



Annual Report 2011/2012

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The South Australian Jockey Club would like to acknowledge all our sponsors and thank them for their support over the last 12 months and we look forward to improving all our partnerships over the next year.

Sponsors of the South Australian Jockey Club

Adelaide Casino	Holdfast Insurance Brokers
Adelaide Galvanising	Lion
Angelakis Bros	Marsh
Betfair	Medallion Homes
CAMM Management Solutions	Myer
Capital Transport	One Solution Mobile & Data
Centrebet	One Toyota
City of Marion	Parmalat – Paul's Milk
CFMEU	Projection Graphics
Darley	Schweppes
Distinctive Homes	Sloans Sands
Dominant	Sportingbet
Evright Trophies	TattsBet
Express Colour	Treasury Wines Estate
G.H. Mumm	Toll Express
Hindmarsh Plumbing	Veolia
	Yalumba / Samuel Smith



Chairman – Tony Newman

On behalf of your Board I present the South Australian Jockey Club Annual Report and Statement of Accounts for the financial year 2011/2012.

Financial Matters

The Club's audited financial statements report a loss for the year of \$2.289M, after a prior year loss of \$1.406M. The current year loss includes a write-off of \$772K of assets that were identified following a review of Club assets as either no longer existing, were surplus to business requirements or whose carrying value was no longer supportable. If you remove the effect of this write-off from 2011/12, our results would have been similar to the prior year.

Whilst the overall results are not pleasing, they are reflective of the many challenges that the Club has and continues to face and address. Further details and summary of results can be found in the comprehensive report by the Board's Chairman of Finance.

Life Members

It is with great pleasure the Board recommends 3 Members for your consideration and approval as Life Members.

William (Bill) Spear has been a member of the Club since 1973. He was elected to the Board in October 2005 and served for almost seven years. Bill was Deputy Chairman in 2011 and Chairman of the Finance Committee for two years. Bill is quite simply a hero of our Club.

John and Kerry Nelligan have both been members of our Club for fifty years. They have raced many good horses including Sheraco and the dual Derby winner, Stormy Rex. I wish them many more successful days at Morphettville.

Our Patrons

The Governor of South Australia, His Excellency Rear Admiral Kevin Scarce, A.O., C.S.N., R.A.N. continues to strongly support our Club and his attendance at Morphettville is always welcome.

Robert Gerard A.O. maintains his active involvement in racing and in particular the SAJC.

We thank them both for their ongoing support and interest in the SAJC.

South Australian Government

It continues to be a pleasure to work with Hon. Tom Kenyon, Minister for Recreation and Sport.

Tom was particularly helpful in marshalling Government support for the visit of Black Caviar to Morphettville.

We were delighted to welcome Premier Jay Weatherill to Morphettville on Schweppes Oaks Day and we thank his Government for their support and contribution to the success of our two "Black Caviar days".

State Opposition

Thanks also to Shadow Minister for Racing Dan van Holst Pellekaan. Dan has made time available to meet with us on a number of occasions. We appreciate his genuine interest in our Club and in racing.

Sponsors

Our sponsors are an extremely important element of the SAJC community and we are especially proud of the longevity of the majority of these relationships. Our major sponsors include Adelaide Casino, Lion Nathan, Schweppes, Distinctive Homes, Sportingbet and Centrebet. Please refer to page 1 for a full list.

Please wherever possible support the organisations which support your Club.

Commercial Venues

Morphettville Junction and the Lucky Horseshoe continue to be strong contributors to our financial bottom line.

New Venue Manager, Rory Lundin, is bringing a fresh approach to the Junction. We remain committed to achieving the requirements of TattsBet for the installation of a TAB agency in the Sports Bar.

We continue to work through the process of gaining approval to relocate the Lucky Horseshoe at Cheltenham. As I write this report, we are appearing in the Environment, Resources and Development Court, hopeful of a decision supporting the approval given by the City of Charles Sturt Development Assessment Panel.

Legal Matters

For the first time since I have been a member of the Board, the SAJC is not involved in any outstanding civil legal matters.

I especially thank Deputy Chairman, Chris Sargent for his personal involvement in the resolution of these issues. The decisions made have not always been simple. On occasions they required a good deal of well-placed economic pragmatism and a careful assessment of the risks. Indeed, at times, some were personally unpalatable. At all times, the Board's guiding principle was to achieve the best outcome for our Club, without fear or favour.

Joint Venturers

In response to a request from the Cheltenham Joint Venturers (Urban Pacific and A V Jennings Ltd) an amendment to the previously agreed payment terms was negotiated. All outstanding monies continue to be covered by Bank Guarantees and the Club receives interest paid monthly on the delayed payments. Full details are provided in the Finance report.

Member's Forums

The new initiative of Member's Forums has been successful. They provide an opportunity for two way communication between Members and the Board in a relaxed informal atmosphere. We will continue these events in 2013.

Adelaide Cup Day

Adelaide Casino Adelaide Cup Day attracted an outstanding crowd of almost 20,000 people.

I congratulate our Marketing and Sales staff on achieving this number against very tough "Mad March" competition.

In 2013 the Cup will be run in March.

Both the SAJC and TRSA made strong representations to Government regarding the move of the Cup to the second Monday in May. We are encouraged by the proposal of the Government to move the June Queen's Birthday holiday to achieve this outcome. We continue to work towards a May Adelaide Casino Adelaide Cup in 2014.

Black Caviar

It seemed a dream far away when Brenton Wilkinson first raised the possibility of Black Caviar racing at Morphettville. I will never forget his phone call when he said just two words “she’s coming”.

This was the beginning of an outstanding effort by everyone at the SAJC.

A sell-out crowd of 30,000 was our target. To achieve it twice just a fortnight apart was simply outstanding.

South Australian racing, and more particularly Morphettville, was centre stage on April 28 and May 12.



*The Distinctive Homes Goodwood Winner
– Black Caviar*

Rightfully, Brenton has received many plaudits for his contribution to these two outstanding days. He was supported by a team of which we are very proud. The pressure of delivering a positive race day experience to every race goer brought out the very best in our people.

TRSA

TRSA has worked positively with the SAJC to create the Adelaide Autumn Racing Carnival launched in 2012 with Black Caviar the headline attraction. As mentioned previously TRSA has also been extremely supportive and active in working towards a May Adelaide Cup. Our Racing Committee continues to work with TRSA to ensure racing programmed at Morphettville is embraced by racegoers.

Retiring Board Members

This AGM sees the retirement of two outstanding contributors to the SAJC.

The task of rebuilding the ethos of our Club after the “dark days” was never going to be easy. But in David Peacock we found the right man for the job. He concluded his Chairman’s report last year with “I honestly believe the SAJC is back in town”. In very large part this is because of the work of David.

The SAJC will forever be indebted to Bill Spear for his courage, commitment, determination and passion. Indeed it is difficult to find words to adequately express the contribution Bill has made to our Club. It is a very sobering thought to think where we would be if Bill had not stepped forward. As I said earlier in this report, Bill is a hero of the South Australian Jockey Club.

Board Members

I am privileged to work with a talented, committed and passionate Board. We have an excellent mix of skills and all Directors give freely of their expertise and time whenever called upon.

We have six Committees, each with their own focus.

Attendance at Meetings – 2011/12

	Board		Finance Committee		Investment Committee		Business Development Committee		Administration & Governance Committee		Racing Committee		Commercial Operations Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
David Peacock	13	13	*	7	*	4	-	-	*	2	-	-	-	-
Tony Newman	13	13	12	12	11	11	8	8	7	7	-	-	-	-
Chris Sargent	13	11	-	-	-	-	-	-	7	7	-	-	-	-
Allan Burchard	13	11	12	11	11	10	-	-	-	-	-	-	-	-
Bill Spear	13	13	12	10	*	6	-	-	-	-	-	-	-	-
Bodelle Francis-Lee	13	12	-	-	-	-	8	7	-	-	2	2	3	3
Steve Kelton	13	13	12	10	11	9	-	-	-	-	5	5	3	3
Bob Robertson	13	12	-	-	11	10	8	7	-	-	5	5	-	-
Greg Stewart	8	7	-	-	-	-	-	-	-	-	1	1	-	-

(a) Number of meetings held whilst a director / committee member

(b) Number of meetings attended

* Number of meetings attended in ex-officio capacity as Chairman or Deputy Chairman

Thanks

The SAJC has a team of excellent people, who on a daily basis contribute to the efficient operation of the Club. Thank you to each and every one of you. In particular, I thank Lyn Roberts, the Personal Assistant to our CEO. Lyn is a true professional and is highly valued by every Director.

We are indeed fortunate to have a CEO in Brenton Wilkinson who possesses both the skills and passion required for the ongoing development of our Club. Brenton is a pleasure to work with and I thank him for his support.

My thanks to my fellow Directors and you, our Members, for affording me the opportunity to be Chairman of this great Club. It is an honour to make a contribution to and be involved on a day to day basis with a sport I love.

A.P. (Tony) Newman
Chairman



Chief Executive Officer – Brenton Wilkinson

It is my pleasure, on behalf of our staff, to provide my report for 2011-2012.

