SPORTS ENTERTAINMENT GROUP LIMITED

ABN 20 009 221 630

APPENDIX 4E
Preliminary Final Report
for the Year Ended 30 June 2022

Table of Contents

Appendix 4E

Results for announcement to the market

1. Company Details

Name of Entity	Sports Entertainment Group Limited
ABN	20 009 221 630
Year Ended (current period)	30 June 2022
Year Ended (previous period)	30 June 2021

2. Results for announcement to the market

	Change %		**30 June 2022 $000s**	30 June 2021 $000s
2.1 Revenues from ordinary activities	Up 48%	to	108,982	73,720
2.2 EBITDA (underlying) [1, 2, 3] from continuing operations	Up 26%	to	14,059	11,122
2.3 Pre AASB 16 EBITDA (underlying) [1, 2, 3,4] from continuing operations	Up 10%	to	10,344	9,433
2.4 Profit from ordinary activities after tax attributable to members	Up 55%	to	3,172	2,043
2.5 Net profit after tax attributable to members	Up 55%	to	3,172	2,043

3. Dividends

After careful consideration, the directors have taken the decision to not pay a final dividend in order to retain earnings to fund continued growth, reduce debt and strengthen working capital following the financial impact caused by the COVID-19 pandemic.

4. Net Tangible Asset (NTA) Backing

	30 June 2022	30 June 2021
Net tangible asset backing per ordinary security	(12.5) cents	(13.2) cents
Net asset backing per ordinary security	22.6 cents	21.1 cents

[1]Underlying result excludes once-off significant items of a $1.800 million gain on disposal of the Group's 20% shareholding in the Melbourne United Basketball Club recorded in August 2021, and $1.164 million of significant costs, including $0.451 million transaction costs on the acquisitions of Perth Wildcats, and $0.713 million other restructuring and M&A costs. Similarly, the underlying result for the comparative 2021 period excludes once-off significant positive items of $0.677 million associated with discounts from suppliers and commercial partners for contracted technical costs unable to be serviced; the loss on the disposal of property plant and equipment not used for ordinary business operations; and significant transaction costs on the acquisitions of 2CH and the narrowband radio licences.

[2] The comparative 2021 underlying result excludes the $0.689 million of loss on disposal of the 1377AM radio licence along with related transmitter broadcasting equipment; and the associated with loss on the disposal of 9% investment in D R B Melbourne Pty Ltd.

[3] The comparative 2021 result includes $3.300 million of JobKeeper payments received by the Group during the year ended 30 June 2021.

[4] Underlying excludes the impact of application of AASB 16 Leases.

Appendix 4E

Results for announcement to the market

5. Control gained or lost over businesses during the period

Name of business	Date control was gained	Reporting entity's percentage holding		Contribution to net profit / (loss) in $000s	
		30 June 2022 %	30 June 2021 %	**30 June 2022 $000s**	30 June 2021 $000s
Control Gained					
Perth Wildcats Basketball Club	8 August 2021	**100%**	Nil%	**662**	-

6. Details of associates and joint venture entities

Name of associate	Reporting entity's percentage holding		Contribution to net profit / (loss) in $000s	
	30 June 2022 %	30 June 2021 %	**30 June 2022 $000s**	30 June 2021 $000s
D R B Melbourne Pty Ltd	**9.09%**	9.09%	**(17)**	23
Melbourne United Basketball Club Pty Ltd	**-**	25.00%	**-**	241

Note:

The information contained in this Appendix 4E and the attached Full Year Preliminary Financial Report does not include all of the notes of the type normally included in the annual financial statements.

Accordingly, these reports are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Preliminary Directors' Report

The names and particulars of the Directors of the Company at any time during or since the end of the financial year are:

Name	Particulars
Craig Coleman	Appointed Non-Executive Director and Chairman on 15 November 2017
Colm O'Brien	Appointed Non-Executive Director on 8 September 2015
Andrew Moffat	Appointed Non-Executive Director on 15 November 2017
Craig Hutchison	Appointed Chief Executive Officer & Managing Director on 29 March 2018
Chris Giannopoulos	Appointed Executive Director on 29 March 2018
Ronald Hall	Appointed as an alternative Non-Executive Director on 18 November 2017 (alternative for Andrew Moffat)
Craig Coleman	Appointed Non-Executive Director on 8 September 2015
Jodie Simm	Appointed Executive Director on 4 October 2021

Principal Activities

Sports Entertainment Group Limited (SEG) is a multi-faceted sports media content and entertainment business, which through its other complementary business units, has capabilities to deliver brand stories to national, metropolitan and regional audiences with unique and exclusive content via multiple platforms and assets including radio, print, television, online, in-stadium, events and teams.

Review of Operations

Review of financial results

- For the year ended 30 June 2022, the Group delivered a pleasing financial result in light of the continued impact the COVID-19 global pandemic had on local sporting seasons, restrictions on event gatherings and ongoing impact on advertisers, and the global economy. Total revenue from continuing operations of $108.982 million up by 48% and underlying EBITDA at $14.059 million up by 26% on the comparative period.

  Further highlighting the Group's strong result for the year ended 30 June 2022, the comparative period result included $3.300 million in temporary funding received from the Federal Government JobKeeper subsidy scheme. The Group did not meet the eligibility criteria for the final funding round of that scheme.

  An adjusted comparative period result excluding the JobKeeper funding would have resulted in a 55% year on year increase to revenues from continuing operations and an 80% increase in underlying EBITDA.

  The current year underlying result excludes once-off significant items of a $1.800 million gain on disposal of the Group's 20% shareholding in the Melbourne United Basketball Club recorded in August 2021, and $1.164 million of significant costs, which includes $0.451 million transaction costs on the acquisitions of Perth Wildcats, and $0.713 million other restructuring and M&A costs. Similarly, the underlying result for the comparative 2021 period excludes once-off significant positive items of $0.677 million associated with discounts from suppliers and commercial partners for contracted technical costs unable to be serviced; the loss on the disposal of property plant and equipment not used for ordinary business operations; and significant transaction costs on the acquisitions of 2CH and the narrowband radio licences
- The Group's underlying EBITDA for the year pre application of AASB16 was $10.344 million, up by 10% on the comparative period (or up by 69% after normalising the impact of JobKeeper funding in the comparative period).
- The Australian operations (excluding the Perth Wildcats) has outperformed expectations for the period resulting from the expansion of the national radio distribution footprint, continued evolution of digital platforms and capitalising on opportunities by our complementary services divisions in the heavily COVID-19 disrupted landscape in which they operate.

