	3	3	2	6
Regan Passlow	3	3	2	6

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Risk and Compliance Committee

The Company has established a Risk and Compliance Committee which has seven members comprising Mr Dean Robinson, the CFO of the Company and chair of the committee, and six Selected Shareholders. The Risk and Compliance Committee's function is to continuously review the risk, compliance framework and corporate governance policies of the Group's Portfolio Companies to inculcate and improve operations. The Risk and Compliance Committee meets on a monthly basis.

Nomination and Remuneration Committee

The Company has not constituted a Nomination and Remuneration Committee given the nature and scale of the Group's operations. The Board as a whole fulfils the functions normally delegated to a Nomination and Remuneration Committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- clarity and transparency;
- performance linkage / alignment of executive compensation;
- acceptability to shareholders; and
- competitiveness and reasonableness.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. The Board determines its remuneration policies having regard to the Company's earnings and the consequences of the Company's performance on shareholder wealth.

The Board has structured an executive remuneration framework that it considers is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board considers that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework seeks to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The chair's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chair is not present at any discussions relating to the determination of their own remuneration. Non-executive directors do not receive share options or other incentives.

The annual non-executive directors' fees currently agreed to be paid by the Company are set out below:

Director

Malcolm Jones
Howard Coleman
Ian Kadish
Regan Passlow

Director's fees

\$100,000 per annum (including superannuation).
\$70,000 per annum (including superannuation).
\$70,000 per annum (including superannuation).
\$70,000 per annum (including superannuation).

Each non-executive director has agreed with the Company that half of their remuneration will be accrued but not paid during each financial year. If shareholder approval is received at the annual general meeting following the end of each financial year, this accrued remuneration will be issued as ordinary shares. If shareholder approval is not received, the accrued remuneration will be paid as cash.

Australian Securities Exchange ('ASX') listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The maximum aggregate non-executive directors' remuneration approved by the Constitution is \$500,000. Any changes to this amount will be approved by shareholders in the annual general meeting.

Executive remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance and the overall performance of the Group. The Fixed remuneration is set below comparable market remunerations. A greater percentage of total executive remuneration is available through short term and long term incentives based on performance.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation, annual leave and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. The KPI for the period ended 30 June 2021, in relation to Andrew Coleman and Dean Robinson STI of \$50,000 was awarded for successfully growing the Group, enabling a positive collaborative environment and steering the Group through hard economic times. The profit targets for the period ended 30 June 2022 were not met and no bonus has been awarded.

Consolidated entity performance and link to remuneration

The incentives to the executives is based on Net Profit After Tax as described below.

An annual bonus equal to 3.5% of the Company's audited comprehensive income per annum (before expensing the cost of the bonus) comprising:

- 50% to be paid in cash (Cash Component); and
- 50% to be issued as shares in the Company (Share Component).

The bonus is to be determined twice each financial year, after the reviewed Half Year Result and after the audited Full Year Result.

Use of remuneration consultants

During the financial period ended 30 June 2022, the Group did not engage the use of remuneration consultants.

Details of remuneration

The key management personnel of the Group consisted of the following directors of Teaminvest Private Group Limited:

- Malcolm Jones - Independent Chair
- Howard Coleman - Non-Executive Director
- Ian Kadish - Independent Non-Executive Director
- Regan Passlow - Non-Executive Director
- Andrew Coleman - Managing Director and Chief Executive Officer ('CEO')

And the following person

- Dean Robinson - Chief Finance Officer ('CFO')

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits			Post-Employment benefits	Long-term benefits	Share-based payment			Total
	Cash salary and fees	Cash bonus	Annual leave	Superannuation	Long service leave	Equity unsettled	Bonus settled	Bonus unsettled	
30 June 2022	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:									
Malcolm Jones	45,455	-	-	9,091	-	45,455	-	-	100,000
Howard Coleman	31,818	-	-	6,364	-	31,818	-	-	70,000
Ian Kadish	31,818	-	-	6,364	-	31,818	-	-	70,000
Regan Passlow	31,818	-	-	6,364	-	31,818	-	-	70,000
Executive Directors:									
Andrew Coleman	200,000	-	15,384	20,507	3,334	-	-	-	239,225
Other Key Management Personnel:									
Dean Robinson	200,000	-	16,863	20,507	-	-	-	-	237,370
	540,909	-	32,247	69,197	3,334	140,909	-	-	786,596

* share based payments represent half of non-executive directors' remuneration and half of executive director and other key management personnel's bonuses, that have been accrued and not paid during the financial year. These payments are to be settled in share based payments subject to Board approval and shareholder vote at the AGM. If approval is not granted, these will be paid in cash.

	Short-term benefits			Post-Employment benefits	Long-term benefits	Share-based payment			Total**
	Cash salary and fees	Cash bonus	Annual leave	Superannuation	Long service leave	Equity unsettled	Bonus settled	Bonus unsettled	
30 June 2021	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:									
Malcolm Jones	45,662	-	-	8,676	-	45,662	-	-	100,000
Howard Coleman	31,964	-	-	6,073	-	31,963	-	-	70,000
Ian Kadish	31,964	-	-	6,073	-	31,963	-	-	70,000
Regan Passlow	31,964	-	-	6,073	-	31,963	-	-	70,000
Executive Directors:									
Andrew Coleman	200,000	97,858	15,385	23,338	3,333	97,858	-	-	437,772
Other Key Management Personnel:									
Dean Robinson	200,000	97,858	15,385	23,338	-	97,858	-	-	434,439
	541,552	195,716	30,770	73,571	3,333	337,268	-	-	1,182,210

* share based payments represent half of non-executive directors' remuneration and half of executive director and other key management personnel's bonuses, that have been accrued and not paid during the financial year. These payments are to be settled in share based payments subject to Board approval and shareholder vote at the AGM. If approval is not granted, these will be paid in cash.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Malcolm Jones
Title: Independent Chairperson
Agreement commenced: 13 December 2019
Term of agreement: Ongoing
Details: \$100,000 per annum (including superannuation)

Name: Howard Coleman
Title: Non-Executive Director
Agreement commenced: 1 March 2019
Term of agreement: Ongoing
Details: \$70,000 per annum (including superannuation)

Name: Ian Kadish
Title: Non-Executive Director
Agreement commenced: 26 February 2019
Term of agreement: Ongoing
Details: \$70,000 per annum (including superannuation)

Name: Regan Passlow
Title: Non-Executive Director
Agreement commenced: 1 March 2019
Term of agreement: Ongoing
Details: \$70,000 per annum (including superannuation)

Name: Andrew Coleman
Title: Managing Director and Chief Executive Officer
Agreement commenced: 26 February 2019
Term of agreement: Ongoing
Details: \$220,507 per annum (including superannuation). Employment notice is 3 months.

Name: Dean Robinson
Title: Chief Finance Officer
Agreement commenced: 1 November 2018
Term of agreement: Ongoing
Details: \$220,507 per annum (including superannuation)

Key management personnel have no entitlement to termination payments in the event of removal for misconduct. Leave entitlements are accrued on top of the annual salary.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

	Issue Date	Number of Shares	Issue Price	Total Value
30 June 2022				
Shares issued to KMP	27/10/2021	343,784	\$0.569	195,720
	28/10/2021	248,639	\$0.569	141,476
	28/10/2021	<u>74,691</u>	<u>\$0.575</u>	<u>42,962</u>
30 June 2021				
Shares issued to KMP	04/09/2020	2,080,181	\$0.529	1,100,000
Shares issued to directors	04/12/2020	<u>107,416</u>	<u>\$0.529</u>	<u>56,803</u>

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Other*	Balance at the end of the year
<i>Ordinary shares</i>					
Malcolm Jones	2,169,359	80,207	-	10,953	2,260,519
Howard Coleman	17,173,795	56,144	1,123,898	81,407	18,435,244
Ian Kadish	236,459	56,144	-	-	292,603
Regan Passlow	3,622,448	56,144	-	13,043	3,691,635
Andrew Coleman*	12,250,092	171,892	-	(5,592,350)	6,829,634
Dean Robinson	1,078,455	171,892	122,664	6,235	1,379,246
	<u>36,530,608</u>	<u>592,423</u>	<u>1,246,562</u>	<u>(5,480,712)</u>	<u>32,888,881</u>