Since the new Board was elected in 2009, there have been changes and improvements to better the financial security of our SAJC. Our Strategic Plan has been reviewed and rewritten in collaboration between the Management team and your Board. We identified the need for change to create efficiencies in the business, primarily in the structure of the Executive Management team and staffing requirements of the Club. This process has been completed and I am confident that we have the right structure in place.

Our Management team has the Board's support to deliver on the expectations outlined in our Strategic Plan, the development of which also identified a need to increase our capabilities in the Human Relations and Occupational Health and Safety areas.

The three main income streams to the Club are our racing activities, hospitality services and gaming in our two commercial venues. We are a Club of Members with a united passion of the equine athlete and we must ensure that all of our business activities are profitable, and support thoroughbred racing at Morphettville to provide a sound future in the long term.

The Strategic Plan has identified the need to develop greater returns to the Club in hospitality and functions. We have budgeted for an awareness campaign and the rebranding of "Morphettville" as a destination for non-raceday activity as we have 300 days each year without racing.

Finance

We appointed Mike Cox as Manager Business & Financial Services on 25 July 2012. Mike was thrown in the deep end and has done an excellent job putting our end of year financials together for this report and completing our budget for 2012-13 with the Management team. Allan Burchard, Deputy Vice Chairman and Chair of the Finance and Investment Committees, has been unstinting in his support of Mike during this difficult transition period. The performance of the Club in difficult times has been solid, and again highlights the need to diversify our business activities and grow our income streams. A detailed Finance Report and the audited financial statements follow for your information.

Sales, Marketing & Sponsorship

Peta Southern-Ninnis, Manager of Marketing and Sales, is working with a team to deliver on the promotions required to drive our business in the future. The two "Black Caviar" days showed what we can achieve. Sponsorship is now consolidated within the Sales team. We have engaged a Marketing and Communications Executive to give the Club more direct control of our promotional activities, as well as a new Membership Co-ordinator.

I would like to thank all of our Sponsors (who have been acknowledged on page 1), especially the Adelaide Casino which has sponsored the Adelaide Cup, and our four Group 1 Sponsors being Schweppes - Schweppes Oaks, Sportingbet - Sportingbet Classic, Centrebet - Centrebet Derby and Distinctive Homes - Distinctive Homes Goodwood. Sponsors are an integral part of our business. It is all about partnerships and relationships, and we look forward to a long and fruitful relationship with them all.

Hospitality

Andrew Lyon, Manager Hospitality Services, is responsible for the overall management of race day catering, private functions and our two gaming venues. This restructure ensures efficiencies in the kitchens, stores and staffing. The appearance of the staff on our racedays and functions is more professional and our food products have been upgraded.

A new Point of Sales System is being installed and unfortunately it seems like all systems it comes with some teething problems. This system will however significantly improve our management tools and lead to an improved bottom line.

The Morphettsville Junction has been part of the hospitality review. Our new Venue Manager, Rory Lundin, has lots of ideas for this venue. He has already introduced a new menu and after race day entertainment. Stay tuned for more to come.

Cheltenham's Lucky Horseshoe continues to operate under the old Grandstand and returns excellent revenue to the Club. The plan is still to develop a new venue on Cheltenham Parade. The Cheltenham Park Residents' Association appeal against the Development Approval we had was heard in the Environmental, Resource and Development Court on 23 and 24 October. It has been a long and arduous process and we await the Court's decision.

The Norwood Community Club (NCC) Gaming Entitlements are still held by the SAJC. We placed them in the first trading round for Gaming Entitlements which finally took place on 5 June 2012 at a very conservative price as the Board had resolved to dispose of them. They did not sell. The Commissioner has approved an extension for the suspension of these entitlements for a further year as the Club was serious in its attempt to sell. The next trading round is now likely to be in early 2013.

Racecourse Projects

Jason Paech, Manager Operations, (assisted by John Tonani, Racecourse Manager and recently promoted Ian Ricardo, Facilities Manager) has been busy over the last year. We have rolled out many projects that have been planned for many years including:

- New Panasonic Pavilion kitchen – delivering greater efficiencies in catering for existing functions and events whilst also providing increased capacity to service new, expanded operations such as the planned second floor extension and external catering opportunities;
- Grandstand air-conditioning – replaced the 30 year old system with a modern, highly efficient system that will improve comfort with lower overall operating costs;
- Parade Ring and horse walkway fencing – replaced the old fencing with a modern, safe and aesthetically pleasing fencing system;
- Parade Ring gardens – reinvigorated the tired Parade Ring area to provide a pleasant first-impression when you enter the venue;
- New entrances - CS Hayes (Members) and JB Cummings (Tramway) – providing a long-awaited sheltered walkway for Members, patrons and non-raceday customers to Morphettsville. First impressions are always the best impressions;
- Refurbishment of SAJC office accommodation – improving organisational efficiencies and effectiveness with an open plan environment;
- Commencement of resurfacing hard surfaces adjacent to Panasonic Pavilion and CS Hayes entrance – thus improving accessibility and safety in these areas;
- Sealing of the Morphettsville Parks ambulance track; and
- New safety fencing at training stalls – replacing the old fencing and adding additional fencing to improve safety of the horses and their handlers.

Aside from improvements to our facilities, we are very proud of our racing product in the 2011/12 season. Prizemoney increases applied to the Group 1 Centrebet SA Derby and Group 1 Distinctive Homes Goodwood (\$350,000 - \$500,000); and the Group 1 Schweppes Oaks and Group 1 Sportingbet Classic (\$350,000 - \$400,000) were achieved in collaboration with our colleagues at TRSA. Specifically, these increases, together with a deliberate recruiting drive to attract better interstate horses to our carnival, saw the successful defence of the Group 1 status of the Centrebet SA Derby, which gained a reprieve from an imminent downgrade for at least another 3 years.

The most recognised achievement for the Club was the dual appearance of Black Caviar, before sell-out crowds of 30,000. Simply hosting the great mare reflects well on the quality of our racing surfaces. Her trainer Peter Moody openly commended our track which gave us a great deal of pride. It shows that we do indeed have one of the best racing surfaces in the nation. The credit for

this must go to our Racecourse Manager, John Tonani, and his grounds team, who leave no stone unturned to ensure that the best possible tracks are so well presented week after week.

In an environment of such heightened activity we commend our Facilities Manager, Ian Ricardo. Ian has helped varied projects to be on time and on budget, while also managing his own team of gardeners and maintenance personnel to ensure the venue is always turned out in optimum conditions.

Whilst the major projects may not roll out as thick and fast as they did in the preceding 12 months, we will continue with the same focus to deliver the best outcomes to the Club, our Members and our clients. We will continue to focus on improved efficiencies, risk mitigation and presenting the best possible facilities and racing for all.

Personnel

Tania Bishop, Manager Human Resources, is responsible for the Payroll function and Occupational Health and Safety. Developments in this area over the last 12 months include:-

- A roll-out of HR and OH&S policies and procedures.
- New Position Descriptions, which provide KPI's and clear accountability.
- The recruitment to fill a number of key positions within the Club during the restructure
- Introduction of a more structured approach to the Salary Review Process
- Introduction of an Employee Assistance Program to the Business.
- Quarterly communication sessions to the staff
- Redevelopment of Employee Handbook to incorporate new policies and processes.

The success of our Club is only as good as the staff managing its business. We have a passionate and devoted staff striving to deliver on every expectation, best shown on the two historic appearances of Black Caviar here at Morphettville when the SAJC and the staff were under the world wide spotlight. The feedback from all in attendance, Government and media was that the South Australian Jockey Club at Morphettville not once, but twice, put on a great show. I congratulate all my staff for their efforts. We should all be very proud of the team. A very special thank-you to Peter Moody and everyone at Moody Racing. Thank you also to the owners of Black Caviar for making this experience possible and who knows, maybe we can sneak another peek at the mighty mare in April 2013.

Retirements

Our Chairman, Tony Newman, has rightly highlighted our two retiring Board Members.

Bill Spear, our Chairman of Finance for two years, Deputy Chairman in 2011 and a Board Member for seven years has been a brilliant source of information and a great sounding board.

David Peacock, in two stints, has served 14 years on the Board, the most recent for three years as Chairman of the Club. David was a truly inspirational Chairman who worked incredibly hard to reconcile the Club after the 2008-2009 problems.



*The Sportingbet Robert Sangster Stakes Winner –
Black Caviar*

David always strongly supported and mentored me in my role as CEO. A robust and engaging leader, David taught me that self-confidence and belief, together with a deprecating sense of humour can be valuable personal assets.

I sincerely thank Bill and David personally for their support and guidance to me, and especially for their valuable contributions to our Club.

Equally I thank all of our Board Members who work so hard for all of us. I am very proud of our Board and to be the CEO of our Club, and also truly grateful for the support and good work of all our staff and especially my Personal Assistant, Lyn Roberts.

The Club still has many challenges but we are now in a good position for the future.

