



SOUTH AUSTRALIAN
JOCKEY CLUB

ANNUAL REPORT
2013/14







SOUTH AUSTRALIAN
JOCKEY CLUB

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All images featured in this Annual Report were taken at Morphettville during the 2013/14 racing season.

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CHAIRMAN'S REPORT 2013/14



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 2013/2014.

FINANCIAL MATTERS

The Club's audited consolidated financial statements (including the Norwood Community Club) reflect a surplus of \$0.443M (2013: \$1.11M), prior to recognising the Prizemoney Contribution to Thoroughbred Racing South Australia (TRSA) of \$2.75M (2013: \$2.5M), resulting in a net loss of \$2.307M (2013: \$1.39M).

Your board is not content with this result yet we are realistic in the challenges we face. It is no consolation to know we are not alone as race clubs throughout Australia find it increasingly difficult to deliver profits on racing.

To generate the profits we all seek requires actions on two fronts: Revenue Up and Costs Down.

On the revenue front, our staff are working to maximise profitable utilisation of our facilities

whenever they are not required for racing. In this increasingly competitive market it is important to be responsive to customer requirements and flexible in our offerings.

An all-out attack has been launched on costs led by a dedicated procurement specialist. Amongst the strategies deployed are a program of review of major contracts and working with other race clubs to aggregate demand and obtain better pricing.

The cost of providing racing and training facilities that are safe and of a standard acceptable to trainers is an ongoing challenge. This has been recognised by TRSA which has increased the payments made to our club. Even with this recognition, we have a major shortfall of revenue compared to cost.

Allan Burchard, Chairman of Finance, provides a comprehensive report but I repeat, your Board is committed to doing all that is possible to improving the Club's financial performance.

LIFE MEMBERS

In his role as Club Doctor, Terry Hodgson has provided valuable service to our Club for many years. In addition to this Terry is a longstanding Member of the SAJC. The Board believes Terry's outstanding contribution is deserving of recognition as a Life Member.

Michael Walsh and Richard Burnell have been members of our Club for fifty years. I recommend them for your consideration and approval as Life Members of the SAJC.

OUR PATRONS

His Excellency Rear Admiral Kevin Scarce, A.O., C.S.N., R.A.N. has been our patron

throughout his term as Governor of South Australia. Together with his wife, Liz, the Governor has been a strong supporter of our Club. On behalf of the SAJC, I wish them well and hope we continue to have the opportunity to welcome them to Morphettville.

Robert Gerard A.O. continues to provide support and wise counsel to our Club. We are indeed fortunate to have Robert as a Patron of the SAJC.

SOUTH AUSTRALIAN GOVERNMENT

The SAJC was delighted to see racing recognised in March with the appointment of Leon Bignell as Minister for Racing. Leon has a genuine interest in racing and the SAJC. The Club highly values our excellent relationship with the Minister and we thank him for his ongoing support.

STATE OPPOSITION

I acknowledge the support of former Shadow Minister for Racing, Iain Evans and look forward to working with Tim Whetsone in the time ahead. Thanks also to Terry Stephens, a valued supporter of our Club and racing.

SPONSORS

The Club thanks all of its sponsors, many of whom have been long term partners. Our sponsors are acknowledged in this report and I ask you to support them wherever possible.

TATTSBET ADELAIDE CUP DAY

The timing of the TattsBet Adelaide Cup is a most contentious issue and one on which the Board is spending a great deal of time. We are working with TRSA to identify possible race programming in relation to our Autumn Carnival.

COMMERCIAL VENUES

The Junction continues to be an important contributor to SAJC finances.

The Club continues to take the steps required to enable the development of a new Sports and Community Club at Cheltenham. We have obtained approval from the Licensing Court and work has begun on the Social Effects Study.

Unfortunately the existing facility ceased operating on 28 July 2014. Our thanks to the developers who were most supportive in allowing operations to continue for as long as they did.

THANKS

Thanks to Lyn Roberts who provides outstanding support to all members of the Board.

Thanks also to Brenton Wilkinson for the passion, skill and knowledge he brings to his role as CEO.