*In the current year, this consists of shares received as part of the dividend reinvestment plan and for, Andrew Coleman, an indirect shareholding no longer being required to be recognised. Previously the Teaminvest Private Group Limited shares held by The Teaminvest Diversified Growth Fund were considered to be indirectly held by Andrew Coleman as a director on Diversified Growth Management Pty Ltd. When this was acquired by the Group in November 2021, he ceased to be considered as indirectly holding these shares.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Teaminvest Private Group Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Teaminvest Private Group Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the Company who are former partners of KPMG

There are no officers of the Company who are former partners of KPMG, the auditor of the Group.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Andrew Coleman
Managing Director and Chief Executive Officer
24 August 2022
Sydney



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Teaminvest Private Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Teaminvest Private Group Limited for the financial year ended 30 June 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kevin Leighton

Partner

Sydney

24 August 2022

	Note	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Revenue			
Revenue from contracts with customers	5	92,673	91,443
Share of profits of associates accounted for using the equity method	13	2,674	2,867
Other income	6	894	6,803
Interest revenue calculated using the effective interest method		7	261
Expenses			
Raw materials and consumables used		(39,206)	(40,332)
Employee benefits expense		(43,919)	(39,524)
Depreciation	7	(2,948)	(2,869)
Amortisation	7	(2,050)	-
Impairment of assets	7, 16	(17,442)	(4,260)
Impairment of receivables		(183)	(360)
Net loss on disposal of property, plant and equipment		(84)	-
Occupancy expense		(669)	(627)
Other expenses		(8,180)	(7,212)
Finance costs	7	(331)	(399)
(Loss)/Profit before income tax		(18,764)	5,791
Income tax benefit/(expense)	8	991	(590)
(Loss)/Profit after income tax benefit for the year attributable to the owners of Teaminvest Private Group Limited		(17,773)	5,201
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/ income for the year attributable to the owners of Teaminvest Private Group Limited		(17,773)	5,201
Attributable to			
Equity holders of the parent		(17,751)	5,201
Non-controlling interest		(22)	-
		Cents	Cents
Basic earnings per share	37	(13.52)	4.46
Diluted earnings per share	37	(13.52)	4.43

	Note	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	6,426	12,346
Trade and other receivables	10	8,577	8,959
Contract assets	11	10,545	8,049
inventories	12	10,688	8,379
Income tax		369	-
Prepayments and other deposits		1,819	938
Total current assets		38,424	38,671
Non-current assets			
Investments accounted for using the equity method	13	23,804	21,412
Other financial assets		411	111
Property, plant and equipment	14	5,694	5,618
Right-of-use assets	15	2,956	3,606
Intangibles	16	44,868	63,044
Total non-current assets		77,733	93,791
Total assets		116,157	132,462
Liabilities			
Current liabilities			
Trade and other payables	17	14,520	13,780
Contract liabilities	18	7,660	4,877
Borrowings	19	586	1,323
Lease liabilities	20	1,573	1,997
Income tax	8	-	191
Employee benefits	21	2,379	2,168
Provisions		307	193
Contingent consideration		-	258
Total current liabilities		27,025	24,787
Non-current liabilities			
Lease liabilities	23	2,057	2,694
Deferred taxes	8	5,005	5,996
Employee benefits	24	557	377
Total non-current liabilities		7,619	9,067
Total liabilities		34,644	33,854
Net assets		81,513	98,608
Equity			
Issued capital	25	88,301	87,597
(Accumulated losses)/retained profits		(7,069)	11,011
Capital Contribution		229	-
Total equity attributable to the equity holders of the Parent		81,461	98,608
Non-controlling interest		52	-
Total equity		81,513	98,608

The above statement of financial position should be read in conjunction with the accompanying notes

TIP Group

Teaminvest Private Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2022

	Issued capital \$'000	Accumulated losses/retained profits \$'000	Capital Contribution \$'000	Total equity \$'000	Non-controlling interests	Total equity
Balance at 1 July 2020	75,386	5,810	-	81,196	-	81,196
Profit after income tax for the year	-	5,201	-	5,201	-	5,201
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	11,011	-	86,397	-	86,397
Transactions with owners in their capacity as owners:						
Issue of ordinary shares for settlement of share based payments	1,100	-	-	1,100	-	1,100
Issue of ordinary shares related to business combinations	10,769	-	-	10,769	-	10,769
Issue of ordinary shares for directors' fees	57	-	-	57	-	57
Issue of ordinary shares for bonuses	285	-	-	285	-	285
Balance at 30 June 2021	87,597	11,011	-	98,608	-	98,608

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Issued capital \$'000	Accumulated losses/retained profits \$'000	Capital Contribution \$'000	Total equity \$'000	Non-controlling interests	Total equity
Balance at 30 June 2021	34	87,597	11,011	-	98,608	-	98,608
(Loss)/profit after income tax for the year		-	(17,751)	-	(17,751)	(22)	(17,773)
Other comprehensive income for the year, net of tax		-	-	-	-	-	-
Total comprehensive loss for the year		-	(17,751)	-	(17,751)	(22)	(17,773)
Establishment of a subsidiary		-	-	-	-	46	46
Transactions with owners in their capacity as owners:							
Acquisition of a subsidiary		-	-	229	229	28	257
Issue of ordinary shares for settlement of share based payments		380	-	-	380	-	380
Issue of ordinary shares related to contingent consideration		324	-	-	324	-	324
Dividends		-	(329)	-	(329)	-	(329)
		704	(329)	229	604	28	632
Balance at 30 June 2022		88,301	(7,069)	229	81,461	52	81,513

The above statement of changes in equity should be read in conjunction with the accompanying notes
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Teaminvest Private Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		101,088	92,745
Payments to suppliers and employees (inclusive of GST)		(100,069)	(92,311)
Dividends received		1,310	653
Interest received		-	261
Other revenue		377	3,947
Interest and other finance costs paid		(324)	(399)
Income taxes (paid)/refunded		(560)	500
Net cash from operating activities	36	1,822	5,396
Cash flows from investing activities			
(Net payments for)/net cash acquired from business combinations	34	(85)	1,188
Payments for investment in associates		(1,023)	(74)
Payments for other financial assets		(300)	-
Payments for property, plant and equipment	14	(2,251)	(2,622)
Payments for intangibles	16	(107)	(468)
Proceeds from disposal of property, plant and equipment		517	95
Net cash used in investing activities		(3,249)	(1,881)
Cash flows from financing activities			
(Repayments)/proceeds from borrowings	37	(422)	43
Repayment of lease liabilities	37	(2,541)	(2,269)
Loans to related and other parties		(1,145)	-
Repayment of invoice discounting	37	(70)	(35)
Net cash used in financing activities		(4,178)	(2,261)
Net (decrease)/increase in cash and cash equivalents		(5,605)	1,254
Cash and cash equivalents at the beginning of the financial year		12,031	10,777
Cash and cash equivalents at the end of the financial year	9	6,426	12,031
Represented by:			
Cash and cash equivalents		6,426	12,346
Less: bank overdraft		-	(315)
		6,426	12,031

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Teaminvest Private Group Limited as a Group consisting of Teaminvest Private Group Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the period (referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Teaminvest Private Group Limited's functional and presentation currency.