Brenton Wilkinson
Chief Executive Officer

STATISTICAL DATA

Year Ended	2012	2011	2010	2009	2008	2007
RACING						
Race Meetings	61	66	68	63	65	66
Races Run	492	526	549	508	520	530
Nominations	7,752	8,888	8,681	7,728	7,877	8,409
Starters	4,654	5,294	5,424	5,082	5,375	5,643
ON-COURSE TURNOVER (\$000)						
Totaliser	15,023	14,188	14,876	15,103	14,725	15,464
Bookmakers	21,771	30,445	35,809	35,703	46,435	50,355
Total Turnover	36,794	44,633	50,685	50,806	61,160	65,819
MEMBERSHIP						
Total Members	1,802	1,610	1,703	2,017	1,725	1,751



Chairman of Finance and Investment Committees – Allan Burchard

Once again, SAJC is reporting a significant deficit for the year. As in 2010/11, our bottom line result of a loss of \$2.289M (2011: \$1.406M) is at first glance disappointing and complex, however on closer analysis it can be interpreted as a satisfactory result after taking into account non-cash depreciation charges and the TRSA Prizemoney Contribution.

Our result can be analysed in many ways, and following on from the theme of my presentation at the 2011 AGM, I believe the following summary and accompanying explanations best analyse the complexity of the result:

Financial Summary	Note	2012 \$000	2011 \$000
Business Activities			
Racing		(831)	66
Hospitality		997	669
Gaming		1,964	2,269
Contribution from Recurring Business Activities	1	2,130	3,004
Overhead Costs	2	(2,745)	(2,425)
Interest / Investment Earnings – Normal	3	3,374	1,665
Surplus From Business and Investment Activity		2,759	2,244
Non-cash Items			
Investment Amortisation	4	778	778
Depreciation	5	(2,793)	(2,628)
Surplus Before Non-Recurring Items		744	394
Additional Investment Amortisation	4	340	-
Additional Depreciation (asset write-off)	5	(772)	-
Employee Severance Payments	6	(200)	-
Surplus Before Prizemoney Contribution		111	394
Prizemoney Contribution	7	(2,400)	(1,800)
(Deficit) for the year		(2,289)	(1,406)

Notes:

1. Contribution from Recurring Business Activities

This reflects the contributions from the key business activities of the SAJC being Racing, Hospitality and Gaming. Whilst the contribution from the Black Caviar days was positive, the increased costs of racing and managing the property combined with declining tote (after removing the impact of Black Caviar) and bookmaker revenue has resulted in a loss from Racing operations of \$831K (2011: \$66K profit). The Hospitality division also profited from the Black Caviar days to increase its contribution to \$997K (2011: 669K). The Gaming division experienced a downturn in line with the economic conditions prevalent during 2012 to post a positive \$1,964K contribution (2011: \$2,269K).

The decline in on-course tote turnover is a significant concern and can be attributed to a combination of factors, including:

- Lower attendances
- The economic climate impacting on punters' available funds
- The diversion of traditional on-course tote betting to corporate bookmakers.

2. Overhead Costs

Overhead costs relate to the costs of administration and marketing. The incremental costs this year compared to last are reflective of:

- a more targeted approach to marketing, the benefits of which will flow through in future years to increased revenue in Hospitality from the use of our venues and facilities; and
- an increase in salary related costs attributable to CPI increments as well as additional staffing requirements to appropriately resource the Human Relations and Occupational Health and Safety areas as noted in the CEO's Report

3. Interest / Investment Earnings

Interest / investment income was earned during the year from the following sources:

	2012	2011
	\$000	\$000
Interest on Club Funds	312	959
Investment Manager Earnings	861	-
TRSA Loan Interest	198	85
Interest on Developer Loans	2,003	621
Total Interest Income	3,374	1,665



The Adelaide Casino Adelaide Cup Winner – Rialya

The change in the nature of the earnings compared to 2011 reflects:

- re-direction of Club Funds from term deposits to investments with three appointed Investment Managers
- interest on loan to TRSA being for 8 months in 2011/12 compared to 4 months in 2010/11
- from 11 November 2010, SAJC commenced receiving interest on deferred funds in accordance with the Cheltenham Land Facilitation Agreement ("LFA"), thus interest on these funds were received for a full year in 2011/12 compared to part year in 2010/11. The interest income of \$2,003K represents a return of 6.93%.

During the year, the SAJC negotiated an increase in interest rate receivable under the LFA in exchange for a deferral of principal payments. Interest terms were increased from a rate of BBSY + 2.5% to BBSY + 4.0%. As the developer pays down the amounts owing, the interest earned will decrease, whilst it is expected that the earnings from funds invested with Investment Managers will increase.

Investment Manager earnings represent the returns from investments with the three Investment Managers (RBS Morgans, Perpetual and Blackrock). Returns for the year averaged 5.56% in a challenging market.

4. Investment Amortisation

Due to the deferred nature of funds to be received from the developer (AV Jennings – Urban Pacific) under the LFA, in prior periods an adjustment was made against the carrying value of the receivable from the developer to reflect the net present value of the future settlements. This adjustment has been amortised back to interest income at \$778K per year. As a result of the LFA renegotiation, the calculation of the net present value of the future funds receivable as at 31 July 2012 closely reflects the actual carrying value of funds to be received. As a result, the remaining balance of deferred amortisation as at 31 July 2012 was written back to profit, resulting in a non-recurring gain of \$340K.

5. Depreciation

Accounting Standards will always require depreciation charges to be incurred over the estimated lives of the many assets we have, virtually all of which are at or adjacent to the Morphettsville Racecourse.

On review of the Club's assets, it was identified that there were a number of assets that either no longer existed, were surplus to business requirements or whose carrying value was no longer supportable. This resulted in the write-off of \$772K of Club assets.

Because of the nature of the Club assets, we will continue to incur depreciation charges of similar magnitude to the standard 2011/12 charge of \$2.8M per annum in the near future.

6. Employee Severance Payments

The Club restructured certain positions to reflect changing business circumstances and position itself for the future.

7. Prizemoney Contribution

In 2008, the then SAJC Board committed to assist TRSA with a special "Prizemoney Contribution", totalling \$10.25M over a period of, initially 5 years to 31 July 2013, to be funded from earnings from the proceeds of the Cheltenham LFA. This commitment was increased to \$11.35M over a six year period ending on 31 July 2014 as approved by members at the 2011 Annual General Meeting.

The prizemoney the SAJC has committed to TRSA totals \$5.25M, being \$2.5M in 2012/13 and \$2.75M in 2013/14. The payment of this prizemoney is based on the satisfaction of conditions by both the SAJC and TRSA and will be expensed when the liability is incurred. There is no commitment to TRSA beyond 2013/14.

It is noted that without this Prizemoney Contribution, the SAJC would have returned a profit in each of 2012 and 2011.

Capital Expenditure

Total capital expenditure (including GST) for 2011/12 was \$5.543M (2010/11: \$4.322M), as follows:

Item	Spend \$000's
Air Conditioning Upgrade (OH&S)	1,241
Panasonic Kitchen Completion	832
Entrance Works Completion	556
Admin Office Refurbishment	374
Hard Surfaces	340
Cheltenham Legals	164
Cabling for Audio / Video / IT	161
Point of Sale IT System	154
Parade Ring Fencing	153
Other Projects (individually less than \$100K)	1,568
Total Capital Expenditure	5,543

SAJC Investment Fund

As advised in the 2011 Annual Report, the Club established the SAJC Investment Fund ("the Fund") to be managed as a part of the Club's activities. After taking legal and taxation advice, the Fund has **not** been established as a separate entity. The following table extracts the operations of the Fund from the more detailed audited financial statements of the Club:

	Opening Balance 1/8/11 \$000	Fund Allocations \$000	Valuation Changes \$000	Interest & Other Earnings \$000	Prizemoney Contributions \$000	Closing Balance 31/7/12 \$000
Cheltenham Sale Price	85,000					
Loan repayments	(19,472)					
Capex	(11,528)					
Balance of Unused Cheltenham Proceeds	54,000					
Prizemoney due to TRSA	(1,350)					
LFA Amortisation	(1,118)					
Opening Balance	51,532					51,532
Earnings During 2011/12	-	-	1,825	2,651	-	4,476
Expenses During 2011/12	-	-	-	-	(2,400)	(2,400)
SAJC Drawings	-	(2,650)	-	(1,479)	-	(4,129)
Funds Available	51,532	(2,650)	1,825	1,172	(2,400)	49,479
Represented By:						
Assets						
Joint Venture Funds	28,882	(7,500)	1,118	-	-	22,500
Term Deposits	20,000	(14,000)	-	-	-	6,000
TRSA Loan	4,000	(4,000)	-	-	-	-
Investment Cash Account	-	-	-	1,172	-	1,172
RBS Morgans	-	9,500	198	-	-	9,698
Blackrock	-	5,000	84	-	-	5,084
Perpetual	-	7,000	425	-	-	7,425
Total Assets	52,882	(4,000)	1,825	1,172	-	51,879
Liabilities						
Prizemoney due to TRSA	(1,350)	1,350	-	-	(2,400)	(2,400)
Total Liabilities	(1,350)	1,350	-	-	(2,400)	(2,400)
Net Assets	51,532	(2,650)	1,825	1,172	(2,400)	49,479

The table above highlights:

- The identification of the net assets of the Fund. As the TRSA Prizemoney contribution is paid out of the earnings of the Fund, then any unpaid portion of that contribution should be recognised as a liability of the Fund
- On the above basis, the opening net assets of the Fund were \$51.532M, compared to the balance of Cheltenham proceeds of \$54.0M
- During the year:
 - The term deposits and TRSA loan held at 31 July 2011 have been substantially re-invested with the appointed Investment Managers
 - The Prizemoney Contribution to TRSA of \$1.35M as at 31 July 2011 has been paid
 - The Club, and the Fund, has recognised a liability of \$2.4M to TRSA for the Prizemoney Contribution for the 2011/12 year
- Modest gains have been reported by each of the Investment Managers