Preliminary Directors' Report

Review of Operations cont'd

Review of financial results cont'd

- The launch of the SENZ network in New Zealand ('NZ') was our first foray into an international market and has been challenging with the impact of COVID-19 within the country and restrictions on international borders and travel. Since the launch in July 2021, members of the Group's executive and key operations personnel had only been on the ground for a minimal amount of time until international border restrictions were lifted in the second half of the financial year. Integration and collaboration was restricted to online meetings which meant operational effectiveness and synergies were less than expected in the first six months and thus effected the full financial years results from

  NZ operations as indicated by the $2.300 million net new investment/start-up costs representing the FY22 operating loss.

Events completed during the financial year ended 30 June 2022

- On 8 August 2021, the Group completed the acquisition of 100% of the Perth Wildcats basketball team for a purchase consideration of $8.500 million less working capital adjustments of $0.854 million for a net cash consideration of $7.646 million which was paid upon completion. The Group has acquired almost all assets and liabilities of the existing operations of the Perth Wildcats.

  The Perth Wildcats are the most successful team in the history of the NBL with 10 championships and one of the world's most successful sporting franchises with a record 35-year run of consecutive NBL finals appearances.

  Aligning with our "Whole of Sport" strategy, the Perth Wildcats will enhance the Group's ability to enrich the lives of sports fans and connect brands to those fans, while providing significant strategic value to the Group's operations, particularly in Western Australia where it will support other investments which have been made in the last 18 months.

- On 28 September 2021, the Group divested 20% of its shareholding in the Melbourne United Basketball Club for a cash consideration of $2.600 million. Subsequently, on 15 June 2022, the Group divested its remaining 5% shareholding in the Melbourne United Basketball Club for a cash consideration of $1.500 million. The disposal of the Group's entire 25% shareholding has resulted in the Group recording a total gain on the disposal of the investment of $3.100 million, with $1.300 million of this gain being recognised directly through Other Comprehensive Income.

Dividends

After careful consideration, the directors have taken the decision to not pay a final dividend in order to retain earnings to fund continued growth, reduce debt and strengthen working capital following the financial impact caused by the COVID-19 pandemic.

Significant Changes in State of Affairs

Other than the matters referred to in the Review of Operations, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2022.

Preliminary Directors' Report

Events since the end of the Financial Year

Acquisition of 4KQ 693AM Brisbane

On 1 July 2022, the Group completed the acquisition of 100% of the business and assets relating to the 4KQ commercial radio broadcasting licence ("4KQ") from ARN Communications Pty Ltd (ARN), a subsidiary of HT&E Limited (ASX:HT1). The sale of 4KQ was required by the Australian Communications and Media Authority (ACMA) following HT&E's acquisition of the licence from Grant Broadcasters in January 2022.

The acquisition of 4KQ expands SEG's owned radio platform and audience reach into Brisbane, and now completes the key components of our national footprint strategy with 36 stations now in operation in all capital cities and states. 4KQ strengthens SEG's eastern seaboard reach with commercial licences in the key AFL and NRL markets of Melbourne, Sydney and Brisbane.

The addition of SENQ – Queensland's Home of Sport enhances SEG's existing owned platforms in Queensland making it the flagship station to complement the existing *SEN Gold Coast 1620AM, SENTrack Brisbane 1053AM, SENTrack Atherton 99.1FM, SENTrack Ingham 96.9FM, SENTrack Kingaroy 96.3FM, and SENTrack Darling Downs 91.5FM*.

The acquisition is a continuation of SEG's strategy for growth, investing in assets that are underpinned by infrastructure or licence value. The owned station network provides opportunities for SEG to generate attractive returns on capital by leveraging existing investments in national sales teams, broadcast rights, unique content portfolio and high-profile talent.

4KQ is expected to deliver an incrementally positive contribution to earnings in its first 12 months.

On behalf of the Directors,

Craig Coleman

Chairman

Melbourne, 30 August 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2022

	Notes	30 June 2022 $'000s	30 June 2021 $'000s
Revenue	**2**	**108,982**	73,720
Sales and marketing expenses		**(43,947)**	(26,868)
Occupancy expenses		**(1,239)**	(697)
Administration expenses		**(12,224)**	(6,340)
Technical expenses		**(24,051)**	(18,513)
Production / creative expenses		**(13,153)**	(7,759)
Corporate expenses		**(1,456)**	(1,845)
Gain/(Loss) on disposal of property, plant, and equipment		**63**	(148)
Loss on disposal of radio licences		**-**	(542)
Gain/(Loss) on disposal of investments accounted for using the equity method		**1,800**	(72)
Depreciation and amortisation		**(8,881)**	(6,842)
Finance costs		**(1,747)**	(1,186)
Share of (loss) / gain on investments accounted for using the equity method		**(17)**	177
Expenses		**(104,852)**	(70,635)
Profit for the year before income tax		**4,130**	3,085
Income tax expense		**(958)**	(1,042)
Profit for the year after income tax		**3,172**	2,043
Other Comprehensive Income			
Items that will not subsequently be reclassified to profit or loss			
Equity investments at FVOCI –change in fair value		1,300	-
Items that will be subsequently reclassified to profit or loss			
Foreign operations – foreign currency translation differences		(235)	(11)
Other comprehensive income net of tax		**1,065**	**(11)**
Total Comprehensive income for the year		**4,237**	2,032
Earnings per share for profit attributable to the owners			
Basic (cents per share)	**3**	**1.35**	0.89
Diluted (cents per share)	**3**	**1.32**	0.86