On behalf of the Board and Members, I thank Bob Robertson, who in his second stint served four and a half years as a Board Member. Bob made significant contributions to the Investment, Racing and Business Development Committees.

Finally my thanks to my fellow Board members for their continued voluntary commitment of expertise and time and for their unwavering support in my role as Chairman of this great Club.



Chairman
A.P. (Tony) Newman

THE SAJC BOARD IS COMMITTED TO:

- Providing facilities for the conduct of thoroughbred racing at Morphettville
- Providing facilities which encourage the enjoyment of thoroughbred racing by our SAJC members, industry participants and members of the public
- Providing a safe and modern facility for the training of thoroughbred racehorses at Morphettville

TO ACHIEVE THESE COMMITMENTS WE HAVE ADOPTED STRATEGIES TO:

- Improve and maintain facilities for our members, industry participants and members of the public at a level consistent with expected requirements as to presentation, comfort and safety
- Maintain racing and training facilities that meet the needs of our stakeholders
- Profitably manage The Junction to provide a social and community venue for all patrons and to contribute to the funds required to support capital and recurrent expenditure
- Continue to investigate the viability of relocating the Sports and Community Club at Cheltenham
- Profitably utilise the Club's facilities when they are not required for racing
- Manage the Club's investment funds so as to generate income to contribute to the funds required to support capital and recurrent expenditure
- Pursue business opportunities, in conjunction with partners as appropriate, that will provide long term recurring income for our Club
- Work with impacted stakeholders to develop a funding model which recognises the costs of providing a racing and training facility which meets stakeholder requirements
- Generate additional income streams by identifying medium and long term options for the development of land excess to racing requirements
- Develop our leaders and staff to deliver on the strategic objectives
- Develop a culture within the Club that delivers a high level of achievement

CHIEF EXECUTIVE OFFICER'S REPORT 2013/14



BRENTON WILKINSON **CHIEF EXECUTIVE OFFICER**

The last year has again been full of challenges for the Club. Competition for the entertainment dollar was further stretched with the opening of the new "Adelaide Oval" and the AFL season home games for the Crows and Port Power saw record crowds attend to enjoy this new and exciting stadium. Direct clashes with games at Adelaide Oval saw crowds below that usually expected and even games played with late starts or night games had the same effect. We are in continued discussions with both South Australian AFL Club's to achieve the Carnival days for the SAJC to be free of AFL games at Adelaide Oval on Saturdays and working to package up product for the visiting side to attend Morphettville and make a full weekend experience in Adelaide when they travel to Adelaide to support their teams. These discussions have been fruitful and I look forward to working closely with them in the future.

The positive for the Club in the last year is while all Metropolitan Clubs in Australia continued to see attendances fall by as much

as 7% our attendances were up by 2%. Not a large increase but still bucks the trend Australia wide.

Later in this report you will see detailed information from the Chairs of the relevant Committees of the Board. I thank all of the Board for their work on these committee's with their focus on Strategy and Direction for the Club moving forward. There are a few matters from the last year that I will elaborate on as follows:-

INVESTMENT FUND

On the 11th of July 2014 we received the final staged payment from the Developers at Cheltenham of \$15 million. These funds will be invested over time in consultation with our fund managers for the long term financial viability of the Club. The developers at Cheltenham have been great to deal with and all commitments made by them have been conducted and met in a timely manner. I thank Brian Virgo of AV Jennings and his team for their commitment and support through this project and their assistance with tenure in the Grandstand till the 28th of July 2014. All of our Fund Managers have performed well again with an average rate of return across all investments (including Developer Funds and term deposits) of 9.5%. This is a great result for the Club and Allan Burchard has done an excellent job in this area well supported by the Investment Committee. We are now focused on continually working on growing the value of our Fund and investigating investment opportunities for the Club in the long term.

FINANCIALS

For a detailed analysis of our financials, I refer you to the report by the Chair of the Finance and Investment Committee, Allan Burchard.