- \$7.5M was repaid by the Developers on 11 July 2012, in accordance with the revised LFA. During the year, SAJC and the Developers renegotiated the terms of the LFA to provide an extension of repayment terms in return for an increase in interest rate payable to BBSY plus 4.0% (from BBSY plus 2.5%), on all amounts outstanding after 11 July 2012. The new repayment terms require the Developer to pay SAJC \$7.5M on 11 July 2013 and \$15M on 11 July 2014
 - \$6.0M of the funds received on 11 July 2012 were initially invested in a short-term term deposit, and subsequent to 31 July 2012, was invested with Investment Managers
- The net assets of the Fund as at 31 July 2012 slipped to \$49.479M, below the threshold of \$50.0M which we have set out to maintain. The contributing factors to this were:
 - Significant under-performance by our investment managers in the last three months of the financial year, in line with a disappointing investment market, after a very promising start in the earlier months
 - Increased capital expenditure (as outlined on page 12 of this Annual Report) which had been approved in advance of the decline in investment markets
 - The allocation of \$2.4M of 2011/12 investment earnings as a Prizemoney Contribution to TRSA in accordance with previously agreed commitments.

Your Board has acted to remedy this situation since 1 August by:

- Limiting capital expenditure in the period through to 31 October 2012
- Clarifying the investment mandate of one of our investment managers
- Providing the Investment Managers with the flexibility to take advantage of the upturn in investment markets during that period.

As at 30 September 2012, the unaudited net assets of the SAJC Investment Fund have increased to \$49.82M (from \$49.479M as at 31 July 2012).

As disclosed in our audited balance sheet as at 31 July, our investment funds consist of:

Detail	2012 \$000	2011 \$000
Total amount due from Developer	22,500	28,882
Term Deposits	6,000	20,000
Amount Loaned to TRSA	-	4,000
RBS Morgans	9,699	-
Blackrock	5,084	-
Perpetual	7,424	-
Investment Cash Account	1,172	-
Investment Fund Assets	51,879	52,882

Investment of Fund Assets

Funds are invested in accordance with a Board approved Investment Strategy. The overall management of the SAJC Investment Fund is the responsibility of the Investment Committee, a Board sub-committee, which is accountable for the monitoring and review of the performance of the investments and the fund managers, and ensuring that investments are conducted in accordance with the Board defined Investment Strategy.

Returns received from investments during the 2012 financial year have generally been satisfactory, especially when considered in light of the uncertain economic climate. The overall weighted average return on investments for the year

was 6.45%. The overall allocation of funds is still very heavily weighted to defensive assets (82.4%) compared to growth assets (17.6%), reflecting the significant portion of funds still tied up with the Joint Venture.

As funds continue to become available from LFA payments, the investment holdings will reflect the Investment Strategy of a greater emphasis on growth assets.

Allan Burchard

Chairman – Finance Committee and Investment Committee



The Centrebet South Australian Derby Winner - Zabeelionaire

STAKES	RACE NAME (SPONSOR'S NAME)	WINNER (& TRAINER)	DISTANCE	RIDER	TIME
Group 1					
\$500,000	THE GOODWOOD (SW + Penalties) (The Distinctive Homes)	Black Caviar (Peter G Moody)	1200m	Luke Nolan	1-10.32
\$500,000	SOUTH AUSTRALIAN DERBY (3YO - SW) (Centrebet)	Zabeelionaire (NZ) (Leon Corstens)	2500m	Damien Oliver	2-42.16
\$400,000	ROBERT SANGSTER STAKES (Fillies & Mares – Weight-for-age) (Sportingbet)	Black Caviar (Peter G Moody)	1200m	Luke Nolan	1-10.65
\$400,000	SCHWEPPE OAKS (3YO Fillies - SW)	Invest (Clarry Conners)	2000m	Peter Mertens	2-06.93
Group 2					
\$400,000	ADELAIDE CUP (Adelaide Casino)	Rialya (Lloyd Kennewell)	3200m	Shayne Cahill	3-23.35
\$250,000	EUCLASE CLASSIC (3YO – SW) (Centrebet)	Go The Knuckle (Mark Minervini)	1200m	Shayne Cahill	1-10.24
\$175,000	QUEEN OF THE SOUTH STAKES (Fillies & Mares – SW + Penalties) (Tattsbet)	So Pristine (Peter G Moody)	1600m	Luke Nolan	1-39.14
Group 3					
\$150,000	R A LEE STAKES (SW + Penalties)	Linton (John Sadler)	1600m	Steven Arnold	1-38.48
\$115,000	D C McKAY STAKES (Quality Handicap) (evright.com)	Outlandish Lad (Dennis O'Leary)	1100m	Damian Browne	1-04.45
\$115,000	CHAIRMAN'S STAKES (3YO-SW)	Heaven's Riches (Robbie Laing)	2000m	Michael Walker	2-07.26
\$115,000	SA SIRES PRODUCE STAKES (2YO – SW) (Sportingbet)	Molto Bene (Will Clarken)	1400m	Todd Pannell	1-25.76
\$115,000	SA FILLIES CLASSIC (3YO Fillies – SW) (Sportingbet)	Red Typhoon (Robert Smeardon)	2500m	Luke Nolan	2-43.19
\$115,000	SPRING STAKES (WFA) (Spring Gully)	Uxorious (Matthew Williams)	1200m	Ryan Maloney	1-13.66
\$115,000	R N IRWIN STAKES (WFA) (Dunes Port Hughes)	We're Gonna Rock (Mark Kavanagh)	1100m	Chad Lever	1-03.65
\$115,000	AURARIA STAKES (Fillies & Mares – SW + Penalties) (Schweppervescence)	Crucial (Anthony Freedman)	1800m	Vlad Duric	1-50.52
\$115,000	NATIONAL STAKES (SW + Penalties) (The Jansz)	Dinkum Diamond (Leon Macdonald & Andrew Gluyas)	1200m	Clare Lindop	1-11.25
\$115,000	BREEDERS' STAKES (2YO – SW) (Marsh)	Big Chill (Mathew Ellerton & Simon Zahra)	1200m	Adrian Patterson	1-11.06
\$115,000	LORD REIMS STAKES (SW + Penalties) (Boag's)	Enchanting Waters (Michael Sell)	2600m	Craig Robertson	2-50.08
Listed					
\$100,000	PROUD MISS STAKES (Fillies & Mares – SW + Penalties) (Centrebet)	Bonnie Mac (NZ) (Michael Moroney)	1200m	Dwayne Dunn	1-11.34
\$100,000	CENTAUREA STAKES (3YO Fillies – SW + Penalties)	Dance With Her (David Brideoake & David Feek)	2000m	Dwayne Dunn	2-07.27

STAKES	RACE NAME (SPONSOR'S NAME)	WINNER (& TRAINER)	DISTANCE	RIDER	TIME
\$100,000	LAELIA STAKES (3YO Fillies – SW + Penalties) (Darley)	Lucky Penny (Peter Morgan)	1600m	Linda Meech	1-37.76
\$100,000	DEQUETTEVILLE STAKES (2YO Fillies– SW)	Dashitude (Chris Bieg)	1100m	Amy Herrmann	1-05.83
\$80,000	PORT ADELAIDE GUINEAS (3YO – Set Weights)	Cornell (Anthony Freedman)	1800m	Vlad Duric	1-49.84
\$80,000	OAKLANDS PLATE (2YO– SW & P) (Adelaide Casino)	Donna Cattiva (NZ) (Danny O'Brien)	1600m	Dwayne Dunn	1-38.64
\$80,000	CITY OF ADELAIDE HANDICAP (Quality Handicap) (Holdfast Insurance)	Verco Road (Dion Koch)	1400m	Jason Holder	1-24.25
\$80,000	PENNY EDITION STAKES (WFA) (Sportingbet)	Alcopop (Jake Stephens)	1400m	Troy Baker	1-25.01
\$80,000	CITY OF MARION STAKES (Quality Handicap)	The Eighth Maker (Lloyd Kennewell)	1200m	Michael Hoppo	1-14.27
\$80,000	CHRISTMAS HANDICAP (Quality Handicap) (Adelaide Galvanising)	Bagman (Mark Kavanagh)	1400m	Simon Price	1-22.39
\$80,000	QUEEN ADELAIDE STAKES (2YO – SW) (CAMMS)	Armed For Action (Anthony Freedman)	1050m	Daniel Moor	1-02.07
\$80,000	PORT ADELAIDE CUP (Quality Handicap) (Veolia)	Finiguerra (Darryl Dodson)	2500m	Dwayne Dunn	2-39.13
\$80,000	HC NITSCHKE STAKES (3YO - SW + Penalties) (Adelaide Galvanising)	Balzeus (Terry & Karina O'Sullivan)	1400m	Dom Tournour	1-24.70
\$80,000	REDELVA STAKES (3YO – SW + Penalties) (Projection Graphics)	Celebrity Girl (Mark Kavanagh)	1000m	Michael Rodd	1-00.57
\$80,000	BIRTHDAY CUP (Quality Handicap) (Holdfast Insurance)	Rialya (Lloyd Kennewell)	2000m	Shayne Cahill	2-06.74
\$80,000	LIGHTNING STAKES (2 & 3YO - SW)	Avoid Lightning (David Jolly)	1050m	Adam McCabe	1-03.59
\$80,000	CINDERELLA STAKES (2YO Fillies – Set Weights) (Pewsey Vale)	Sabie (Anthony Freedman)	1050m	Kerrin McEvoy	1-01.95
\$80,000	ADELAIDE GUINEAS (3YO – SW) (Adelaide Galvanising)	Riziz (Ken Sweeney)	1600m	Paul Gatt	1-40.36
\$80,000	MANIHI CLASSIC (Quality Handicap) (Pauls)	Kulgrinda (Peter G Moody)	1200m	Dom Tournour	1-03.73
\$80,000	MATRICE STAKES (SW + Penalties) (Sloan's Sands)	Bagman (Sam Kavanagh)	1200m	Chad Lever	1-16.64
\$80,000	DURBRIDGE STAKES (WFA) (Patrick/Dunes)	Conservatorium (Gary Kennewell)	1200m	Shayne Cahill	1-10.33
\$80,000	HILL SMITH STAKES (3YO – SW) (Cam Management)	Perfect Punch (Leon Macdonald & Andrew Gluyas)	1800m	Clare Lindop	1-50.24
\$80,000	MORPHETTVILLE GUINEAS (3YO Fillies –SW)	Tai Tai Tess (Robert Smerdon)	1600m	Steven King	1-41.35
\$80,000	TOKYO CITY CUP (SW + Penalties) (Express Colour Printing)	Zauberin (Russell Cameron)	1800m	Dean Holland	1-49.52
\$80,000	W H WYLIE HANDICAP (Quality Handicap) (Betfair)	Just Sybil (Brian Mueller)	1100m	Lauren Stojakovic	1-05.17
\$80,000	C S HAYES STAKES (Quality Handicap) (Schweppes)	Verco Road (Dion Koch)	1600m	Craig Williams	1-36.99