Teaminvest Private Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 302, 80 Mount Street
North Sydney, NSW 2060

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New or amended Accounting Standards and Interpretations

Several other amendments and interpretations apply for the first time in FY22, but do not have an impact on the financial report of the Group. These are as follows:

- AASB 2019-3 Amendments to AASB 7, AASB 9 and AASB 139 Interest Rate Benchmark Reform on Hedge Accounting
- AASB 2021-3 Amendments to AASBs
- COVID-19-Related Rent Concessions beyond 30 June 2021

(b) Australian Accounting Standards issued but not yet effective

A number of new accounting standards (including amendments and interpretations) have been issued but were not effective as at 30 June 2022. The following are the pronouncements that the Group has elected not to early adopt in these financial statements:

- Amendments to AASB 101: Classification of Liabilities as Current or Non-current
- Amendments to AASB 3: Reference to Conceptual Framework
- Amendments to AASB 9: Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to AASB 108: Definition of Accounting Estimates
- Amendments to AASB 1 and AASB Practice Statement 2: Disclosure of Accounting Policies
- Amendments to AASB 116: Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to AASB 137: Onerous Contracts – Costs of Fulfilling a Contract

The above are not expected to have a significant impact on the Group's financial statements in the year of their initial application.

Note 2. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, unless otherwise stated.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 39.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Teaminvest Private Group Limited as at 30 June 2022 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 2. Significant accounting policies (continued)

Reportable and operating segments

Reportable and operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the design, manufacture and installation of the products listed below is typically recognised at the point in time when the customer obtains control of the goods, which is generally at the time of installation or delivery.

- glass splashbacks, glass bathroom walls and toughened mirrors; and
- semi-trailers.
- automation and remote monitoring products

Revenue from the design, development and installation of electrical network extensions and upgrades work in exchange for a fixed fee is recognised over time.

Rendering of services

Revenue from a contract to provide logistic support services at a fixed price is recognised at a point in time when the services are rendered and items are delivered.

Revenue from the design, development and installation of architectural metal work in exchange for a fixed fee is recognised over time as is the provision of traffic management services. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. The performance obligation is based on the 'output method', where progress is measured against internally predetermined project milestones, being the most faithful depiction of the transfer of goods and services to each customer based on historical experience. As the performance obligation is generally completed within 12 months, the Group has used the practical expedient not to adjust the for the effects of financing. The revenue from subscription and education services is recognised over the respective deemed benefit period.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 2. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Teaminvest Private Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary 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 tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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 Group'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 settled in the Group'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.

Note 2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group has yet to issue an invoice. Contract assets are treated as financial assets for impairment purposes.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	over the term of the lease
Plant and equipment	1-10 years
Plant and equipment under lease	2-5 years
Motor vehicles	4-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Confidential information

This is proprietary information developed within an acquired business and consists of know-how, internal financial information and equations supporting proprietary software. This is not amortised and is tested annually for impairment.

Note 2. Significant accounting policies (continued)

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 10 years.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 and 15 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 5 years.

Technology based intangible assets

These consist of unpatented software, processes and accumulated data acquired in a business combination. They are amortised over the period of their expected benefit, being a useful life of 15 years.

Networks and relationships

Networks and relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being 6 years.

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

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.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is

Note 2. Significant accounting policies (continued)

Lease liabilities (cont.)

remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 2. Significant accounting policies (continued)

Fair value measurement (cont.)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are capitalised as value in use cost.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

When two or more entities combine through an exchange of equity interests, AASB 3 requires one of the entities to be deemed the acquirer under a reverse acquisition. In a 'reverse acquisitions', the issuing entity is the deemed to be the acquiree (legal parent) and the acquirer is deemed to be the subsidiary. In identifying the acquirer in a reverse acquisition the consideration is given in facts and circumstances including (a) the relative voting rights in the combined entity after the business combination; (b) the existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest; (c) the composition of the governing body of the combined entity; (d) the composition of the senior management of the combined entity and (e) the terms of the exchange of equity interests. The acquirer is usually the combining entity whose relative size (measured in, for example, assets, revenues or profit) is significantly greater than that of the other combining entity or entities.

Note 2. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Teaminvest Private Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparative information

Comparatives have been restated, where appropriate, to conform to changes in presentation in the current year and to enhance comparability. There was no net effect on the net asset position.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

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.

Revenue recognition over time

For performance obligations satisfied over time, management uses judgement to select a method for measuring its progress towards complete satisfaction of that performance obligation. In exercising that judgement, management selects a method that depicts its performance in transferring control of goods or services to the customer. For the provision of architectural metal work, management has determined that progress should be measured by internally predetermined project milestones (an output method). Specifically this method involves estimating the progress towards satisfying performance obligations within the contract and contract costs expected to be incurred to satisfy the performance obligations.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available

Provision for impairment of inventories

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

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. 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.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Note 3. Critical accounting judgements, estimates and assumptions (cont.)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 4. Operating segments

Identification of reportable and operating segments

The Group is organised into two reportable segments based on whether it manufactures ('Engineering') or provides services ('Services'). These reportable segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. Further details are as follows:

Segment name	Description
Engineering segment	The engineering segment includes three wholly-owned subsidiaries of the Group: Lusty TIP Trailers Pty Ltd; Icon Metal Pty Ltd and Automation Group Investments Pty Ltd.
Services segment	The services segment includes seven wholly-owned subsidiaries; East Coast Traffic Controllers Pty Ltd, Teaminvest Private Residential Group Pty Ltd, TIP Trustees Limited, Coastal Energy Pty Ltd, Burman Investment Management Limited, Coliving Future Property Fund Pty Ltd and Teaminvest Pty Ltd and two majority owned subsidiaries Diversified Growth Management Pty Ltd and TIP Group (UK) Pty Ltd. Five associate entities: Colour Capital Pty Ltd, Multimedia Technology Pty Ltd, Enhanced Trading Solutions Pty Ltd, Wood and Lee Pty Ltd and Teaminvest Private Insurance Services Pty Ltd.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Intersegment transactions

There were no material intersegment transactions.

Intersegment receivables, payables and loans

There were no intersegment receivables, payables and loans.

Major customers

During the period ended 30 June 2022, the Group had sales to a construction customer that amounted to \$10,803,783 (2021: \$13,250,249).

Note 4. Operating segments (continued)

30 June 2022	Engineering \$'000	Services \$'000	Total \$'000
Revenue			
Sales to customers	61,332	30,273	91,605
Other revenue	549	518	1,068
Total	61,881	30,791	92,673
EBITDA	2,707	4,198	6,905
Depreciation and amortisation expense			(4,998)
Interest revenue			7
Government grants			301
Finance costs			(331)
Impairment of assets			(17,442)
Corporate overheads			(3,206)
Loss before income tax			(18,764)
Income tax			991
Loss after income tax			(17,773)
Assets			
Segment assets	60,578	54,606	115,184
<i>Unallocated assets:</i>			
Income tax refund			369
Corporate assets			604
Total assets			116,157
Liabilities			
Segment liabilities	19,915	8,389	28,304
<i>Unallocated liabilities:</i>			
Deferred tax liability			5,005
Corporate liabilities			1,335
Total liabilities			34,644

Note 4. Operating segments (continued)

30 June 2021	Engineering \$'000	Services \$'000	Total \$'000
Revenue			
Sales to customers	64,210	26,259	90,469
Other revenue	286	371	657
Total	64,496	26,630	91,126
EBITDA	5,111	3,922	9,033
Depreciation and amortisation expense			(2,869)
Interest revenue			261
Other income			317
Gain on business combinations			3,734
Government grants			2,522
Finance costs			(399)
Impairment of assets			(4,294)
Corporate overheads			(2,514)
Profit before income tax			5,791
Income tax			(590)
Profit after income tax			5,201
Assets			
<i>Segment assets</i>	55,865	70,774	126,639
<i>Unallocated assets:</i>			
Corporate assets			5,823
Total assets			132,462
Liabilities			
<i>Segment liabilities</i>	18,067	7,625	25,692
<i>Unallocated liabilities:</i>			
Provision for income tax			191
Deferred tax liability			5,996
Contingent consideration			258
Corporate liabilities			1,717
Total liabilities			33,854

Note 5. Revenue from contracts with customers

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Revenue from contracts with customers		
Sale of goods	41,700	39,805
Rendering of services	49,905	50,664
	91,605	90,469
Other revenue		
Other sales revenue	1,068	974
	92,673	91,443