MARKETING & SALES

The Marketing focus has developed strategies to deliver on the Functions and Events opportunities of our business, and with a team in sales focused on these activities I look forward to growing this portion of our business in line with other major facilities in Australia like the MCG and Flemington Racecourse. Our marketing collateral evolved for our racing product to have a clear and concise message about the product and event that we were promoting. This was well received with increased awareness of the actual event being promoted and we are working on evolving our Marketing approach even further jointly with TRSA as a new campaign is formulated for the racing industry in SA. Marketing strategies include increased focus on social media promoting our business and telling a story. Social Media is a great tool for creating awareness and talk-ability about who and what we are all about at Morphettville.

Our opportunity for growth in our business is in better asset utilisation. By this I mean using the facilities at Morphettville on as many of the 310 days that we do not host racing at Morphettville. To achieve this we have developed marketing collateral with a strong focus on our facilities and will continue to drive the awareness of Morphettville for all types of function activity including conferencing and seminars, awards dinners for sporting bodies, corporate hospitality etc. This type of activity works well for us at Morphettville as we have plenty of car parking and the proximity to the City, Airport and Glenelg precincts is a strong draw card. We will continually review and upgrade the facilities at Morphettville to accommodate better vision and sound that works for both racing and events and drive revenue for the Club.

HOSPITALITY

We continually look at packages options in our Hospitality team and the corporate dollars available. It has been identified that our true corporate race day is Melbourne Cup Day followed closely by Adelaide Cup Day. These two dates will continue with 3 or 4 course meals with five hour drinks packages in most areas, however the other Carnival Days will return to a dining experience with a cash bar to appeal to the broader public creating a much more affordable price point. It is very pleasing when I walk around Morphettville on any of our race day's, including feature events, to be complimented on our quality and variety of food. Interstate visitors are particularly effusive in advising that they have not had food on a racecourse as good as ours ever. Great result thanks to our quality team in the kitchens. This will assist us in growing our revenue as when people are aware of what we can produce and provide, the opportunities are endless.

OPERATIONS

The Operations team continue to refresh and improve the aesthetics' of the Morphettville facility. Creating the walk to the Endeavour Pavilion by screening the back of house of Catering has had a great impact on the experience of guests to this facility. The removal of the old veranda on the Old Tote Building adjacent to the Tram Line and including storage with a grassed area has softened this embarrassing view of our facilities. These initiatives along with the repainting and carpet in the Grandstand have seen a major transformation in the appearance of Morphettville which was much needed.

NEW SAJC LOGO

We have introduced a new SAJC logo, featuring a modern design that also maintains a sense of pride and a link to tradition through its ornate and crafted lettering. Designed by Adelaide agency On Creative, the stylish look brings a new sense of energy to the brand to connect with the Club's existing loyal following, as well as appealing to a new audience. The Club initials are featured in detailed weaves intertwined around the upwards facing horseshoe, symbolising good luck, whilst also acknowledging the history of the Club since its establishment in 1873.

MEMBERS SECOND FLOOR

You have seen the refresh that this area has undergone in recent weeks including the refresh of the Bar, painting throughout and new carpet. We are working through the list

of projects that we have planned for the Members Areas as and when the finances allow which will occur moving forward as our contribution to Industry prize money ceases from the end of July 2014. We are about to introduce new furniture in this area as well. We are committed to continued improvements of our facilities, especially the members' areas, and have a staged program prepared to ensure we are ready to progress when the time is right. The improvements made thus far have been received favourably and feedback has been very positive, including from interstate owners who visit Morphettville.

RACING

This year has seen the racing surfaces face some extremes in weather which is out of the ordinary for Morphettville. It was extremely pleasing to see both tracks hold up even



CHIEF EXECUTIVE OFFICER'S REPORT 2013/14

though we ventured into the Heavy Ratings on a few occasions. Both tracks performed admirably and it is a credit to John Tonani and his team to present racing in SA on the national stage conducted on the best surface possible. Well done guys for delivering on this important aspect for the SAJC. The main track will undergo a rejuvenation later this year. This will assist the course to handle whatever Mother Nature throws at us in the future. Further to the track having everything thrown at it, so did the Members Car Park. We have plans to move the entrance midway between Bray Street and the tramway and revamp the car park. It will be a work in progress and we will introduce aggregate into the grassed areas while we await the financial resources to resurface the area. Caulfield have had success in this process by retaining a grassed area which is firm for vehicle access. This is our plan in the first instance.