Segmented Overview of the SAJC's Performance 2011/12

	Racing		Hospitality		Gaming		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue								
Catering - Food and Beverage Sales	-	-	6,975	5,513	2,459	2,233	9,434	7,746
Net Gaming Revenue	-	-	-	-	5,939	6,448	5,939	6,448
Tote Revenue	2,225	2,096	-	-	-	-	2,225	2,096
Property Income	1,342	1,510	-	-	-	-	1,342	1,510
Catering - Sundry Income	-	-	1,645	1,403	84	64	1,729	1,467
Net Sponsorship	857	1,202	-	-	-	-	857	1,202
Nominations/Acceptances	955	1,021	-	-	-	-	955	1,021
Members Subscriptions	383	336	-	-	-	-	383	336
Bookmakers Commission	211	311	-	-	-	-	211	311
Admissions	591	300	-	-	-	-	591	300
Raceday Other	74	87	-	-	-	-	74	87
Auditorium	18	46	-	-	-	-	18	46
Sundry	163	5	-	-	-	-	163	5
	6,819	6,913	8,620	6,916	8,482	8,745	23,921	22,573
Expenses								
Salaries and Wages	(2,850)	(2,651)	(3,152)	(2,841)	(1,988)	(1,899)	(7,990)	(7,390)
Catering/Gaming Costs	-	-	(4,471)	(3,406)	(2,288)	(2,042)	(6,759)	(5,448)
Gaming Tax	-	-	-	-	(2,242)	(2,535)	(2,242)	(2,535)
Property Costs	(2,616)	(2,355)	-	-	-	-	(2,616)	(2,355)
Tote Expenses	(967)	(879)	-	-	-	-	(967)	(879)
Raceday Other	(999)	(788)	-	-	-	-	(999)	(788)
Sponsorship Expenses	(85)	(70)	-	-	-	-	(85)	(70)
Prizemoney - SAJC Funded	(100)	(67)	-	-	-	-	(100)	(67)
Wagering	(33)	(36)	-	-	-	-	(33)	(36)
	(7,650)	(6,846)	(7,623)	(6,247)	(6,518)	(6,476)	(21,791)	(19,569)
Contribution	(831)	66	997	669	1,964	2,269	2,130	3,004
Net Overheads - Administration and Marketing	(1,461)	(1,180)	(1,261)	(1,062)	(223)	(182)	(2,945)	(2,425)
Operating Surplus/(Deficit) Before Interest, Depreciation and Prizemoney Contribution to TRSA	(2,292)	(1,114)	(264)	(394)	1,741	2,086	(815)	579
Add/(Subtract) Other Items								
Net Interest Received							4,492	2,443
TRSA Prizemoney Contribution							(2,400)	(1,800)
Depreciation							(2,748)	(2,251)
Depreciation - Funded Assets							(817)	(375)
Total							(2,289)	(1,406)

SOUTH AUSTRALIAN JOCKEY CLUB AND ITS CONTROLLED ENTITY
BALANCE SHEETS AS AT 31 JULY 2012

	NOTE	SAJC		Consolidated	
		2012	2011	2012	2011
		\$000	\$000	\$000	\$000
CURRENT ASSETS					
Cash and Cash Equivalents	2	7,772	21,694	7,772	21,694
Inventories		281	237	281	237
Trade and Other Receivables	3	8,439	19,991	8,426	19,978
Investments	4	10,782	-	10,782	-
Prepayments		90	267	90	267
TOTAL CURRENT ASSETS		27,364	42,189	27,351	42,176
NON-CURRENT ASSETS					
Receivables	3	15,000	13,882	15,000	13,882
Investments	4	11,425	-	11,425	-
Property, Plant & Equipment	5	40,681	40,085	40,681	40,085
Intangible Assets	6	3,000	3,000	3,975	3,975
TOTAL NON-CURRENT ASSETS		70,106	56,967	71,081	57,942
TOTAL ASSETS		97,470	99,156	98,432	100,118
CURRENT LIABILITIES					
Trade and Other Payables	7	4,162	3,951	4,162	3,951
Employee Benefits	8	924	812	924	812
Other Liabilities	9	1,034	736	1,034	736
TOTAL CURRENT LIABILITIES		6,120	5,499	6,120	5,499
NON-CURRENT LIABILITIES					
Employee Benefits	8	90	108	90	108
TOTAL NON-CURRENT LIABILITIES		90	108	90	108
TOTAL LIABILITIES		6,210	5,607	6,210	5,607
NET ASSETS		91,260	93,549	92,222	94,511
EQUITY					
Reserves	10	8,589	9,406	9,564	10,381
Retained Earnings	10	82,671	84,143	82,658	84,130
TOTAL EQUITY		91,260	93,549	92,222	94,511

The accompanying notes form part of these financial statements.

SOUTH AUSTRALIAN JOCKEY CLUB AND ITS CONTROLLED ENTITY
INCOME STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

		SAJC		Consolidated	
	NOTE	2012 \$000	2011 \$000	2012 \$000	2011 \$000
REVENUE FROM OPERATING ACTIVITIES					
Catering Turnover		11,214	9,055	11,214	9,055
Gaming Revenue		5,939	6,448	5,939	6,448
Totalisator Revenue		2,225	2,096	2,225	2,096
Net Sponsorship		857	1,201	857	1,201
Nominations & Acceptance Fees		955	1,021	955	1,021
Members Subscriptions & Admissions		975	636	975	636
Sundry Revenue		2,392	2,525	2,392	2,525
TOTAL REVENUE		24,557	22,982	24,557	22,982
EXPENDITURE FROM OPERATING ACTIVITIES					
Catering Expenditure		6,744	5,562	6,744	5,562
Gaming - General Expenditure		4,280	4,436	4,280	4,436
General Maintenance		4,468	4,117	4,468	4,117
Cost of Goods Sold		3,012	2,461	3,012	2,461
Depreciation - Property, Plant & Equipment		2,748	2,251	2,748	2,251
Prizemoney Contribution to TRSA		2,400	1,800	2,400	1,800
Raceday Wages & Payroll Tax		1,794	1,514	1,794	1,514
Salaries, Superannuation & Taxes		1,801	1,443	1,801	1,443
Totalisator Operation & Maintenance		967	879	967	879
Promotion and Sponsorship		947	869	947	869
Insurance & Professional Fees		489	505	489	510
Sundry Expenses		838	598	838	598
TOTAL EXPENDITURE		30,488	26,435	30,488	26,440
SURPLUS/(DEFICIT) FROM OPERATIONS		(5,931)	(3,453)	(5,931)	(3,458)
Finance Income		4,492	2,443	4,492	2,443
Finance Expenses		(25)	(12)	(25)	(12)
Net Finance Income		4,467	2,431	4,467	2,431
Depreciation of Funded Assets	10	(817)	(375)	(817)	(375)
Net Gain/(Loss) on Disposal of Non-Current Assets		(8)	(9)	(8)	(9)
(DEFICIT)/SURPLUS FOR THE PERIOD		(2,289)	(1,406)	(2,289)	(1,411)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		(2,289)	(1,406)	(2,289)	(1,411)

The accompanying notes form part of these financial statements.