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2022

	Notes	30 June 2022 $'000s	30 June 2021 $'000s
Current Assets			
Cash and cash equivalents		**12,627**	5,324
Trade and other receivables		**20,669**	14,951
Prepayments		**3,886**	3,034
Inventory		**251**	-
Income tax receivable		**-**	189
Total Current Assets		**37,433**	23,498
Non-Current Assets			
Property, plant and equipment		**16,841**	15,278
Right-of-use assets	**5**	**22,637**	19,549
Deferred tax assets		**3,120**	2,065
Investments accounted for using the equity method		**78**	1,057
Intangibles	**4**	**68,800**	59,564
Other non-current assets		**-**	500
Total Non-Current Assets		**111,476**	98,013
Total Assets		**148,909**	121,511
Current Liabilities			
Trade and other payables		**21,306**	18,687
Borrowings	**6**	**328**	15,929
Lease liabilities	**5**	**2,970**	1,735
Deferred revenue		**2,324**	1,481
Income tax payable		**485**	-
Provisions		**2,989**	1,817
Total Current Liabilities		**30,402**	39,649
Non-Current Liabilities			
Trade and other payables		**-**	1,495
Borrowings	**6**	**23,867**	624
Lease liabilities	**5**	**21,250**	18,890
Deferred tax liability		**12,441**	9,747
Deferred revenue		**1,232**	1,644
Provisions		**836**	776
Total Non-Current Liabilities		**59,626**	33,176
Total Liabilities		**90,028**	72,825
Net Assets		**58,881**	48,686
Equity			
Issued capital	**7**	**67,986**	61,473
Reserves		**355**	1,145
Accumulated losses		**(9,460)**	(13,932)
Total Equity		**58,881**	48,686

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2022

	Notes	Issued Capital $'000s	Share Based Payment Reserve $'000s	Foreign Currency Translation Reserve $'000s	Fair Value Reserve $'000s	Accumulated Losses $'000s	Total $'000s
Total Equity at 1 July 2021		**61,473**	**1,156**	**(11)**	**-**	**(13,932)**	**48,686**
Profit after income tax		**-**	**-**	**-**	**-**	**3,172**	**3,172**
Equity investments at FVOCI - change in fair value [1]		**-**	**-**	**-**	**1,300**	**-**	**1,300**
Transfer of Fair Value Reserve to Retained Earnings		**-**	**-**	**-**	**(1,300)**	**1,300**	**-**
Exchange difference on translation of foreign operations		**-**	**-**	**(235)**	**-**	**-**	**(235)**
Total comprehensive income		**-**	**-**	**(235)**	**-**	**4,472**	**4,237**
Transactions with owners in their capacity as owners							
Issue of share capital	**7**	**6,536**	**(1,536)**	**-**	**-**	**-**	**5,000**
Share issue costs	**7**	**(23)**	**-**	**-**	**-**	**-**	**(23)**
Share Based Payments		**-**	**981**	**-**	**-**	**-**	**981**
Total Equity at 30 June 2022		**67,986**	**601**	**(246)**	**-**	**(9,460)**	**58,881**
Total Equity at 1 July 2020		57,209	992	-	-	(15,975)	42,226
Profit after income tax		-	-	-	-	2,043	2,043
Other comprehensive income		-	-	(11)	-	-	(11)
Total comprehensive income		-	-	(11)	-	2,043	2,032
Transactions with owners in their capacity as owners							
Issue of share capital	**7**	4,499	(70)	-	-	-	4,429
Share issue costs	**7**	(235)	-	-	-	-	(235)
Share Based Payments		-	234	-	-	-	234
Total Equity at 30 June 2021		61,473	1,156	(11)	-	(13,932)	48,686

1 The changes in fair value recorded on equity investments during the year have not been tax effected as the Group will be utilising available capital losses.

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2022

	Notes	30 June 2022 $'000s	30 June 2021 $'000s
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**114,824**	63,671
Payments to suppliers and employees (inclusive of GST)		**(102,186)**	(58,091)
JobKeeper program funding received		**-**	3,852
Interest received		**-**	3
Interest and other costs of finance paid		**(867)**	(777)
Interest on lease liabilities		**(826)**	(409)
Income taxes paid		**(999)**	(1,668)
Net operating cash flows provided by operating activities		**9,946**	6,581
Cash flows from investing activities			
Proceeds from sale of intangible assets – radio licences		**-**	4,478
Proceeds from sale of shares in Melbourne United		**4,100**	-
Proceeds from sale of property, plant and equipment		**152**	174
Payment for property, plant and equipment		**(5,669)**	(5,290)
Payment for intangible assets – radio licences		**(2,695)**	(4,450)
Payment for intangible assets – computer software		**(96)**	(97)
Payment of deposit for the acquisition of 4KQ		**(65)**	-
Payment for the acquisition of 2CH		**-**	(4,772)
Payment for the acquisition of Perth Wildcats	**9**	**(7,146)**	(500)
Net cash used in investing activities		**(11,419)**	(10,457)
Cash flows from financing activities			
Proceeds from issue of shares	**7**	**5,000**	1,526
Payment of share issue costs	**7**	**(23)**	(235)
Proceeds from borrowings		**8,000**	2,000
Repayment of borrowings		**(311)**	(295)
Repayment of lease liabilities		**(3,714)**	(1,448)
Net cash provided by financing activities		**8,952**	1,548
Net increase / (decrease) in cash and cash equivalents		**7,479**	(2,328)
Cash and cash equivalents at the beginning of the year		**5,324**	7,652
Effects of exchange rate changes on cash and cash equivalents		**(176)**	-
Cash and cash equivalents at the end of the year		**12,627**	5,324

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

1. Summary of Significant Accounting Policies

This preliminary financial report has been authorised for issue by the directors and is presented in Australia Dollars.

Statement of compliance

The preliminary report has been prepared in accordance with ASX Listing Rule 4.3A, the disclosure requirements of ASX Appendix 4E, and in accordance with the recognition and measurement requirements but not the disclosure requirements of Accounting Standards and Australian Accounting Interpretations and the Corporations Act 2001. Accounting Standards includes Australian equivalents to International Financial Reporting Standards (A-IFRS).

The preliminary final report does not include notes of the type normally included in an annual report.

Basis of Preparation

The preliminary report is to be read in conjunction with the 2021 Annual Financial Report, the December 2021 half year report and any public announcements made by Sports Entertainment Group Limited and its controlled entities during the year in accordance with the continuous disclosure obligation arising under ASX Listing Rules.