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Engineering \$'000	Services \$'000	Total \$'000
30 June 2022			
Geographical Regions			
Australia	61,332	30,273	91,605
Timing of Revenue recognition			
Goods transferred at a point in time	39,416	2,737	42,153
Goods transferred over time	306	-	306
Services transferred at a point in time	295	11,961	12,256
Services transferred over time	21,315	15,575	36,890
	61,332	30,273	91,605

	Engineering \$'000	Services \$'000	Total \$'000
30 June 2021			
Geographical Regions			
Australia	64,210	26,259	90,469
Timing of Revenue recognition			
Goods transferred at a point in time	35,486	4,319	39,805
Goods transferred over time	6,902	-	6,902
Services transferred at a point in time	604	9,647	10,251
Services transferred over time	21,218	12,293	33,511
	64,210	26,259	90,469

Note 6. Other income

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Gain on bargain purchase	-	3,734
Government grants	301	2,522
Reimbursement of expenses	27	84
Other	49	368
Net gain on disposal of property, plant, and equipment	517	95
	<hr/>	<hr/>
Other Income	894	6,803

Note 7. Expenses

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Profit before income tax includes the following specific expenses:</i>		
<i>Depreciation</i>		
Leasehold improvements	95	98
Plant and equipment	603	470
Motor vehicles	527	360
Buildings right-of-use assets	1,292	1,419
Plant and equipment right-of-use assets	416	32
Motor vehicles right-of-use assets	15	49
	<hr/>	<hr/>
Total depreciation	2,948	2,428
<i>Amortisation</i>		
Patents and trademarks	61	94
Customer contracts	283	249
Technology based intangible assets	447	-
Network & Relationships	361	-
Other intangible assets	898	98
	<hr/>	<hr/>
Total amortisation	2,050	343
	<hr/>	<hr/>
<i>Total depreciation and amortisation</i>	4,998	2,771

Note 7. Expenses (cont.)

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Impairment</i>		
Property, plant and equipment	(411)	-
Right-of-use-assets	(421)	-
Intangible assets	(16,610)	(4,260)
Impairment of assets	(17,442)	(4,260)
<i>Finance costs</i>		
Interest paid on borrowings	176	159
Interest paid on lease liabilities	155	240
	<hr/>	<hr/>
Finance costs expensed	331	399
<i>Leases</i>		
Minimum lease payments	-	-
Short-term lease payments	68	68
Low-value assets lease payments	-	-
	<hr/>	<hr/>
	68	68

Note 8. Income tax

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Income tax (benefit)/expense</i>		
Current tax	-	208
Deferred tax - origination and reversal of temporary differences	(991)	590
Adjustment recognised for prior periods	-	(208)
	<hr/>	<hr/>
Aggregate income tax (benefit)/expense	(991)	590
<i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i>		
(Loss)/profit before income tax (benefit)/expense	(18,764)	5,791
	<hr/>	<hr/>
Tax at statutory rate of 30%	(5,629)	1,737

Note 8. Income tax (cont.)

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

Impairment of intangible assets	5,461	-
Gain on bargain purchase	-	(1,120)
Other non-taxable income	(536)	(258)
Share of profits - associates	(821)	(860)
Non-deductible expenses	535	1,299
	(991)	798
Adjustment recognised for prior periods	-	(208)
Income tax (benefit)/expense	(991)	590

	30 Jun 2022	30 Jun 2021
	\$'000	\$'000

Deferred tax

Deferred tax liability comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Tax losses	1,680	767
Allowance for expected credit losses	(56)	36
Rights-of-use	76	66
Contract liabilities	1,238	802
Employee benefits	908	795
Provision for warranties and claims	85	40
Accrued expenses	(39)	(18)
Retention receivable	(446)	(683)
Prepayments	(168)	(54)
Contract assets	(2,562)	(1,558)
Inventories	(11)	(11)
Intangible assets	(5,319)	(5,781)
Property, plant, equipment	(120)	(125)
Other	(272)	(272)
<i>Deferred tax liability</i>	(5,005)	(5,996)

Movements:

Opening balance	(5,996)	(6)
Credited/(charged) to profit or loss	991	(590)
Additions through business combinations	-	(5,128)
Other		(272)
Closing balance	(5,005)	(5,996)

Note 9. Current assets – cash and cash equivalents

	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
Cash on hand	4	4
Cash at bank	4,416	12,081
Cash on deposit	2,006	261
	6,426	12,346

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances above	6,426	12,346
Bank overdraft	19	(315)
	6,426	12,031
Balance as per statement of cash flows	6,426	12,031

Note 10. Current assets - trade and other receivables

	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
Trade receivables	7,404	9,259
Allowance for expected credit losses	(93)	(398)
	7,311	8,861
Loan receivable	1,262	69
Receivable from employees	-	11
	1,262	80
Receivable from related parties	(5)	-
Other receivables	9	18
	8,577	8,959

Note 10. Current assets – trade and other receivables (continued)

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate	Expected credit loss rate	Carrying Amount		Allowance for expected credit losses	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Consolidated	%	%	\$'000	\$'000	\$'000	\$'000
Not overdue (less than 1 month)	-	-	6,436	7,473	-	-
Between 1 to 3 months	-	-	559	1,407	-	-
Between 3 to 6 months	10.30%	11.45%	233	110	24	20
Over 6 months	39.20%	61.12%	176	269	69	378
			<u>7,404</u>	<u>9,259</u>	<u>93</u>	<u>398</u>

Movements in the allowance for expected credit losses are as follows:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Opening balance	398	302
Additional provisions recognised	183	400
Receivables written off during the year as uncollectable	(9)	(77)
Unused amounts reversed	(479)	(227)
Closing balance	<u>93</u>	<u>398</u>

Note 11. Current assets - contract assets

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Contract assets	<u>10,545</u>	<u>8,049</u>
Opening balance	8,049	9,033
Additions	48,202	35,904
Transfer to trade receivables	(45,384)	(36,386)
Reclassifications	(322)	(502)
Closing balance	<u>10,545</u>	<u>8,049</u>

Note 12. Current assets – inventories

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Raw materials - at cost	5,173	3,687
Work in progress - at cost	2,569	2,531
Finished goods - at cost	2,946	2,161
	<u>10,688</u>	<u>8,379</u>

Note 13. Non-current assets - investments accounted for using the equity method

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Investment in associates	<u>23,804</u>	<u>21,412</u>

Reconciliation

Reconciliation of the Group's carrying amounts at the beginning and end of the current and previous financial year are set out below:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Opening carrying amount	21,412	19,124
Profit after income tax	2,674	2,867
Additions	1,028	74
Dividends received	(1,310)	(653)
Closing carrying amount	<u>23,804</u>	<u>21,412</u>

Name	Principal place of business/Country of incorporation	Ownership interest	
		30 Jun 2022 %	30 Jun 2021 %
Colour Capital Pty Ltd	Australia	33%	33%
Multimedia Technology Pty Ltd	Australia	30%	30%
Teaminvest Private Insurance Services Pty Ltd	Australia	50%	50%
Wood & Lee Pty Ltd	Australia	50%	-
Enhanced Trading Solutions Pty Ltd	United Kingdom	16%	-

Note 13. Non-current assets - investments accounted for using the equity method (cont.)

Detailed Reconciliation:

A detailed reconciliation of the Group's carrying amounts at the beginning and end of the current and previous financial year are set out below:

	Colour Capital		Multimedia Technology		Teaminvest Private Insurance		Wood & Lee		Enhanced Trading Solutions	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Reconciliation of the Group's carrying amount										
Beginning balance	8,602	8,096	12,747	11,038	63	64	-	-	-	-
Acquisition price	-	-	-	-	-	-	200	-	823	-
Share of profit/(loss) after income tax	790	1,006	1,899	1,859	33	2	16	-	(59)	-
Share of dividends received	(850)	(500)	(450)	(150)	(10)	(3)	-	-	-	-
Closing carrying amount	8,542	8,602	14,196	12,747	86	63	216	-	764	-

TIP Group

Note 13. Non-current assets - investments accounted for using the equity method (cont.)