SOUTH AUSTRALIAN JOCKEY CLUB AND ITS CONTROLLED ENTITY
STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2012

		SAJC		Consolidated	
	NOTE	2012	2011	2012	2011
		\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from operating activities		27,386	25,428	27,386	25,424
Payments to suppliers and employees		(28,534)	(25,988)	(28,534)	(25,988)
Interest paid		(25)	(12)	(25)	(12)
NET CASH USED IN OPERATING ACTIVITIES	13(ii)	(1,173)	(572)	(1,173)	(576)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds under Land Facilitation Agreement		7,500	15,000	7,500	15,000
Interest received on investments		2,667	1,615	2,667	1,615
Proceeds from sale of property, plant & equipment		27	25	27	25
Loan to Thoroughbred Racing SA		4,000	(4,000)	4,000	(4,000)
Payments for property, plant & equipment		(5,543)	(4,322)	(5,543)	(4,322)
Acquisition of investments		(21,500)	10,500	(21,500)	10,500
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(12,849)	18,818	(12,849)	18,818
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from capital grants		100	250	100	250
NET CASH GENERATED FROM FINANCING ACTIVITIES		100	250	100	250
NET (DECREASE)/INCREASE IN CASH HELD		(13,922)	18,496	(13,922)	18,492
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		21,694	3,198	21,694	3,202
CASH AT THE END OF THE FINANCIAL YEAR	13(i)	7,772	21,694	7,772	21,694

The accompanying notes form part of these financial statements.

SOUTH AUSTRALIAN JOCKEY CLUB AND ITS CONTROLLED ENTITY
STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2012

	Retained Earnings	SAJC Reserves	Total	Retained Earnings	Consolidated Reserves	Total
	\$000	\$000	\$000	\$000	\$000	\$000
BALANCE AT 1 AUG 2010	85,174	9,781	94,955	85,166	10,756	95,922
						-
(Deficit) for the year	(1,406)	-	(1,406)	(1,411)	-	(1,411)
Depreciation of industry funded assets	-	(375)	(375)	-	(375)	(375)
Transfers to and (from) reserves	375	-	375	375	-	375
BALANCE AT 31 JUL 2011	<u>84,143</u>	<u>9,406</u>	<u>93,549</u>	<u>84,130</u>	<u>10,381</u>	<u>94,511</u>
BALANCE AT 1 AUG 2011	84,143	9,406	93,549	84,130	10,381	94,511
(Deficit) for the year	(2,289)	-	(2,289)	(2,289)	-	(2,289)
Disposal of Industry Funded Assets	-	-	-	-	-	-
Depreciation of industry funded assets	-	(817)	(817)	-	(817)	(817)
Transfers to and (from) reserves	817	-	817	817	-	817
BALANCE AT 31 JUL 2012	<u>82,671</u>	<u>8,589</u>	<u>91,260</u>	<u>82,658</u>	<u>9,564</u>	<u>92,222</u>

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The South Australian Jockey Club Incorporated ('SAJC or Club') is a not-for-profit entity domiciled in Australia. The consolidated financial report of the Club for the year ended 31 July 2012 comprises the Club and its controlled entity, the Norwood Community Club Incorporated (together referred to as the 'Group').

The financial report was authorised for issue by a resolution of the Board on the 6th day of November 2012.

Statement of Compliance

The Club early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-02 *Amendments to Australian Standards arising from Reduced Disclosure Requirements* for the financial year beginning 1 August 2011 to prepare Tier 2 general purpose financial statements.

The consolidated financial report of the Group and the financial report of the Club are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Associations Incorporation Act 1985.

Basis of Preparation

The financial report is prepared on the historical cost basis except for the following material items:

- intangible assets are measured at fair value
- derivative financial instruments are measured at fair value
- financial instruments at fair value through the profit or loss are measured at fair value.

The Group has disclosed rounded amounts in the financial report and Directors' Report to the nearest thousand dollars, unless otherwise stated.

The financial report is prepared in Australian Dollars, which is the Club's functional currency.

The preparation of financial statements in conformity with AASB's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Group's financial statements, investments in subsidiaries are carried at cost.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.2 Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Club has an obligation to remove the assets or restore the site, an estimate of such costs; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the income statement.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Club. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

In arriving at the operating surplus/(deficit) for the year, depreciation is provided on all Club funded property, plant and equipment, but excluding freehold land, and assets funded by the Industry, so as to write off the assets progressively over their estimated useful lives, using the straight line basis.

The depreciation rates used for each class of asset are as follows:-

	2012	2011
Buildings and Improvements	2.5% - 10%	2.5% - 10%
Plant & Equipment	5% - 25%	5% - 25%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

1.3 Revenue and Other Income

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered and memberships is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date.

The stage of completion is assessed by reference to the work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods. The following specific recognition criteria must also be met before revenue is recognised:-

Industry Grants

The SAJC received distributions from Thoroughbred Racing South Australia ('TRSA') to fund administration. These amounts are reported on an accruals basis. Grants received from TRSA for capital purposes are treated as operating income. The depreciation component of such items is recognised as an operating expense.

Deferred Income

Deferred income represents rent, membership, function and event deposits and sponsorship monies for future years received in the current financial year.

Sale of Non-current Assets

The net gain or loss on non-current asset sales is included in the Income Statement at the date control passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Finance Income and Finance Costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of investments, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Club's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on financial instruments, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in the income statement.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Government Grants

Grants constituting non-reciprocal transfers received from the Government are recognised as income when the Club takes control of the benefit. A non-reciprocal transfer is one which the Club receives assets and services or has liabilities extinguished without giving approximately equal value in exchange to the other party or parties to the transfer.

Grants

Revenue is recognised when control of the contribution or right to receive the contribution is obtained.

Grants for major capital projects are recognised in the year of approval and any balance due in future years is recorded as a receivable.

Grants for non-capital purposes are recognised as revenue in accordance with the specific terms of the approval.

Donations

Revenue is recognised when the monies are received by the Group. In kind donations or donations of assets are recorded at fair value.

Rental Income

Rental income is recognised in the income statement on a straight line basis over the term of the lease.

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

1.4 Employee Benefits

Defined Contribution Superannuation Fund

A defined contribution superannuation fund is a post-employment benefit plan under which a Club pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Long-term Service Benefits

The Club's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate used is the Commonwealth Government Bond yield at the reporting date that has maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the income statement in the period in which they arise.

Wages, Salaries and Annual Leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

1.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

1.6 Income Tax

The Group is exempt from Income Tax.

1.7 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1.8 Leased Assets

Leases in terms of which the Club assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Club's balance sheet. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

1.9 Intangible Assets

SAJC controlled gaming machine entitlements are recorded at their fair value. This class of non-current assets, measured at fair value, is assessed annually to ensure the carrying amount does not materially differ from its fair value. Revaluation increments, on a class of assets basis, are recognised in the Asset Revaluation Reserve except that, amounts reversing a decrement previously recognised as an expense are recognised as revenues. These intangible assets have not been internally generated and have indefinite useful lives.

Revaluation decrements are only offset against revaluation increments relating to the same class of asset and an excess is recognised as an expense.

1.10 Financial instruments

Non-derivative financial assets

The Club initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Club becomes a party to the contractual provisions of the instrument.

The Club derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Club is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Club has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Club has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Club manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Club's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Club in the management of its short-term commitments.

Non-derivative financial liabilities

The Club initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Club becomes a party to the contractual provisions of the instrument.

The Club derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Club classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Club's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Derivative financial instruments

The Club holds derivative financial instruments to hedge its liquidity exposures and as a part of the management of its overall investment portfolio.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value and all changes in its fair value are recognised immediately in the income statement.

1.11 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Club on terms that the Club would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security, and for an equity security investment, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Club considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Club uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Non-financial assets

The carrying amounts of the Club's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Provisions

A provision is recognised if, as a result of a past event, the Club has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

1.13 Determination of fair values

A number of the Club's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of items of plant, equipment, fixtures and fittings is based on the cost approach using replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest. This fair value is determined for disclosure purpose.

Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Contingent consideration

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term in nature, it is discounted to present value.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the Commonwealth Government bond yield curve at the reporting date plus an adequate credit spread.

NOTE	SAJC		Consolidated	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
2. CASH AND CASH EQUIVALENTS				
Cash at Bank	1,772	1,694	1,772	1,694
Interest Bearing Deposits	6,000	20,000	6,000	20,000
	<u>7,772</u>	<u>21,694</u>	<u>7,772</u>	<u>21,694</u>

3. TRADE AND OTHER RECEIVABLES**Current**

Trade Receivables	949	991	936	978
Provision for Doubtful Debts	(10)	-	(10)	-
Other Receivables	7,500	15,000	7,500	15,000
Loan to TRSA	-	4,000	-	4,000
	<u>8,439</u>	<u>19,991</u>	<u>8,426</u>	<u>19,978</u>

Non Current

Other Receivable	15,000	15,000	15,000	15,000
Discount to reflect Net Present Value	-	(1,118)	-	(1,118)
Net Present Value	<u>15,000</u>	<u>13,882</u>	<u>15,000</u>	<u>13,882</u>

Impairment losses to the value of \$10K were recognised in respect of receivables for which recovery is unlikely.