The preliminary final report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the Company's Annual Financial Report for the year ended 30 June 2021.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period, with no material impacts to be noted.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The consolidated entity has adopted the following accounting policies during the year ended 30 June 2022 following the acquisition of the Perth Wildcats:

Sponsorship revenue

Sponsorship revenue is recognised in accordance with the principles of AASB 15 and recorded over the life of the sponsorship agreement as the consolidated entity fulfils its obligations and where control of the sponsorship services have been transferred to the client.

Membership and Ticketing revenue

Membership revenue comprises Perth Wildcats membership income and is recognised accordance with the principles of AASB 15, whereby membership income is recognised over time across the duration of the NBL season. Match ticket sales are recognised at the conclusion of each Wildcats home game.

Merchandise revenue

Merchandise income relates to revenue from the sale of Perth Wildcats branded merchandise and apparel. This revenue is recognised accordance with the principles of AASB 15 with recognition occurring when control of the merchandise is transferred to the customer.

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on an average cost basis.

Other investments – Equity securities at Fair Value through Other Comprehensive Income ("FVOCI")

In accordance with AASB 9 Financial Instruments, the consolidated entity has made an irrevocable election, to present subsequent changes in the fair value of its investment in Melbourne United in other comprehensive income (component of equity), because of the derecognition of this investment as an equity accounted investment following an initial part disposal. The Group's intention was to hold the investment long-term as such is not a held for trading asset and thus met the requirements of AASB 9 in electing for this measurement method for any subsequent fair value re-measurements to the investment in Melbourne United. Subsequent to this irrevocable election, the company disposed of the remaining investment before year end.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

1. Summary of Significant Accounting Policies cont'd

Critical Accounting Judgements and Key Sources of Estimation Uncertainty cont'd

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.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model considering the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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 and historical collection rates.

Estimation of useful lives of assets

The consolidated entity 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 because of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives. Technically obsolete or non-strategic assets that are abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 4. 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. Regional radio licences which are not yet activated and therefore are not currently generating their own cash flows have been assess on Fair Value Less Cost of Disposal ("FVLCD").

Income tax

The consolidated entity 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 consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting are retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

In the application of accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

1. Summary of Significant Accounting Policies cont'd

Critical Accounting Judgements and Key Sources of Estimation Uncertainty cont'd

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

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 consolidated entity 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently because of the Coronavirus (COVID-19) pandemic.

Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Sports Entertainment Group Limited (the parent entity) and all entities that the parent entity controlled from time to time during the year and at reporting date.

The financial statements of controlled entities are prepared for the same reporting year as the parent entity, using consistent accounting policies.

All intercompany balances and transactions have been eliminated in full.

Functional and presentation currency

Items included in the financial statement of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Sports Entertainment Group Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in foreign operation.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

1. Summary of Significant Accounting Policies cont'd

Foreign Currency Translation

Group companies

The results and financial position of foreign operations (none of which has currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities presented are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

2. Revenue from Continuing Activities

	30 June 2022 $'000s	30 June 2021 $'000s
Revenue from contracts with customers		
Media revenue	**86,907**	64,464
Complementary services revenue	**9,927**	5,567
Sponsorship revenue	**4,836**	-
Membership and ticketing revenue	**5,194**	-
Merchandise revenue	**1,225**	-
	108,089	70,031
Other revenue		
Interest revenue	**-**	3
Other revenue	**893**	385
Government grants (JobKeeper payments)	**-**	3,301
	893	3,689
Revenue from continuing operations	**108,982**	73,720

3. Earnings per Share

Basic and diluted earnings per Share

The profit and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Weighted average number of ordinary shares on issued for calculation of:	**30 June 2022 No. '000s**	30 June 2021 No. '000s
Basic ordinary shares	**234,625**	230,458
Diluted ordinary shares	**240,865**	236,415
	$'000s	$'000s
Profit for the year	**3,172**	2,043
Basic earnings (cents per share)	**1.35**	0.89
Diluted earnings (cents per share)	**1.32**	0.86

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

4. Intangible Assets

	30 June 2022 $'000s	30 June 2021 $'000s
Broadcasting & Media Australia		
Goodwill – indefinite useful life	**8,771**	8,771
Radio licences - indefinite useful life	**25,742**	23,355
Patents and trademarks – indefinite useful life	**157**	150
Broadcast rights – finite useful life	**8,242**	8,242
Broadcast rights – amortisation	**(3,503)**	(2,679)
	4,739	5,563
Supplier relationships – finite useful life	**6,467**	6,467
Supplier relationships – amortisation	**(2,749)**	(2,102)
	3,718	4,365
Customer relationships – finite useful life	**146**	146
Customer relationships – amortisation	**(66)**	(37)
	80	109
Website and computer software – finite useful life	**2,461**	1,923
Website and computer software – amortisation	**(1,279)**	(834)
	1,182	1,089
Total Broadcasting & Media Australia	**44,389**	43,402
Broadcasting & Media New Zealand		
Radio licences - indefinite useful life	**2,191**	2,191
Patents and trademarks – indefinite useful life	**2**	2
Total Broadcasting & Media New Zealand	**2,193**	2,193
Regional Radio Licences		
Radio licences - indefinite useful life	**503**	2,570
Total Regional Radio Licences	**503**	2,570
AFL Record		
Goodwill – indefinite useful life	**2,468**	2,468
Brand and distribution rights – indefinite useful life	**7,958**	7,958
Total AFL Record	**10,426**	10,426
Sports Teams		
Goodwill – indefinite useful life	**2,476**	-
Sports team licences and trademarks – indefinite useful life	**8,078**	-
Total Sports Teams	**10,554**	-
Complimentary Services		
Talent contracts – finite useful life	**1,429**	1,429
Talent contracts – amortisation	**(694)**	(456)
Total Complimentary Services	**735**	973
Total Intangible Assets	**68,800**	59,564