Summarised statement of financial position of the current and previous financial year are set out below:

	Colour Capital		Multimedia Technology		Teaminvest Private Insurance		Wood & Lee		Enhanced Trading Solutions	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Summarised statement of financial position</i>										
Current assets	2,829	4,417	41,891	37,935	219	211	20	-	1,653	-
Non-current assets	3,631	2,391	2,725	3,392	73	-	-	-	3,348	-
Total assets	6,460	6,808	44,616	41,327	292	211	20	-	5,001	-
Current liabilities	1,444	1,610	11,464	15,754	173	137	15	-	315	-
Non-current liabilities	-	4	5,579	-	-	-	-	-	208	-
Total liabilities	1,444	1,614	17,043	15,754	173	137	15	-	523	-
Net assets/(liabilities)	5,016	5,194	27,573	25,573	119	74	5	-	4,478	-

Note 13. Non-current assets - investments accounted for using the equity method (cont.)

Summarised statement of profit or loss and other comprehensive income are set out below:

	Colour Capital		Multimedia Technology		Teaminvest Private Insurance		Wood & Lee		Enhanced Trading Solutions	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	19,111	16,084	173,996	151,025	183	105	108	-	150	-
Expenses	(15,519)	(11,976)	(164,956)	(142,170)	(93)	(99)	(62)	-	(478)	-
Profit/(loss) before income tax	3,592	4,109	9,039	8,855	90	6	46	-	(328)	-
Income tax (expense)/benefit	(1,221)	(1,091)	(2,712)	(2,656)	(25)	(2)	(14)	-	62	-
Profit/(loss) after income tax	2,371	3,018	6,327	6,199	65	4	32	-	(266)	-
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	2,371	3,018	6,327	6,199	65	4	32	-	(266)	-

Summarised statement of profit or loss and other comprehensive income

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Teaminvest Private Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2022

Note 14. Non-current assets - property, plant and equipment

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Land - at cost	-	54
Leasehold improvements	514	673
Less: Accumulated depreciation	(117)	(138)
	397	535
Plant and equipment - at cost	4,507	4,045
Less: Accumulated depreciation	(1,236)	(1,026)
	3,271	3,019
Motor vehicles - at cost	2,748	2,596
Less: Accumulated depreciation	(722)	(586)
	2,026	2,010
	5,694	5,618

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land \$'000	Leasehold Improvements \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 1 July 2020	54	169	2,056	1,921	4,200
Additions through business combinations	-	-	19	4	23
Additions	-	495	1,432	695	2,622
Disposals	-	(31)	(16)	(247)	(294)
Impairment of assets	-	-	(2)	(3)	(5)
Depreciation expense	-	(98)	(470)	(360)	(928)
Balance at 30 June 2021	54	535	3,019	2,010	5,618
Additions through business combinations	-	-	-	-	-
Additions	-	63	1,366	822	2,251
Disposals	(54)	(81)	(121)	(268)	(524)
Impairment of assets	-	(25)	(390)	(11)	(426)
Depreciation expense	-	(95)	(603)	(527)	(1,225)
Balance at 30 June 2022	-	397	3,271	2,026	5,694

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Note 15. Non-current assets - right-of-use assets

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Land & Buildings - right-of-use	5,079	6,445
Accumulated depreciation and impairment	(2,123)	(2,912)
	<u>2,956</u>	<u>3,533</u>
Plant & Equipment -right-of-use	-	93
Accumulated depreciation and impairment	-	(35)
	<u>-</u>	<u>58</u>
Motor Vehicles-right-of-use	43	43
Accumulated depreciation and impairment	(43)	(28)
	<u>-</u>	<u>15</u>
	<u>2,956</u>	<u>3,606</u>

Additions to the right-of-use assets during the period were \$1,480,311. The Group impaired right of use assets with a carrying value of \$421,356 within Teaminvest Private Residential Group Pty Ltd.

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between 1 to 5 years. The Group leases office equipment under agreements of less than 1 year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Opening balance	4,691	5,172
New leases entered into during the year	1,480	1,788
Lease payments	(2,541)	(2,269)
Closing balance	<u>3,630</u>	<u>4,691</u>

Lease liabilities included in the statement of financial position:

Current (Note 20)	1,573	1,997
Non-current (Note 23)	2,057	2,694
	<u>3,630</u>	<u>4,691</u>

Note 16. Non-current assets – intangibles

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Goodwill at cost less impairment	<u>26,086</u>	<u>42,279</u>
Patents and trademarks - at cost less: accumulated amortisation	<u>561</u> <u>(142)</u>	<u>575</u> <u>(95)</u>
	<u>419</u>	<u>480</u>
Customer Contracts - at cost less: accumulated amortisation	<u>3,420</u> <u>(1,168)</u>	<u>3,420</u> <u>(884)</u>
	<u>2,252</u>	<u>2,536</u>
Brand at cost	<u>1,756</u>	<u>1,756</u>
Confidential Information & Know How - at cost	<u>5,926</u>	<u>5,926</u>
Technology - Website - at cost less: accumulated amortisation	<u>6,702</u> <u>(447)</u>	<u>6,702</u> <u>-</u>
	<u>6,255</u>	<u>6,702</u>
Network & Relationships less: accumulated amortisation	<u>2,166</u> <u>(361)</u>	<u>2,166</u> <u>-</u>
	<u>1,805</u>	<u>2,166</u>
Other intangibles less: accumulated amortisation	<u>939</u> <u>(570)</u>	<u>1,390</u> <u>(191)</u>
	<u>369</u>	<u>749</u>
	<u>44,868</u>	<u>63,044</u>

Note 16. Non-current assets – intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$'000	Patents and Trademarks \$'000	Customer Relationships \$'000	Confidential Information & Know How \$'000	Technology - Website \$'000	Network & Relationships \$'000	Brand \$'000	Other Intangible Assets \$'000	Total \$'000
Balance as at 30 June 2020	42,619	542	2,356	-	-	-	-	253	45,770
Additions	-	32	-	-	-	-	-	886	17,468
Additions through business combinations	3,920	-	463	5,926	6,702	2,166	1,756	158	4,541
Impairment	(4,260)	-	(34)	-	-	-	-	-	(4,294)
Amortisation expense	-	(94)	(249)	-	-	-	-	(98)	(441)
Balance as at 30 June 2021	42,279	480	2,536	5,926	6,702	2,166	1,756	1,199	63,044
Additions	-	-	-	-	-	-	-	107	107
Additions through business combinations	283	-	-	-	-	-	-	147	430
Disposals	-	-	-	-	-	-	-	(52)	(52)
Amortisation expense	-	(61)	(283)	-	(447)	(361)	-	(898)	(2,050)
Impairment	(16,476)	-	-	-	-	-	-	(134)	(16,610)
Other	-	-	(1)	-	-	-	-	-	(1)
Net book value as at 30 June 2022	26,086	419	2,252	5,926	6,255	1,805	1,756	369	44,868

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Note 16. Non-current assets – intangibles (continued)

Impairment testing
Goodwill has been allocated to the cash-generating units ('CGUs') as follows:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Goodwill allocated to engineering segment:		
Icon Metal	8,595	8,595
Lusty TIP Trailers	10,462	10,462
Automation Group Investments	3,689	3,689
Engineering segment	22,746	22,746
Goodwill allocated to services segment:		
East Coast Traffic Controllers	3,057	3,057
Teaminvest Private Residential Group	-	16,476
Burman Investment Management Limited	119	-
Diversified Growth Management Pty Ltd	164	-
Services Segment	3,340	19,533

Teaminvest Private Residential Group has been negatively impacted by COVID, supply chain issues and other effects in the current year. In light of the adverse effects on the company operations and outlook, the value in use of this CGU was significantly below its carrying value and impairment of goodwill and other intangible assets has been recognised to the value of \$16,610,000.

The recoverable amount of each CGU's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on management approved budget for the year ended 30 June 2023 and the application of a growth rate for a 5 year projection period, together with a terminal value. The discount rate used in the value-in-use calculation is based on each CGU's weighted average cost of capital. This post tax discount rate is applied to post tax cash flows.