Other Receivables

In accordance with the renegotiated Land Facilitation Agreement with AV Jennings – Urban Pacific, the SAJC received payments of \$15M on 11 March 2011 and \$7.5M on 11 July 2012 and will receive future payments of \$7.5M on 11 July 2013 and \$15M on 11 July 2014. The SAJC earned interest income at BBSY + 2.5% up to 11 July 2012, with subsequent interest to be earned at BBSY + 4.0% until final settlement. The outstanding amounts due reflect their net present value (noting that in the prior year, the payment of \$15 million originally due on 11 July 2013 was discounted to a net present value of \$13.882 million).

NOTE	SAJC		Consolidated	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
4. INVESTMENTS				
Current				
Financial assets held for trading	4,074	-	4,074	-
Fixed interest securities	6,708	-	6,708	-
	<u>10,782</u>	<u>-</u>	<u>10,782</u>	<u>-</u>
Non Current				
Fixed interest securities	2,271	-	2,271	-
Financial assets designated at fair value	9,981	-	9,981	-
Derivative liabilities	(827)	-	(827)	-
	<u>11,425</u>	<u>-</u>	<u>11,425</u>	<u>-</u>
Total Investments	<u>22,207</u>	<u>-</u>	<u>22,207</u>	<u>-</u>

NOTE	SAJC		Consolidated	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Reconciliations of the carrying amounts of each class of Investments				
Financial assets held for trading				
Carrying Amount at the beginning of year	-	-	-	-
Additions	4,069	-	4,069	-
Disposals	-	-	-	-
Fair Value Revaluations	5	-	5	-
Carrying Amount at the end of the year	4,074	-	4,074	-
Fixed interest securities (<i>current</i>)				
Carrying Amount at the beginning of year	-	-	-	-
Additions	6,708	-	6,708	-
Disposals	-	-	-	-
Fair Value Revaluations	-	-	-	-
Carrying Amount at the end of the year	6,708	-	6,708	-
Fixed interest securities (<i>non-current</i>)				
Carrying Amount at the beginning of year	-	-	-	-
Additions	1,888	-	1,888	-
Disposals	(100)	-	(100)	-
Fair Value Revaluations	483	-	483	-
Carrying Amount at the end of the year	2,271	-	2,271	-
Financial assets designated at fair value				
Carrying Amount at the beginning of year	-	-	-	-
Additions	9,771	-	9,771	-
Disposals	(836)	-	(836)	-
Fair Value Revaluations	1,046	-	1,046	-
Derivative Liabilities	(827)	-	(827)	-
Carrying Amount at the end of the year	9,154	-	9,154	-
Total Investments	22,207	-	22,207	-

The above Investments represent funds managed by Investment Managers:	Weighted	
	Holding at 31 July 12	Average Return
RBS Morgans	9,698,654	2.74%
Perpetual	7,424,809	8.20%
Blackrock	5,083,706	7.81%
Total Investments	22,207,169	5.56%

	NOTE	SAJC		Consolidated	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
5. PROPERTY PLANT & EQUIPMENT					
Freehold Land at cost					
Morphettville		357	357	357	357
Cheltenham		321	321	321	321
		678	678	678	678
Buildings & Improvements at cost					
Morphettville		57,138	52,757	57,138	52,757
Lucky Horse Shoe		1,742	1,722	1,742	1,722
Less: Accumulated Depreciation		(25,612)	(22,870)	(25,612)	(22,870)
		33,268	31,609	33,268	31,609
Plant & Equipment at cost					
Morphettville		12,538	11,839	12,538	11,839
Less: Accumulated Depreciation		(6,266)	(5,498)	(6,266)	(5,498)
		6,272	6,341	6,272	6,341
Capital Works in Progress		463	1,457	463	1,457
TOTAL PROPERTY PLANT & EQUIPMENT		40,681	40,085	40,681	40,085
Included in the above total of Property, Plant & Equipment are the written down values of assets funded by industry grants to the extent of	10	5,589	6,406	5,589	6,406
Reconciliations of the carrying amounts of each class of Property, Plant & Equipment					
Freehold Land at cost					
Carrying Amount at the beginning of year		678	678	678	678
Additions		-	-	-	-
Disposals		-	-	-	-
Carrying Amount at the end of year		678	678	678	678

NOTE	SAJC		Consolidated	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Buildings & Improvements				
Carrying Amount at the beginning of year	31,609	31,418	31,609	31,418
Transfers from Capital Works in Progress	4,402	2,172	4,402	2,172
Internal Transfers	-	-	-	-
Disposals	-	-	-	-
Depreciation	(2,743)	(1,981)	(2,743)	(1,981)
Carrying Amount at the end of year	33,268	31,609	33,268	31,609
Plant & Equipment				
Carrying Amount at the beginning of year	6,341	5,723	6,341	5,723
Opening Balance Adjustment	(154)	-	(154)	-
Transfers from Capital Works in Progress	944	1,297	944	1,297
Disposals	(37)	(34)	(37)	(34)
Depreciation	(822)	(645)	(822)	(645)
Carrying Amount at the end of year	6,272	6,341	6,272	6,341
Capital works in progress				
Carrying Amount at the beginning of year	1,457	601	1,457	601
Additions	4,352	4,325	4,352	4,325
Transfer to Buildings & Improvements	(4,402)	(2,172)	(4,402)	(2,172)
Transfer to Property, Plant & Equipment	(944)	(1,297)	(944)	(1,297)
Carrying Amount at the end of year	463	1,457	463	1,457
TOTAL PROPERTY PLANT & EQUIPMENT	40,681	40,085	40,681	40,085

CHELTENHAM DISPOSAL

The agreement that has been reached with AVJ-UP is a Land Facilitation Agreement ('LFA') and not a Land Sale Contract. The SAJC will continue to hold title to the land during the term of the development, and will ultimately be the vendor, as title holder, under contracts negotiated by the developers for the sale of subdivided Allotments within the development. Under completion of conditions precedent in the LFA, the SAJC has transferred the ultimate risks and rewards associated with the land to AVJ-UP, and has no continuing involvement or control of the land.

NOTE	SAJC		Consolidated	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
6. INTANGIBLE ASSETS				
Gaming Machine Entitlements				
Morphettville	1,500	1,500	1,500	1,500
Cheltenham	1,500	1,500	1,500	1,500
Norwood Community Club	-	-	975	975
Total Licences & Entitlements	3,000	3,000	3,975	3,975

On 14 July 2011, the South Australian Government introduced a trading system for gaming entitlements. The first and only trading round held on 5 June 2012 resulted in a sell price of \$54,473. The SAJC has valued its entitlements at \$37,500 per entitlement until such time as the recently introduced trading scheme has proven to be an active market on which to determine an alternative fair value.

NOTE	SAJC		Consolidated	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
7. TRADE AND OTHER PAYABLES				
Trade and Other Payables	1,762	2,601	1,762	2,601
TRSA Prizemoney Payable	2,400	1,350	2,400	1,350
	<u>4,162</u>	<u>3,951</u>	<u>4,162</u>	<u>3,951</u>
8. EMPLOYEE BENEFITS				
Current Employee Provisions	924	812	924	812
Non-Current Employee Provisions	90	108	90	108
9. OTHER LIABILITIES				
Deferred Income	1,034	736	1,034	736
10. RESERVES & RETAINED EARNINGS				
Retained Earnings				
Balance Brought Forward	84,143	85,174	84,130	85,166
Add: Operating Surplus/(Deficit)	(2,289)	(1,406)	(2,289)	(1,411)
Add: Disposal of Industry Funded Assets	-	-	-	-
Less: Transfers to Reserves (net)	817	375	817	375
Balance at Year End	<u>82,671</u>	<u>84,143</u>	<u>82,658</u>	<u>84,130</u>
Industry Capital Grants Reserve				
Balance Brought Forward	6,406	6,781	6,406	6,781
Less: Depreciation of Industry Funded Assets	(817)	(375)	(817)	(375)
Less: Disposal of Industry Funded Assets	-	-	-	-
Balance at Year End	<u>5,589</u>	<u>6,406</u>	<u>5,589</u>	<u>6,406</u>
Asset Revaluation Reserve				
Balance Brought Forward	3,000	3,000	3,975	3,975
Add: Revaluation Increments	-	-	-	-
Less: Revaluation Decrements	-	-	-	-
Balance at Year End	<u>3,000</u>	<u>3,000</u>	<u>3,975</u>	<u>3,975</u>
Total Reserves	<u>8,589</u>	<u>9,406</u>	<u>9,564</u>	<u>10,381</u>

Asset Revaluation Reserve

The Asset Revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of intangible assets measured as fair value, in accordance with Note 1.9.

11. SUPERANNUATION FUND

All employees may nominate their preferred fund for employer contributions.

The Club and Group contributed \$605K of employer contributions in the year ended 31/7/12 (2011: \$575K)

As at year end, the number of full-time employees working for the Club was 57 (2011: 57).

12. RELATED PARTY TRANSACTIONS

Norwood Community Club Inc

On 1 December 2004 the Norwood Community Club ("NCC") adopted the constitution of the SAJC, giving the SAJC effective control over NCC, with trading from this date consolidated into the results of the SAJC. Effective 28 February 2006 the Norwood Community Club ceased operations and the Gaming Machine Entitlements are not in use, however, remain the property of the Group. There were no transactions with the Norwood Community Club Inc. during 2011/12.