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

4. Intangible Assets cont'd

a) Reconciliation of net book value

	Goodwill	Brand and distribution rights	Radio licences	Broadcast rights	Supplier relationships	Talent Contracts	Sports Team Licences and Trademarks	Patents and Trademarks	Customer relationships	Websites and Computer software	Total
Net Book Value	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Balance at 1 July 2021	**11,239**	**7,958**	**28,116**	**5,563**	**4,365**	**973**	**-**	**152**	**109**	**1,089**	**59,564**
Acquired on business combination[1]	**2,476**	**-**	**-**	**-**	**-**	**-**	**8,078**	**-**	**-**	**-**	**10,554**
Additions	**-**	**-**	**320**	**-**	**-**	**-**	**-**	**7**	**-**	**538**	**865**
Amortisation	**-**	**-**	**-**	**(824)**	**(647)**	**(238)**	**-**	**-**	**(29)**	**(445)**	**(2,183)**
Balance at 30 June 2022	**13,715**	**7,958**	**28,436**	**4,739**	**3,718**	**735**	**8,078**	**159**	**80**	**1,182**	**68,800**

	Goodwill	Brand and distribution rights	Radio licences	Broadcast rights	Supplier relationships	Talent Contracts	Sports Team Licences and Trademarks	Patents and Trademarks	Customer relationships	Websites and Computer software	Total
Net Book Value	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Balance at 1 July 2020	9,077	7,958	12,710	6,388	5,012	1,211	-	138	146	1,084	43,724
Acquired on business combination[2]	2,162	-	6,354	-	-	-	-	-	-	-	8,516
Additions	-	-	9,052	-	-	-	-	14	-	404	9,470
Amortisation	-	-	-	(825)	(647)	(238)	-	-	(37)	(399)	(2,146)
Balance at 30 June 2021	11,239	7,958	28,116	5,563	4,365	973	-	152	109	1,089	59,564

[1] On 8 August 2021, the Group completed the acquisition of the Perth Wildcats Basketball Club business for a purchase price of $8.500 million. The Group have acquired identified intangible assets being a National Basketball League ("NBL") licence allowing the club to compete in the NBL competition, and the use of the Perth Wildcats trademark. Refer to Note 9 for the fair value of the identified intangible assets acquired.

[2] Additions includes the acquisition of the 3 narrowband radio licences (1539AM Sydney, 1593AM Melbourne and 90.7FM Darwin) on 1 July 2020 for $6.180 million, and the acquisition of the 29 AM/FM radio licences in New Zealand on 4 June 2021 for $2.191 million.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

4. Intangible Assets cont'd

b) Recognition and Measurement

Intangible assets with an indefinite useful life

Radio licences

Radio licences are stated at cost. In Australia, analogue licences are renewed for a minimal cost every five years under the provisions of the *Broadcasting Services Act 1992*. In New Zealand, the Group holds two types of licences under the *Radiocommunications Act 1989* and its regulations: spectrum licences for broadcasting, which are renewed every 10 years for a minimal cost, and radio licences for fixed radio links, which are renewed annually at minimal cost.

Licences are a tradeable commodity and have an underlying value, which is ultimately determined by agreement between vendor and purchaser. Directors understand that the revocation of a radio licence has never occurred in Australia and have no reason to believe the licences have a finite life. These licences are not amortised since in the opinion of the Directors the licences have an indefinite useful life.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses.

Patents and trademarks

Patents and trademarks are not amortised as they are determined to relate to the indefinite useful life of the radio licences.

Sports team licences and trademarks

Sports team licences and trademarks are carried at cost. These licences and trademarks provide the Group with the right to compete in the relevant sports competitions, as well as provide the Group with access to usage of the branding of the sports team for the sale of merchandise, ticketing, memberships, and hospitality packages to events held by the Sports team. The sports team licences and trademarks have been determined to have in indefinite useful life and management's intention is to continue to utilise these intangible assets into the foreseeable future.

Brand and distribution rights

Brand and distribution rights is carried at cost. The rights provide the Group access to the usage of the AFL brand for the publication of AFL Record, and access to all stadia where AFL fixtures are held for the sale of the publications. Brand and distribution rights acquired through the purchase of the AFL Publications business have been assessed as having indefinite useful lives. This assessment reflects the purchase agreement which stipulates that the rights to branding and distribution will be ongoing whilst the publication continues to be in circulation. Management's intention is to continue to utilise these rights into the foreseeable future.

Intangible assets with an indefinite useful life are tested for impairment annually and at each reporting date to assess whether there is an indication that the carrying value may be impaired.

Intangible assets with a finite useful life

Intangible assets with a finite life such as websites, computer software, supplier relationships, customer relationships, talent contracts, and broadcast rights are amortised on a systematic basis over their expected useful life.

The following estimated useful life is used in determining the amortisation cost for tangible assets with a finite life:

- Websites – 5 years
- Computer software – 5 years
- Supplier relationships – 10 years
- Talent contracts – 6 years
- Broadcast rights – 10 years

The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the line item 'Depreciation and amortisation'.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

4. Intangible Assets cont'd

c) Intangible Asset Impairment

Goodwill and intangible assets with an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other intangible assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or groups of assets (cash generating units).

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis and an assessment of the recoverable amount of the intangible is made each reporting period to ensure this is not less than its carrying amount.

Intangibles are tested annually for impairment at CGU level. Intangibles have been allocated to five CGUs for impairment testing as follows:

	Radio Licences	Goodwill	Patents and Trademarks	Brand and distribution rights	Sports Team Licences and Trademarks	Total
2022	**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Broadcasting & Media Australia	**25,742**	**8,771**	**157**	**-**	**-**	**34,670**
Broadcasting & Media New Zealand	**2,191**	**-**	**2**	**-**	**-**	**2,193**
Regional Radio Licences	**503**	**-**	**-**	**-**	**-**	**503**
Publications	**-**	**2,468**	**-**	**7,958**	**-**	**10,426**
Sporting Teams	**-**	**2,476**	**-**	**-**	**8,078**	**10,554**
	28,436	**13,715**	**159**	**7,958**	**8,078**	**58,346**

	Radio Licences	Goodwill	Patents and Trademarks	Brand and distribution rights	Sports Team Licences and Trademarks	Total
2021	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Broadcasting & Media Australia	23,355	8,771	150	-	-	32,276
Broadcasting & Media New Zealand	2,191	-	2	-	-	2,193
Regional Radio Licences	2,570	-	-	-	-	2,570
Publications	-	2,468	-	7,958	-	10,426
Sporting Teams	-	-	-	-	-	-
	28,116	11,239	152	7,958	-	47,465