The key assumptions were used in the discounted cash flow models for the period subsequent to management's approved budget:

	2022 Revenue CAGR* %	2022 Discount rate (post- tax) %	2022 Terminal growth rate %	2021 Revenue CAGR %	2021 Discount rate (post- tax) %	2021 Terminal growth rate %
Icon Metal	6.48%	8.81%	2.75%	5.61%	9.56%	2.75%
Lusty TIP Trailers	6.40%	9.52%	2.75%	4.56%	8.36%	2.75%
Automation Group Investments	6.10%	10.26%	2.75%	7.64%	9.23%	2.75%
East Coast Traffic Controllers	8.00%	9.87%	2.75%	4.94%	8.23%	2.75%
Teaminvest Private Residential** Group	N/A	13.93%	2.75%	8.13%	9.03%	2.75%

* Compound annual growth rate over the forecast period

** TIPRG forecasts show decline in revenue over the forecast period.

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Note 16. Non-current assets – intangibles (continued)

<i>Key assumption</i>	<i>Approach used to determine values</i>
Revenue growth rate	Revenue projections are extracted from the most recent approved budget, strategic plans or forecasts that relate to the CGU. For each CGU, the CAGR for revenue over the forecast period has been determined based on expectations of future performance in the markets that the businesses operate in. These assumptions are based on expectations of market growth, demand and operational performance over the periods from FY23 – FY27.
Discount rate	The post-tax discount rate reflects management's estimate of the time value of money and the relevant CGU's weighted average cost of capital. A post-tax discount rate is used which is applied to post-tax cashflows.
Terminal growth rate	Management have estimated that the terminal growth rate will be in line with the Reserve Bank of Australia ('RBA') expected gross domestic products ('GDP') growth projection range.
Other than the impairment recognised for Teaminvest Private Residential Group, based on the above the recoverable amount exceeds the carrying amount and therefore, goodwill is not considered to be impaired.	

Sensitivity
Should these key assumptions, judgements and estimates noted above change, the recoverable amount may decrease. Sensitivity analysis has been carried out and the recoverable amount of the CGU would equal its carrying amount if the key assumptions were to change as follows:

	2022 Revenue CAGR decreases to %	2022 Discount rate increases to %	2021 Revenue CAGR decreases to %	2021 Discount rate increases to %
Icon Metal	5.82%	13.21%	7.10%	10.60%
Lusty TIP Trailers	5.78%	11.64%	3.75%	10.10%
Automation Group Investments	5.10%	11.46%	7.50%	11.00%
East Coast Traffic Controllers	6.98%	21.13%	5.70%	9.90%
Teaminvest Private Residential Group	-	-	6.00%	10.60%

Note 17. Current liabilities - trade and other payables

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Trade payables	6,891	7,009
Accrued expenses	5,889	4,682
GST payable	1,061	981
Other payables	679	1,108
	<u>14,520</u>	<u>13,780</u>

Refer to note 27 for further information on financial instruments.

Note 18. Current liabilities – contract liabilities

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Contract Liabilities	<u>7,660</u>	<u>4,877</u>
Opening Balance	4,877	3,117
Payments received in advance	14,214	11,012
Additions through business combinations	-	1,919
Transfer to revenue - from advance payments received during the period	(11,431)	(11,171)
Closing Balance	<u>7,660</u>	<u>4,877</u>

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$7,605,000 as at 30 June 2022 (30 June 2021 \$4,877,000) and is expected to be recognised as revenue in future periods as follows:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Consolidated		
Within 6 months	7,313	2,564
6 to 12 months	347	2,313
Total	<u>7,660</u>	<u>4,877</u>

Note 19. Current liabilities – borrowings

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Bank overdraft	-	315
Bank Loans	-	422
Invoice discounting	-	(35)
Payable to other parties	586	621
	<u>586</u>	<u>1,323</u>

Refer to note 27 for further information on financial instruments.

Note 20. Current liabilities - lease liabilities

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Lease liability	-	495
Lease liability (under AASB 16)	1,573	1,502
	<u>1,573</u>	<u>1,997</u>

Refer to note 27 for further information on financial instruments.

Note 21. Current liabilities - employee benefits

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Annual leave	1,858	1,693
Long service leave	521	475
	<u>2,379</u>	<u>2,168</u>

Note 22. Non-current liabilities - borrowings

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Total facilities</i>		
Bank overdraft	5,000	2,150
Bank loan	-	2,154
Invoice discounting	-	500
	<u>5,000</u>	<u>4,804</u>

Used at the reporting date

Bank overdraft	-	315
Bank loan	-	422
Invoice discounting	-	(35)
	<u>-</u>	<u>702</u>

Unused at the reporting date

Bank overdraft	5,000	1,835
Bank loan	-	1,732
Invoice discounting	-	535
	<u>5,000</u>	<u>4,102</u>

Note 23. Non-current liabilities - lease liabilities

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Lease liability	-	372
Lease liability (under AASB 16)	2,057	2,322
	<u>2,057</u>	<u>2,694</u>

Note 24. Non-current liabilities - employee benefits

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Long service leave	557	377

Note 25. Equity - issued capital

	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	131,730,901	130,499,310	88,301	87,597
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue Price	\$'000
Balance	01-Jul-21	130,499,310		87,597
Issue of ordinary shares for bonuses	27-Oct-21	343,784	0.569	196
Issue of ordinary shares for settlement of share based payments	28-Oct-21	74,691	0.575	43
Issue of ordinary shares related to business combinations	28-Oct-21	564,477	0.575	325
Issue of ordinary shares for directors' fees'	28-Oct-21	248,639	0.569	141
Balance	30-Jun-22	131,730,901		88,301

Ordinary Shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is actively looking for accretive acquisitions to grow in alignment with the Groups investment mandate.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 26. Equity – dividends

Dividends

On 17 February 2022, the company declared a maiden dividend of 0.25 cents per share. On 24 August 2022 the company declared a dividend of 0.30 cents per share for payment on 14 October 2022.

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	3,104	2,339

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 27. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') in conjunction with the Risk and Compliance committee ('RCC'). Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group is not exposed to any significant foreign currency risk.

Price risk

In the current year, the Group was exposed to price risk on the fixed price contracts within one of the operating subsidiaries. In light of the current inflationary environment, contracts are negotiated to include provisions to vary prices.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	30 June 2022 Weighted average interest rate %	Balance \$'000	30 June 2021 Weighted average interest rate %	Balance \$'000
Bank overdraft and bank loans	0.00%	-	4.23%	702
		-		702

Note 27. Financial instruments (cont.)

An analysis by remaining contractual maturities is shown in 'liquidity risk' below.

For the Group, the bank overdraft and loans outstanding, totalling \$Nil (2021: \$702,000), are principal and interest payment loans. An official increase/decrease in interest rates of 100 (2021:100) basis points would have an adverse/favourable effect on profit before tax of \$Nil (2021: \$7,020) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any expected credit losses of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than one year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Bank overdraft	5,000	1,835
Bank loan	-	1,732
Invoice discounting	-	535
	5,000	4,102

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

The cash flows in the maturity analysis below are not expected to occur significantly earlier than contractually disclosed above.

Note 27 – Financial instruments (cont.)

	Carrying amount	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual cashflows
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	6,891	6,891	-	-	-	6,891
Other payables	7,629	7,629	-	-	-	7,629
<i>Interest-bearing - variable</i>						
Bank loans	-	-	-	-	-	-
Bank overdraft	-	-	-	-	-	-
Invoice discounting	-	-	-	-	-	-
Lease liability	1,573	1,646	1,359	793	-	3,799
Total non-derivatives	16,093	16,166	1,359	793	-	18,319

	Carrying amount	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual cashflows
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	7,009	7,009	-	-	-	7,009
Other payables	6,771	6,771	-	-	-	6,771
						621
<i>Interest-bearing - variable</i>						
Bank loans	422	422	-	-	-	422
Bank overdraft	315	315	-	-	-	315
Invoice discounting	(35)	(35)	-	-	-	(35)
Other loans	621	621	-	-	-	621
Lease liability	495	495	164	208	-	867
Lease liability (AASB 16)	1,502	1,570	1,139	1,287	-	3,996
Total non-derivatives	17,100	17,100	1,254	1,440	-	19,966

Note 28. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Audit Services - KPMG</i>		
Audit or review of financial statements	230	181
<i>Other services - KPMG</i>		
Tax compliance services	31	25
	31	25
	261	206

Note 30. Contingent liabilities

The Group has given bank guarantees of \$1,517,489 as at 30 June 2022 (2021: \$1,368,643).