WORKPLACE HEALTH AND SAFETY

Our club is faced with the ongoing compliance of WH&S. The horse walk way is an example of this and Morphettville has its challenges. We have completed a significant risk assessment of our assets and scheduled the works required to reduce or mitigate these risks to be completed in order of priority. This will be ongoing in line with financial resources with all high risk matters to be dealt with expeditiously.

LUCKY HORSESHOE AT CHELTENHAM

The Lucky Horseshoe at Cheltenham was closed on the 28th of July 2014. The developers of the Cheltenham site had been very good to the Club allowing us to stay operational in the Lower Grandstand for two years longer than that expected under the Land Facilitation Agreement. It was a very sad time as we had to let 9 loyal staff members go as we did not

have work for them at the Junction and the time till our new venue at Cheltenham is likely to open could be as long as two years away. We have been successful in obtaining the Club License for the new site of our operation after defending the right in the Environmental Resource Development Court as well as the Licensing Court. This is the first step in the process as we have to lodge the application for the Gaming Entitlements License following completion of the Social Effects Test. We have expert consultants working on this process and I will keep all members advised of the progress in due course. Closing the Lucky Horseshoe has a negative effect on our net profit of approximately \$840K per year until we are able to open the business on the new site. We are doing everything in our powers to move this matter along as quickly as possible but we are the first business to go through this Social Effects Test process in South Australia since the Legislation has been put in place. We are working closely with Club's SA as they are keen for the process to be completed quickly and efficiently as it will set a precedent for all future Clubs who need to relocate their facility to a new site on their own land. Everything is progressing to plan at this point in time.

NORWOOD COMMUNITY CLUB GAMING ENTITLEMENTS

We have continually placed these entitlements in the trading rounds as and when scheduled by the Office of liquor and Gambling Commissioner. Until recently we have not been successful in selling any of the entitlements but in the trading round on 31st of July 2014 I am pleased to advise that we were successful in selling 13 of the 26. This has resulted in \$390K cash injection to the Club. The remaining entitlements will be placed in the next trading round and

hopefully sold as the Adelaide Casino has now entered the trading rounds in an attempt to accumulate entitlements that have been approved for their renovations.

THANKS

Finally I thank our Board, Executive Leadership Team and all the staff of the SAJC for their support and especially hard work over the last year. We, as members of this prestigious Club, should be proud of the Team that we have working as custodians for the long term financial viability of our beloved SAJC.



Chef Executive Officer
Brenton Wilkinson

STATISTICAL DATA

Year Ended	2014	2013	2012	2011	2010	2009
RACING						
Race Meetings	58	60	61	66	68	63
Races Run	473	479	492	526	549	508
Nominations	7,058	7,306	7,752	8,888	8,681	7,728
Starters	4,390	4,546	4,654	5,294	5,424	5,082
ON-COURSE TURNOVER (\$000)						
Totalisator	12,535	12,814	15,023	14,188	14,876	15,103
Bookmakers	12,574	16,896	21,771	30,445	35,809	35,703
Total Turnover	25,109	29,710	36,794	44,633	50,685	50,806
MEMBERSHIP						
Total Members	1,832	1,742	1,802	1,610	1,703	2,017





BOARD OF DIRECTORS

THE BOARD MEMBERS:

- TONY NEWMAN (CHAIRMAN)
- CHRIS SARGENT (VICE CHAIRMAN)
- ALLAN BURCHARD (DEPUTY VICE CHAIRMAN)
- STEVE KELTON
- BODELLE FRANCIS
- GREG STEWART
- OLIVIA NUNN
- RONALD PRATT



BOARD OF DIRECTORS



THE BOARD MEMBERS

From Left: Bodelle Francis, Greg Stewart, Allan Burchard (Deputy Vice Chairman), Tony Newman (Chairman), Chris Sargent (Vice Chairman), Steve Kelton and Olivia Nunn.