Thoroughbred Racing SA

The SAJC is one of two members of Thoroughbred Racing SA (TRSA) and controls 50% of the voting power in general meeting and thereby has significant influence over TRSA. The following transactions occurred between the SAJC and TRSA during the year:

- The Club incurred a liability of \$2.4M (2011: \$1.8M) to TRSA as a contribution to prizemoney, pursuant to an undertaking by the Club to contribute a portion of the income derived by the Club from proceeds of the Cheltenham racecourse Land Facilitation Agreement. The amount has been included as a Prizemoney Contribution to TRSA in the income statements. The Prizemoney Contribution outstanding as at balance date was \$2.4M (2011: \$1.35M) and is included in Trade and Other Payables in the Balance Sheet. The amount is non-interest bearing.
- The Club received \$1.160M in industry payments from TRSA during the year being for marketing/promotion, training subsidies and capital grants (2011: \$1.269M).
- In 2010/11, the Club entered into a loan agreement with and advanced \$4 million to TRSA to provide working capital. This loan was repaid by TRSA on 28 March 2012.

Transactions with Key Management Personnel

The Board Members receive no remuneration for their services.

Other transactions of the Board:

- The Chairman is entitled to an allowance of up to \$18,000 to assist with costs incurred in representing the Club during the year. The remaining Board Members are entitled to a reimbursement of expenses not exceeding \$2,500 per annum for costs incurred in representing the Club. Reimbursement is only provided where the Board members have incurred expenses that are directly related to furthering the Group.

- Some members of the Board, either directly or through corporates in which they have a substantial financial interest, may provide certain goods or services in the normal course of the Club's activities.
- The terms and conditions of those transactions with Members of the Board were no more favourable than those available to other entities on an arm's length basis.
- There were no amounts receivable from or payable to members of the Board at reporting date arising from any such transactions.
- Members of the Board, or their relatives, may from time to time receive prizemoney from TRSA following the success of horses owned or trained by them. This prizemoney is paid by TRSA on the same terms and conditions as apply to any other owner or trainer.

Goods and services were provided by the following Key Management Personnel related entities:

Name	Business	Nature	2012 \$000	2011 \$000
M Beviss	Bellevue Studios Pty Ltd	Website Services	3	5

Key Management Personnel Compensation

	SAJC		Consolidated	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Short-term employee benefits	943	753	943	753

Other Transactions with Key Management Personnel

- There were no other transactions with Key Management Personnel.
- Key Management Personnel, or their relatives, may from time to time receive prizemoney from TRSA following the success of horses owned or trained by them. This prizemoney is paid by TRSA on the same terms and conditions as apply to any other owner or trainer.
- There were no other amounts receivable from or payable to Key Management Personnel at reporting date arising from the above transactions.

13. CASH FLOW INFORMATION

(i) RECONCILIATION OF CASH

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:-

	SAJC		Consolidated	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash and Cash Equivalents	7,772	21,694	7,772	21,694

(ii) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT FROM ORDINARY ACTIVITIES

	SAJC		Consolidated	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Surplus/(Deficit) from ordinary activities	(2,289)	(1,406)	(2,289)	(1,411)
Finance Income	(4,492)	(2,443)	(4,492)	(2,443)
Finance Expense	25	12	25	12
Less Capital Grants	(100)	(250)	(100)	(250)
Depreciation	2,748	2,251	2,748	2,251
Depreciation of Funded Assets	817	375	817	375
Investment Amortisation	1,118	778	1,118	778
Fair value gain on Investments	707	-	707	-
(Profit)/Loss on sale of property, plant and equipment	8	9	8	9
Change in assets and liabilities				
(Increase)/Decrease in receivables	(452)	(395)	(452)	(399)
(Increase) in inventory	(44)	(6)	(44)	(6)
Decrease in prepayments	177	31	177	31
Increase in payables	212	579	212	584
Increase in employee benefits	94	101	94	101
Increase/(Decrease) in other liabilities	298	(208)	298	(208)
NET CASH PROVIDED (UTILISED) BY OPERATIONS	(1,173)	(572)	(1,173)	(576)

14. COMMITMENTS AND CONTINGENCIES**Contingent Revenue**

Under the terms of the LFA, (refer note 3) the SAJC can earn additional revenue pending the success of the development, whereby, if total allotment sales exceed an agreed threshold, the SAJC will earn 21.5% of the excess of the defined sales price over that threshold, up to a maximum of \$10M. Any additional revenue is to be recognised only when it is probable that the revenue will be earned under the contract. As at reporting date, management has not recognised any of the additional revenue on the basis that it is too early to assess whether any such revenue will be earned.

Prizemoney Commitment

The prizemoney the SAJC has committed to TRSA totals \$5.25M as follows:

2012/13 \$2.50M

2013/14 \$2.75M

The payment of this prizemoney is based on the satisfaction of conditions by both the SAJC and TRSA and will be expensed when the liability is incurred. There is no commitment to TRSA beyond 2013/14.

15. AUDITOR'S REMUNERATION

KPMG earned the following remuneration from the Club and consolidated entity during the year:

	SAJC		Consolidated	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Audit Services				
Audit or review of financial reports	50	43	50	43
Non-audit services	6	20	6	20
	56	63	56	63



The Schweppes Oaks Winner - Invest

**SOUTH AUSTRALIAN JOCKEY CLUB INC AND ITS CONTROLLED ENTITY
REPORT AND STATEMENT BY THE BOARD
FOR THE YEAR ENDED 31 JULY 2012**

REPORT BY BOARD

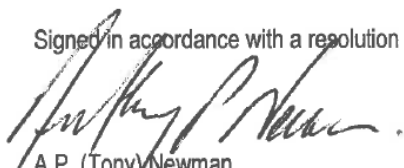
During the financial year, no officer of the Club and its controlled entity, or any firm of which an officer is a member, or any corporate in which an officer has a substantial financial interest, has received or become entitled to receive a benefit as a result of a contract between an officer, firm or corporate and the Club, other than:

- (a) an allowance of \$18,000 payable to the Chairman to assist with costs incurred in representing the Club during the year;
- (b) benefits arising from the provision of certain minor goods or services in the normal course of the Club's activities; and

During the financial year, no officer of the Club and its controlled entity has received directly or indirectly from the Club any payment or other benefit of a pecuniary value, other than in the case of officers employed by the Club, approved salaries which have been determined in accordance with general market conditions.

Dated at Adelaide this 6th day of November, 2012.

Signed in accordance with a resolution of the Board.


A.P. (Tony) Newman
Chairman


Allan C Burchard
Chairman of Finance Committee

STATEMENT BY BOARD

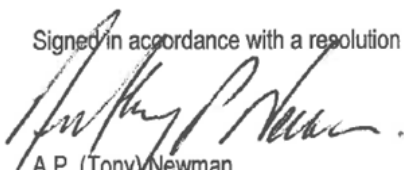
The attached financial statements and notes of the South Australian Jockey Club Inc. and its controlled entity as set out on pages 19-39 for the year ended 31 July, 2012, are in our opinion properly drawn up:

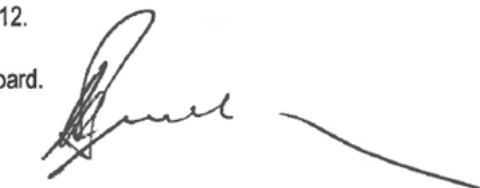
- (a) so as to present fairly the financial position of the Club and its controlled entity as at 31 July 2012 and the results and cash flows for the year then ended;
- (b) in accordance with the provisions of the Club Rules; and
- (c) in accordance with Australian Accounting Standards and the Associations Incorporation Act 1985.

As at the date of this statement, there are reasonable grounds to believe that the Club will be able to pay its debts as and when they fall due.

Dated at Adelaide this 6th day of November, 2012.

Signed in accordance with a resolution of the Board.


A.P. (Tony) Newman
Chairman


Allan C Burchard
Chairman of Finance Committee



Independent audit report to the members of the South Australian Jockey Club Incorporated

Report on the financial report

We have audited the accompanying financial report of the South Australian Jockey Club Incorporated (the Club), which comprises the balance sheets as at 31 July 2012, the income statements, statements of changes in equity, and statements of cash flows for the year then ended, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information, and the statement by the board of the Club and the Group comprising the Club and the entity it controlled at the year's end or from time to time during the financial year.

Board's responsibility for the financial report

The board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Associations Incorporation Act 1985, and for such internal control as the board determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and Associations Incorporation Act 1985, a view which is consistent with our understanding of the Club's and the Group's financial position, and of their performance.

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



Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's opinion

In our opinion, the financial report of the South Australian Jockey Club Incorporated is properly drawn up so as to present fairly, in all material respects, the financial position of the Club and the Group as at 31 July 2012, and of their financial performance for the year then ended in accordance with the Associations Incorporation Act 1985 and Australian Accounting Standards – Reduced Disclosure Requirements.

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' in a stylized, cursive-like font.

KPMG

A handwritten signature in blue ink, appearing to read 'NT Faulkner', written in a cursive style.

NT Faulkner
Partner

Adelaide

6 November 2012