Intangibles are tested annually for impairment at CGU level and the recoverable amount of the Broadcasting and Media for Australia and New Zealand, and the Publications CGUs have been determined based on the value in use method. The recoverable amount of Regional Radio Licences and Sports Teams have been determined based on fair value less cost of disposal ("FVLCD"). The recoverable amount of the Broadcasting & Media CGUs for Australia and New Zealand have been determined based on value in use calculations, using a discounted cash flow methodology which requires the use of assumptions. The calculations use cash flow projections based on the annual budget and adjusted cash flow forecasts for up to five years. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

4. Intangible Assets cont'd

c) Intangible Asset Impairment cont'd

The Group considered the following three scenarios, each carrying a probability weighting to determine a recoverable amount:

- Base case – The Group's budgeted Underlying EBITDA for the year ending 30 June 2022
- Lower case – A % reduction applied against the Base case revenue budgeted
- Worst case - A further % reduction applied against the Base case revenue budgeted

The key assumptions under each scenario are as follows:

Broadcasting & Media Australia CGU

Key assumption	Worst Case	Lower Case	Base Case
Approach	Base case less a reduction in revenue of 30% in Year 1, improving over Years 2, 3, and 4 before a 10% reduction to revenue in Year 5.	Base case less a reduction in revenue of 20% in Year 1, improving over Years 2, 3, and 4 before a 5% reduction to revenue in Year 5.	Based on the Group's budget for the Media & Content Australia CGU on management's forecasts and using assumptions around the impact of COVID-19, market growth, market share, and adjusting for past performances and market trends.
Long term growth rate	5.00%	5.00%	5.00%
Terminal growth rate	2.50%	2.50%	2.50%
Discount rate (post-tax)	10.57%	10.57%	10.57%
Probability weighting	5%	15%	80%
Headroom / (Deficit)	$(29.384) million	$30.333 million	$87.226 million
Probability weighted headroom			$65.658 million

The Group concluded the recoverable amount resulting from the value in use methodology is appropriate in supporting the carrying value of the Broadcasting & Media Australia CGU and no impairment was recognised for the year ended 30 June 2022.

Broadcasting & Media New Zealand CGU

Key assumption	Worst Case	Lower Case	Base Case
Approach	Base case less a reduction in revenue of 40% in Year 1, improving over Years 2, 3, and 4 before a 10% reduction to revenue in Year 5.	Base case less a reduction in revenue of 30% in Year 1, improving over Years 2, 3, and 4 before a 5% reduction to revenue in Year 5.	Based on the Group's budget for the Media & Content New Zealand CGU on management's forecasts and using assumptions around market growth, market share, and adjusting for expected performances in a new market for the Group.
Long term growth rate	10.00%	10.00%	10.00%
Terminal growth rate	2.50%	2.50%	2.50%
Discount rate (post-tax)	10.57%	10.57%	10.57%
Probability weighting	10%	30%	60%
Headroom	$(7.026) million	$(1.042) million	$6.681 million
Probability weighted headroom			$2.993 million

The Group concluded the recoverable amount resulting from the value in use methodology is appropriate in supporting the carrying value of the Broadcasting & Media New Zealand CGU and no impairment was recognised for the year ended 30 June 2022.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

4. Intangible Assets cont'd

c) Intangible Asset Impairment cont'd

Publications CGU

Key assumption	Worst Case	Lower Case	Base Case
Approach	Lower case less a reduction in revenue of 30% in Year 1, improving over Years 2, 3, and 4 before a 10% reduction to revenue in Year 5.	Base case less a reduction in revenue of 30% in Year 1, improving over Years 2, 3, and 4 before a 5% reduction to revenue in Year 5.	Based on the Group's budget for the Publications CGU on management's forecasts and using assumptions around the impact of COVID-19, market growth, market share, and adjusting for past performances and market trends.
Long term growth rate	2.00%	2.00%	2.00%
Terminal growth rate	1.50%	1.50%	1.50%
Discount rate (post-tax)	10.57%	10.57%	10.57%
Probability weighting	5%	15%	80%
Headroom / (Deficit)	$(6.976) million	$(1.393) million	$6.581 million
Probability weighted headroom			$4.707 million

The Group concluded the recoverable amount resulting from the value in use methodology is appropriate in supporting the carrying value of the Publications CGU and no impairment was recognised for the year ended 30 June 2022.

Sporting Teams CGU

The recoverable amount for the Sporting Teams CGU has been determined based on the FVLCD method. The Group divested its 25% ownership in Melbourne United Basketball Club during the financial year for a consideration of $4.100 million. The Group has determined that given both basketball clubs share significant similarities, including competing in the same sporting competition (National Basketball League), both in capital city markets, and both teams have had sustained success, that the recent divestment of ownership in the Melbourne United Basketball Club will be used as the FVLCD as the appropriate method of valuation until the recently acquired Sport Team have been fully integrated into the Group's operations and synergies and indirect commercialisation opportunities have been initiated and generate cash flows into the Sporting Teams CGU.

The Group concluded the recoverable amount resulting from the FVLCD methodology is appropriate in supporting the carrying value of the Sporting Teams CGU and no impairment was recognised for the year ended 30 June 2022.

Regional Radio Licences

The recoverable amount for the Regional Radio Licences CGU has been determined based on the Fair Value Less Cost of Disposal method. As the licences are not currently generating their own cash flows, management have determined that FVLCD as the appropriate method of valuation until the licences are activated and generating cash flows.

The Group determined and concluded the recoverable amount resulting from the FVLCD methodology is appropriate in supporting the carrying value of the Regional Radio Licence CGU and no impairment was recognised for the year ended 30 June 2022.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

5. Right-of-use assets and lease liabilities

The Group leases various property across Australia. The non-cancellable period for these leases is generally between 1 – 10 years.

Extension options are included in several the Group's lease agreements, which are used to maximise operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group does not have any options to purchase leased assets. Increases clauses are in line with market practices and include inflation-linked, fixed rates, resets to market rents and hybrids of these.