Photos: courtesy of Terry Hann, Atkins Photography.



Inset: Ronald Pratt was absent from group photograph.

ATTENDANCE AT MEETINGS: 2013/14

	Board		Finance Committee		Investment Committee		Business Development Committee		Risk & Governance Committee		Racing Committee		Master Plan Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Tony Newman	15	14	*	9	*	9	*	10	*	2	*	3	-	-
Chris Sargent	15	14	-	-	-	-	-	-	3	3	-	-	-	-
Allan Burchard	15	12	11	10	11	10	-	-	-	-	-	-	-	-
Bodelle Francis	15	13	7	4	7	5	11	9	-	-	4	1	-	-
Steve Kelton	15	14	11	11	11	11	-	-	-	-	4	4	-	-
Bob Robertson	11	11	-	-	7	7	7	7	-	-	2	2	-	-
Greg Stewart	15	12	8	7	8	7	-	1	-	-	3	2	9	9
Olivia Nunn	15	12	11	10	11	10	11	10	-	-	-	-	2	2
Ronald Pratt	8	7	-	5	-	5	7	6	-	-	4	4	2	2

(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.

In addition, the Performance Review and Remuneration Committee comprising of Messrs Kelton, Burchard and Newman met on 4 occasions during the 2013/14 year, and Steve Kelton was the Board representative on the EBMS Executive Committee which met 8 times during the year.



TONY NEWMAN
CHAIRMAN

Tony has been a member of the SAJC since 2003 and was elected to the Board in 2009. He has raced horses with family and friends since 2002. Prior to retiring from full time employment he worked for Mitsubishi Motors where he held senior executive positions in Finance, Purchasing, Sales and Marketing and Information Technology. Away from racing Tony is Chairman of Alzheimer's Australia South Australia and sits on the board of Alzheimer's Australia. Tony was elected Chairman of the SAJC Board in 2012.

Committees: Ex-officio to all Board sub-committees.



CHRIS SARGENT
VICE-CHAIRMAN

Chris has been a member of the SAJC since 2003 and was elected to the Board in 2009. He is a lawyer with over 30 years' experience specialising in employment related issues. He has been a partner at Thomson Playford and Donaldson Walsh. He has also had extensive management experiences and is a mediator with qualifications in training, management and occupational health and safety. He is also a passionate racehorse owner.

Committees: Chair of Risk & Governance.



ALLAN BURCHARD
DEPUTY VICE CHAIRMAN

Allan has been an SAJC member since 1982. As a Chartered Accountant and partner in the accounting and advisory firm, KPMG, Allan was responsible for the audit of the SAJC for some 15 years until 1998 when he accepted a position with responsibility for the firm's operations in Central Asia until his retirement from KPMG in 2001. Allan's interest in racing dates back to his teenage years in the South-East. He is a member of the Two of Clubs racing and breeding syndicate and separately has a share in a 3 year old racehorse. Allan continues to provide advisory services to the private sector.

Committees: Chair of Finance, Chair of Investments, Member of Performance Review & Remuneration.

BOARD OF DIRECTORS



RONALD PRATT

Elected to the SAJC Board in November 2013, Ron joined the Board with an extensive background in both Educational and Horse Racing Management roles. These have included being the Principal of numerous schools in SA, CEO of Wimmera Racing and HR Manager for Racing Victoria. He has been a SAJC member for over twenty years. He has a lifelong passion for horseracing. His deep knowledge and respect for the racing industry was developed through his practical interaction with a wide range of racing participants across many locations throughout Australia.

Committees: Member of Racing, Member of Business Development, Member of Master Plan, Member of Risk and Governance.



BODELLE FRANCIS

A member of the SAJC since 2002, Bodelle has been involved in the racing industry from a young age and has had great success in racing syndicates. Bodelle is the Operations Manager for the Francis Group, with a portfolio currently consisting of four hotels, Finnis Lodge Thoroughbreds and the Finnis General Store and Fodder Shop. She has a Bachelor Degree in International Hotel Management (Swiss Hotel Association) and in 2006 was awarded the Australian Hotels Association's National Young Hotel Manager of the Year award. Bodelle is also a Director of the ICHM College Council.