Note 31. Related party transactions

Parent entity

Teaminvest Private Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Associates

Interests in associates are set out in note 13.

Key management personnel

Disclosures relating to key management personnel are set out in note 33 and the remuneration report included in the directors' report.

Transactions with related parties

The company secretary, Sundaraj and Ker, where Anand Sundaraj is a partner, received payments from the company to the total of \$161,322 (30 June 2021: \$89,872) for the services they performed.

Receivable from and payable to related parties

Consolidated	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Current receivables:</i>		
Receivables from other related parties	38	-
<i>Current payables:</i>		
Payables to other related parties	-	-
<i>Loans</i>		
Loans to/(from) related parties	1,145	-

Note 32. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

Consolidated	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Short-term employee benefits	573	768
Post employment benefits	69	74
Long-term benefits	3	3
Share based payments	141	337
	787	1,182

Note 34. Business Combinations

Acquisition of Diversified Growth Management Pty Ltd

On 12 November 2021, the Group acquired a 70% interest in Diversified Growth Management Limited from a related party, Wealth Winning Investments Pty Ltd, for nil consideration. On the date of acquisition, the company had a market value of \$256,590. This company operates in the services segment of the Group. The acquired business contributed revenue of \$169,493 and a loss after tax of \$31,423 for the period 12 November 2021 – 30 June 2022. If the acquisition had occurred at the beginning of the period, the revenue contribution to the Group would have been \$361,128 and loss after tax of \$87,899. Net assets of \$92,129, including cash of \$127,000, were acquired and Goodwill of \$164,362 has been recognised. The values identified in relation to the acquisition are finalised as at 30 June 2022

No intangible assets, other than goodwill, have been identified.

Acquisition of Burman Investment Management Limited

On 15 June 2022, the Group acquired 100% of the shares in Burman Investment Management Limited for the initial purchase price of \$212,020. This operates in the Services segment of the Group. The acquired business contributed revenues of \$Nil and profit after tax of \$Nil to the Group for the period on 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contributions would have been revenues of \$106,553 and a loss after tax of \$34,272. The values identified in relation to the acquisition are provisional as at 30 June 2022.

	Diversified Growth Management Pty Ltd Fair value \$'000	Burman Investment Management Limited Fair value \$'000
Cash and cash equivalents	127	-
Trade and other receivables	74	33
Intangible assets	-	60
Trade payables and other payables	(90)	-
Deferred tax liability	(18)	-
Net (liabilities)/assets acquired	93	93
Non-controlling interest measured at fair value	(28)	-
Goodwill/(gain on bargain purchase)	164	119
Acquisition-date fair value of the total consideration transferred	229	212
Representing:		
Cash purchase price	-	212
Adjustment to equity	229	-
	229	212

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business Country of incorporation	Ownership interest	
		30 Jun 2022 %	30 Jun 2021 %
Teaminvest Private Pty Ltd	Australia	100%	100%
Coastal Energy Pty Ltd	Australia	100%	100%
East Coast Traffic Controllers Pty Ltd	Australia	100%	100%
Icon Metal Pty Ltd	Australia	100%	100%
Lusty TIP Trailers Pty Ltd	Australia	100%	100%
TIP Trustees Limited	Australia	100%	100%
Teaminvest Private Residential Group Pty Ltd	Australia	100%	100%
Automation Group Investments Pty Ltd	Australia	100%	100%
Automation Group Limited	New Zealand	100%	100%
Radtel Engineering Pty Ltd	Australia	100%	100%
Teaminvest Pty Ltd	Australia	100%	100%
Teaminvest Australia Pty Ltd	Australia	100%	100%
Diversified Growth Management Pty Ltd	Australia	70%	-
Conscious Investor	Australia	100%	100%
Teaminvest Limited (NZ)	New Zealand	100%	100%
Teaminvest Australia Pty Ltd	Australia	100%	100%
TIP Group (UK) Pty Ltd	United Kingdom	80%	-
Burman Investment Management Limited	Australia	100%	-

Note 36. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Profit/(loss) after income tax (expense)/benefit for the year	(17,773)	5,201
Adjustments for:		
Depreciation	2,948	7,129
Amortisation	2,050	285
Impairment	17,442	653
Share of profits from associates	(2,674)	(95)
Dividends received	1,310	(2,867)
Gain on bargain purchase	-	(3,734)
Change in operating assets and liabilities:		
Changes in trade and other receivables	1,599	(562)
Changes in contract assets	(2,496)	984
Changes in inventories	(2,309)	(1,767)
Changes in prepayments	(882)	-
Changes in trade and other payables	786	(710)
Changes in contract liabilities	2,783	1,760
Changes in tax liabilities	(560)	(1,979)
Changes in deferred taxes	(991)	189
Changes in employee benefits	390	807
Changes in provisions	114	462
Working capital adjustments from business combinations	85	(360)
Net Cash from operating activities	<u>1,822</u>	<u>5,396</u>

Note 37. Earnings per share

	30 June 2022 \$'000	30 Jun 2021 \$'000
Profit after income tax attributable to the owners of Teaminvest Private Group Limited	<u>(17,751)</u>	<u>5,201</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	131,327,141	116,701,908
Adjustments for calculation of diluted earnings per share:		
Shares issued for bonuses and fees	-	652,892
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>131,327,141</u>	<u>117,354,800</u>
	Cents	Cents
Basic earnings per share	(13.52)	4.46
Diluted earnings per share	(13.52)	4.43

Note 38. Share-based payments

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 and 30 June 2021 are set out below:

	Issue Date	Number of Shares	Issue Price	Total Value
30 June 2022				
Shares issued to KMP	27/10/2021	343,784	\$0.569	195,720
	28/10/2021	248,639	\$0.569	141,476
	28/10/2021	<u>74,691</u>	\$0.575	<u>42,962</u>
30 June 2021				
Shares issued to KMP	04/09/2020	2,080,181	\$0.529	1,100,000
Shares issued to directors	04/12/2020	<u>107,416</u>	\$0.529	<u>56,803</u>

Note 39. Parent entity information

Set out below is the supplementary information about the parent entity (Group Costs).

Statement of profit or loss and other comprehensive income

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Loss after income tax	(13,958)	(6,444)
Total comprehensive loss	(13,958)	(6,444)
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Total current assets	110	5,354
Total assets	64,141	77,895
Total current liabilities	386	463
Total liabilities	394	894
Equity		
Issued Capital	88,301	87,597
Accumulated loss	(24,554)	(10,596)
Total Equity	63,747	77,001

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had guarantees of \$1,517,489 in relation to the debts of its subsidiaries as at 30 June 2022 (\$1,368,643 as at 30 June 2021).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, or fair value should a bargain purchase be acquired in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 40. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



In the directors' opinion:

- the attached consolidated financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached consolidated financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that 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.

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

On behalf of the directors

Andrew Coleman
Managing Director and Chief Executive Officer

24 August 2022
Sydney

Independent Auditor's Report

To the shareholders of Teaminvest Private Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Teaminvest Private Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Consolidated statement of financial position* as at 30 June 2022
- *Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows* for the year then ended
- Notes including a summary of significant accounting policies
- *Directors' Declaration*.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including the Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

For personal use only

Key Audit Matters

The **Key Audit Matters** we identified are:

- Revenue recognition
- Carrying value of goodwill

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to note 5 of the Financial Report (\$93.1m AUD)

The key audit matter

Recognition of revenue is a key audit matter due to:

- The significance of revenue to the financial statements; and
- The large number of contracts, across businesses operating in different industries, providing a range of products and services for a wide range of customers which have differing contractual terms and numerous different performance measurement events. This results in judgment being applied to determine the appropriate revenue recognition policy to be applied, defining the performance obligations and determining the stage of completion of and period over which “over time” revenue is recognised. Significant audit effort is therefore required to assess the appropriateness of revenue recognition and gather sufficient audit evidence.