The carrying value of the right-of-use assets and lease liabilities is presented below.

a) Right-of-use assets

	30 June 2022 $'000s	30 June 2021 $'000s
Cost	**28,907**	22,636
Accumulated depreciation	**(6,270)**	(3,087)
Carrying Value	**22,637**	19,549

Reconciliation of net book values

	Premises $'000s	**Transmitter sites $'000s**	**Total $'000s**
Balance at 1 July 2021	**13,763**	**5,786**	**19,549**
Additions, modifications and other reassessments of leases	2,177	4,777	6,954
Disposals	(179)	-	(179)
Reclassifications between Premises and Transmitter Sites	2,194	(2,194)	-
Depreciation	(2,105)	(1,400)	(3,505)
Foreign exchange translation	(55)	(127)	(182)
Balance at 30 June 2022	**15,795**	**6,842**	**22,637**

	Premises $'000s	Transmitter sites $'000s	Total $'000s
Balance at 1 July 2020	11,325	1,941	13,266
Additions, modifications and other reassessments of leases	3,813	2,650	6,463
Acquired through business combinations	-	1,822	1,822
Depreciation	(1,375)	(627)	(2,002)
Balance at 30 June 2021	13,763	5,786	19,549

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

5. Right-of-use assets and lease liabilities cont'd

b) Lease liabilities

	30 June 2021 $'000s	30 June 2021 $'000s
Current	**2,970**	1,735
Non-current	**21,250**	18,890
Total	**24,220**	20,625

Reconciliation of movement in lease liabilities

	Premises $'000s	**Transmitter sites $'000s**	**Total $'000s**
Balance at 1 July 2021	**14,591**	**6,034**	**20,625**
New and modified leases	2,436	4,414	6,850
Disposals	(184)	-	(184)
Reclassifications between Premises and Transmitter Sites	2,020	(2,020)	-
Cash payments	(2,093)	(1,621)	(3,714)
Interest expense	582	244	826
Foreign exchange translation	(57)	(126)	(183)
Balance at 30 June 2022	**17,295**	**6,925**	**24,220**

	Premises $'000s	Transmitter sites $'000s	Total $'000s
Balance at 1 July 2020	11,588	1,961	13,549
New and modified leases	2,430	1,747	4,177
Acquired through business combinations	-	1,863	1,863
Cash payments	816	632	1,448
Interest expense	(243)	(169)	(412)
Balance at 30 June 2021	14,591	6,034	20,625

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

6. Borrowings

	30 June 2022 $'000s	30 June 2021 $'000s
Bank loan – current	**328**	15,929
Bank loan – non-current	**23,867**	624
	24,195	16,553

Debt Maturity and Extension

The Group's debt facility with the Commonwealth Bank of Australia was successfully renewed for another 3 years in July 2021. The total of the new facility will be $28.700 million (previously $28.600 million) and has a maturity date of 31 August 2024.

Debt Covenants

The Group continues to remain fully compliant with banking covenants for all four quarters of the year ended 30 June 2022.

Debt Security

CBA have first ranking security over all assets of the Company and its subsidiaries.

Debt Facility - Financial Undertakings

The agreement under which the CBA facilities have been made available contains financial undertakings typical for facilities of this nature.

The undertakings include financial undertakings that are to be tested at financial year end and financial half-year end based on the preceding 12-month period.

The financial undertakings relate to both leverage and interest coverage and include:

- Annual financial statements to be provided by 30 November of each calendar year;
- Group management accounts to be provided within 45 days of end of the quarter;
- Compliance certificate to be provided within 45 days of each calendar quarter;
- Budgets for next financial year to be provided by 31 July each year; and
- ASX notices are to be advised within seven days of release to the market.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

7. Equity Securities Issued

Issue of Ordinary Shares during the year

	2022 No.	2021 No.
Number of shares on issue	**261,112,028**	231,101,056
	$'000s	$'000s
Total amount paid on these shares	**67,986**	61,473

	2022		2021	
	No. '000s	**$'000s**	No. '000s	$'000s
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	**231,101**	**61,473**	213,605	57,209
Issue of shares – EEIP	**5,011**	**1,536**	714	193
Issue of shares – Business Combination	**-**	**-**	10,000	2,780
Issue of shares – Placement	**25,000**	**5,000**	-	-
Issue of shares – Non-renounceable rights offer	**-**	**-**	6,782	1,526
Share issue costs	**-**	**(23)**	-	(235)
Total issued shares during the year	**30,011**	**6,513**	17,496	4,264
Balance at the end of the year	**261,112**	**67,986**	231,101	61,473

8. Segment Information

The company operates in the Media industry in Australia and New Zealand. There are five operating segments – Media Australia, Media New Zealand, Complementary Services, Sports Teams, and Head Office.

AASB 8 requires operating segments to be disclosed in a manner that reflects the management information reviewed by the Chief Operating Decision Makers ("CODM"). The financial performance of each segment is reviewed by CODM at the level of earnings before interest, tax, depreciation and amortisation (EBITDA), pre AASB 16 Leases adjustments.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. Accordingly, reporting segments have been determined based on business and cash generating units at the reporting date, as this forms the basis of reporting to the Board (CODM).

Unallocated items

Income tax expense is not allocated to operating segments as it is not considered part of the core operations of any segment.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board, being the chief operating decision-makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Company.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

8. Segment Information cont'd

Intersegment transactions

Internally determined management fees are set for intersegment activities and all such transactions are eliminated on consolidation of the financial statements.

30 June 2022	Media Australia $'000s	Media New Zealand $'000s	Comple-mentary $'000s	Sports Teams $'000s	Head Office $'000s	Total $'000s
Segment Revenue	**82,159**	**4,244**	**9,941**	**12,455**	**183**	**108,982**
Underlying EBITDA pre AASB 16	**15,630**	**(1,013)**	**1,277**	**1,097**	**(6,647)**	**10,344**
Rent expense adjustment from AASB 16	**712**	**1,012**	**-**	**63**	**1,928**	**3,715**
Depreciation & Amortisation	**(2,102)**	**(1,999)**	**(1,084)**	**(77)**	**(3,619)**	**(8,881)**
Earnings before interest, tax & significant items	**14,240**	**(2,000)**	**193**	**1,083**	**(8,338)**	**5,178**
Net finance cost	**-**	**-**	**-**	**-**	**(1,747)**	**(1,747)**
Gain on disposal of intangibles & property plant and equipment	**63**	**-**	**-**	**-**	**-**	**63**
Gain on disposal of investments	**-**	**-**	**-**	**-**	**1,800**	**1,800**
M&A related and restructuring costs	**(167)**	**(7)**	**(35)**	**(86)**	**(869)**	**(1,164)**
Segment profit / (loss) before tax	**14,136**	**(2,007)**	**158**	**997**	**(9,154)**	**4,130**

30 June 2021	Media Australia $'000s	Media New Zealand $'000s	Complem-entary $'000s	Sports Teams $'000s	Head Office $'000s	Total $'000s
Segment Revenue	66,948	-	5,718	-	1,054	73,720
Underlying EBITDA pre AASB 16	13,877	(72)	341	-	(4,713)	9,433
Rent expense adjustment from AASB 16	415	-	-	-	1,274	1,689
Depreciation & Amortisation	(3,331)	-	(371)	-	(3,140)	(6,842)
Earnings before interest, tax & significant items	10,961	(72)	(30)	-	(6,579)	4,280
Net finance cost	-	-	-	-	(1,183)	(1,183)
Loss on disposal of intangibles & property plant and equipment	(617)	-	-	-	(73)	(690)
Loss on disposal of investment in joint venture	(72)	-	-	-	-	(72)
Significant costs and M&A related costs	1,092	(28)	28	-	(342)	750
Segment profit / (loss) before tax	11,364	(100)	(2)	-	(8,177)	3,085

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

9. Business Combinations

Perth Wildcats Basketball Club

On 8 August 2021, the Group completed the acquisition of 100% of the Perth Wildcats basketball team for a purchase consideration of $8.500 million less working capital adjustments of $0.854 million for a net cash consideration of $7.646 million which was paid upon completion. The Group has acquired all assets and liabilities of the existing operations of the Wildcats.

Aligning with its "Whole of Sport" strategy, the Wildcats will enhance the Group's ability to enrich the lives of sports fans and connect brands to those fans, while providing significant strategic value to the Group's operations, particularly in Western Australia where it will support other investments which have been made in the last 12 months.

Details of the purchase consideration, fair values of the net assets acquired and goodwill at the date of acquisition are as follows:

	Fair Value $'000s
Fair Values of assets and liabilities assumed at the date of acquisition	
Prepaid expenses	8
Inventories	191
Trade and other receivables	50
Property, plant and equipment	81
Intangible asset – Sports team licence and trademark	8,078
Deferred tax assets – on employee liabilities	99
Trade and other payables	(255)
Provision for employee benefits	(331)
Deferred revenue	(327)
Deferred tax liabilities	(2,424)
Net Identifiable Assets Acquired	**5,170**

Settlement of purchase consideration	**$'000s**
Cash paid	8,500
Purchase price adjustments	(854)
Purchase consideration	**7,646**

Goodwill at date of acquisition	**$'000s**
Purchase consideration	7,646
Less: value of net identifiable assets acquired	(5,170)
Goodwill arising on acquisition	**2,476**

An amount of $0.451 million was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the administration and corporation expense lines and related to once-off legal, due diligence, corporate advisory and stamp duty costs incurred in completing the acquisition.

The acquired business contributed revenues of $12.295 million and net profit after tax of $ 0.662 million for the 11 months to 30 June 2022. Had the business combination occurred as of the beginning of the reporting period, the business would have contributed approximately $12.500 million in revenues and net profit after tax of $0.750 million.

Notes to the Consolidated Financial Statements for the Financial Year Ended 30 June 2022

10. Dividends Paid and Proposed

The Directors have taken the decision to not pay a final dividend in order to retain earnings to fund continued growth, reduce debt and strengthen working capital during the ongoing financial impact caused by the COVID-19 pandemic.

11. Contingent Assets and Liabilities

The Company and its subsidiaries are not engaged in any litigation proceedings, which could have a material impact on the result for future reporting periods.

12. Changes in the composition of the Group

Other than the acquisition and disposal of the following businesses, which are noted elsewhere in this report, there were no changes in the composition of the Group:

- Acquisition of the Perth Wildcats Basketball Club on 8 August 2021.
- Disposal of the 20% shareholding in Melbourne United Basketball Club on 28 September 2021.
- Disposal of the 5% shareholding in Melbourne United Basketball Club on 15 June 2022.

13. Related Party Disclosures

Arrangements with related parties continue in operation and have not changed since the last reporting date.

14. Audit

This report is based on financial statements that are in the process of being audited.

15. Events subsequent to the reporting date

Acquisition of 4KQ 693AM Brisbane

On 1 July 2022, the Group completed the acquisition of 100% of the business and assets relating to the 4KQ commercial radio broadcasting licence (“4KQ”) from ARN Communications Pty Ltd (ARN), a subsidiary of HT&E Limited (ASX:HT1). The sale of 4KQ was required by the Australian Communications and Media Authority (ACMA) following HT&E’s acquisition of the licence from Grant Broadcasters in January 2022.

The acquisition of 4KQ expands SEG’s owned radio platform and audience reach into Brisbane, and now completes the key components of our national footprint strategy with 36 stations now in operation in all capital cities and states. 4KQ strengthens SEG’s eastern seaboard reach with commercial licences in the key AFL and NRL markets of Melbourne, Sydney and Brisbane.

The addition of SENQ – Queensland’s Home of Sport enhances SEG’s existing owned platforms in Queensland making it the flagship station to complement the existing *SEN Gold Coast 1620AM, SENTrack Brisbane 1053AM, SENTrack Atherton 99.1FM, SENTrack Ingham 96.9FM, SENTrack Kingaroy 96.3FM, and SENTrack Darling Downs 91.5FM*.

The acquisition is a continuation of SEG’s strategy for growth, investing in assets that are underpinned by infrastructure or licence value. The owned station network provides opportunities for SEG to generate attractive returns on capital by leveraging existing investments in national sales teams, broadcast rights, unique content portfolio and high-profile talent.

4KQ is expected to deliver an incrementally positive contribution to earnings in its first 12 months.