How the matter was addressed in our audit

Our procedures included:

- We updated our understanding of the Group’s revenue streams and the processes for recognising revenue for rendering of services (over time) and sale of goods (at a point in time);
- We evaluated the appropriateness of the Group’s accounting policies for revenue recognition for each significant revenue stream against the requirements of AASB 15 *Revenue from contracts with customers* and our understanding of the business;
- We selected a sample of contracts for testing, across businesses, industries and customer types, focusing on key revenue streams where revenue is recognised over time. For each contract selected, we read the contract terms and conditions to evaluate the individual characteristics and terms of each contract and the measurement of the performance obligations including the appropriateness of the Group’s method of measuring performance to date;
- We tested, on a sample basis, over time revenue transactions, to progress claims certificates, management’s assessment of progress against project plans or the time elapsed for service agreements. We obtained signed contracts and checked the performance milestones met to date against the service revenue recognised. We also tested that related contract assets and liabilities were appropriately recognised in accordance with

	<p>Australian Accounting Standards;</p> <ul style="list-style-type: none"> • We tested, on a sample basis, transactions recognising revenue at a point in time to purchase orders, sales invoices and delivery dockets; • We selected a sample of transactions recognising revenue over time, from immediately before and immediately after year end. We compared the year in which the revenue was recognised by the Group to the terms of the underlying contract and project plan; • We selected a sample of transactions recognising revenue at a point in time, from immediately before and immediately after year end. We compared the year in which the revenue was recognised by the Group to the terms of the contract or purchase order and the date of delivery; and • We assessed the disclosures in the financial report against the requirements of the accounting standard and using our understanding obtained from our testing.
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Carrying value of goodwill

Refer to note 16 of the Financial Report (\$26.1m)

The key audit matter

A key audit matter for us was the Group’s annual testing of goodwill for impairment, given the size of the balance, being 32% of total assets prior to impairment and the degree of judgement involved in the significant forward-looking assumptions the Group applied in their value in use models, including:

- Forecast cash flows and the growth rates (including terminal growth rates) applied to those forecasts in light of market conditions in the current year and impacts of COVID-19. These conditions increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a wider range of outcomes for us to consider; and

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the value-in-use method applied by the Group to perform its annual impairment testing of goodwill against the requirements of the relevant accounting standards;
- We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas;
- We inquired with management to understand the impact of COVID-19 to the Group, the impact to the FY22 results, and implications for forecasting;
- We compared the forecast cash flows and capital expenditure contained in the value in use models to Board approved FY23 budgets. For subsequent

<ul style="list-style-type: none"> Discount rates, as they are complex in nature and vary according to the conditions and environment in which the specific Cash Generating Unit (CGU) operates. The Group operates in various industries and therefore different discount rates are assessed for each CGU. This drives additional audit effort in challenging the assumptions used by the Group in determining the discount rate for each CGU. We involve our valuations specialist with the assessment. The carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year end, increasing the possibility of goodwill being impaired. This further increased our audit effort in this key audit area; The Group has a large number of operating businesses during the year necessitating our consideration of the Group's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows; The Group uses complex models to perform their annual testing of goodwill for impairment. The models are largely manually developed, and use historical performance and a range of internal and external sources as inputs to the assumptions. Complex modelling, particularly those containing judgmental allocations of corporate costs to CGUs, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application; and We independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group businesses and the industries they operate in. 	<p>years, we have compared growth rates applied to historical results, market indicators and management's plans for the business;</p> <ul style="list-style-type: none"> We challenged the Group's forecast cash flow and growth assumptions in light of market conditions. We assessed key assumptions such as what the Group considers as its future business model. We used our knowledge of the Group, business and customers, and our industry experience. We sourced authoritative and credible inputs from our specialists; We assessed the Group's underlying methodology and documentation for the allocation of corporate costs to the forecast cash flows in the value in use model, for consistency with our understanding of the business and the criteria in the accounting standards; We assessed the Group's determination of its CGUs based on our understanding of the operations of the Group's business, how independent cash inflows were generated, against the requirements of the relevant accounting standards; We considered the sensitivity of the models by varying key assumptions, such as the Group's forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We considered the interdependencies of key assumptions when performing the sensitivity analysis and what the Group consider to be reasonably possible. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures; We assessed the Group's reconciliation of differences between the year-end market capitalisation and the carrying amount of the net assets and the application of an appropriate control premium; We recalculated the impairment charge against the recorded amount disclosed; and We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.
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Other Information

Other Information is financial and non-financial information in Teaminvest Private Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.aasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

The shareholder information below was applicable as at 12 August 2022.

Distribution of equitable securities

Analysis of equitable security holders by size of holding:

	Number of ordinary shareholders	Number of ordinary shares	Percentage
1 to 1000	43	24,616	0.02%
1,001 – 5,001	126	385,232	0.29%
5,011 – 10,000	72	634,477	0.48%
10,001 – 100,000	271	11,853,356	9.00%
100,001 and over	165	118,833,220	90.21%
	677	131,730,901	100.00%
Holding less than a marketable parcel	31	12,816	

Equity security holders

Name	Number Held	% of total shares issued
ELECTRONIC MARKETING PTY LTD <COLFAM A/C>	14,764,914	11.21%
MR ANDREW COLEMAN	6,829,634	5.18%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	6,723,198	5.10%
V MARK PTY LTD <MORELAND PROPERTY A/C>	6,555,345	4.98%
ONE FUNDS MANAGEMENT LIMITED <TDGF A/C>	5,665,984	4.30%
CROOKS PTY LTD	4,363,049	3.31%
PRICE VALUE PTY LIMITED <PRICE VALUE A/C>	3,089,814	2.35%
REGAN GEORGE PASSLOW	2,676,277	2.03%
PRIBULA FAMILY PTY LTD <PRIBULA FAMILY A/C>	2,471,709	1.88%
G & E PROPERTIES PTY LTD <KOPP SUPER FUND A/C>	2,025,960	1.54%
POULTNEY PTY LTD <W D JANE CORPORATE A/C>	1,900,000	1.44%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,642,477	1.25%
LE GRAND PTY LTD	1,633,395	1.24%
BAXTERO PTY LIMITED <CARMICHAEL SUPERFUND A/C>	1,531,015	1.16%
MR MALCOLM OLIVER THOMPSON + MS ELIZABETH THOMPSON	1,498,144	1.14%
MALONGA PTY LTD <THE G DOOLAN FAMILY A/C>	1,491,923	1.13%
MR MALCOLM MURRAY JONES + MRS LYNNETTE ANNE JONES <RELM A/C>	1,428,463	1.08%
ROBERT BREIT	1,380,628	1.05%
PENMARK SUPER PTY LTD <PENMARK SUPER FUND A/C>	1,318,546	1.00%
MR GREGORY NORMAN KOPP	1,235,979	0.94%
	70,226,454	53.31%

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Teaminvest Private Group Limited for the year ended 30 June 2022, complies with *Section 300A of the Corporations Act 2001*.

Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 8 to 13 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Kevin Leighton

Partner

Sydney

24 August 2022

Substantial shareholders

Howard Coleman
Mark Moreland
Andrew Coleman
Graham Lusty

Ordinary Shares	
Number Held	% of total shares issued
18,435,244	13.99%
8,242,945	6.26%
6,733,198	5.11%
6,829,634	5.18%

Securities subject to escrow

Type of escrow	Escrow period	Number of shares
Nil	Nil	Nil

Voting rights

The voting rights attached to equity securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Performance rights

Performance rights do not have voting rights.



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