Committees: Chair of Business Development, Member of Racing, Member of Finance, Member of Investment.



STEVE KELTON

Steve has had a long term interest in horse racing and with his wife, Liz, rarely misses a Saturday meeting. Steve owns, breeds, races horses and has been an SAJC member for over 20 years. Steve has a strong corporate background in leadership and management; this has provided him with significant experience in corporate governance, marketing and budgeting. He has a proven track record working within large, complex organisations as a team player and a person with energy, capacity and common sense. Steve's philosophy is to work with people to achieve agreed outcomes. He is committed to change, growth and development, he values consultation and communication with members and all industry stakeholders

Committees: Chair of Racing, Chair of Performance Review & Remuneration, Chair of EBMS Executive, Member of Finance, Member of Investment.



GREG STEWART

As an 18 year old in Darwin, Greg took part time employment as a bookmaker clerk, and so began his passion for, and love of horses and all things racing.

Greg is a Director of a number of companies with interests in insurance, finance and car rentals (including Macquarie Premium Funding and Steadfast Conventions Pty Ltd). For over 22 years, Greg has been Managing Director of Holdfast Insurance Brokers Pty Ltd. Greg and his wife, Anne, race horses throughout SA and the NT.

Committees: Chair of Master Plan,
Member of Racing, Member of Finance,
Member of Investment.



OLIVIA NUNN

A SAJC young member since 2003, Olivia's passion for horse racing began in far North South Australia, where she and her family were actively involved in the rural gymkhana and race meeting circuit. Olivia is a Project Manager and Business Consultant with Aurecon Australia, a global technical consulting organisation, a member of the Australian Institute of Project Management and has a Masters Degree in Project Management and a Bachelor Degree in Business (International) and Arts (International Studies). Olivia is an ambassador for South Australian racing and has represented South Australia in the National Melbourne Cup Myer Fashions On The Field.

Committees: Member of Business
Development, Member of Investment,
Member of Finance.

CHAIRMAN OF FINANCE REPORT 2013/14



ALLAN BURCHARD CHAIRMAN OF FINANCE & INVESTMENT COMMITTEES

The 2013/14 financial results for the Club disclose a profit for the Club of \$0.443M (2013: \$1.11M), prior to recognising the prizemoney contribution to TRSA, of \$2.75M (2013: \$2.5M).

Detailed (above right) is a summary of the financial results of the Club for the last 2 years. With continuing challenges faced by the Club, it is particularly pleasing that the Club maintained a Surplus of \$0.443M this year, prior to prizemoney contributions to TRSA.

COMMENTS / NOTES

1. Contribution from Recurring Business Activities

1.1 Racing

The Racing result is a significant improvement on the prior year, although the result does include two one-off revenue gains relating to a fixed odds subsidy and a TAB distribution adjustment.

FINANCIAL SUMMARY

Financial Summary	Note	2014	2013
BUSINESS ACTIVITIES			
Racing	1.1	(880)	(1,663)
Hospitality	1.2	(11)	567
Licenced Venues	1.3	1,917	1,845
CONTRIBUTION FROM RECURRING BUSINESS ACTIVITIES			
Overhead Costs	2	(2,445)	(2,300)
Investment Earnings	3	4,885	5,731
SURPLUS FROM BUSINESS AND INVESTMENT ACTIVITY, BEFORE NON-CASH ITEMS			
Non-cash Items: Depreciation	4	(3,023)	(3,070)
SURPLUS BEFORE PRIZEMONEY CONTRIBUTION			
Prizemoney Contribution	5	(2,750)	(2,500)
(DEFICIT) FOR THE YEAR			
		(2,307)	(1,390)

Racing returns continue to be challenged by the combined pressures of declining income streams and increasing costs. This continuing decline in commissions from on-course betting turnover, primarily due to the impact from internet betting, but also due to the continued shift by punters from pari-mutuel to fixed odds betting, has been partly offset by increased TRSA contributions and a strong focus on cost maintenance and reduction. The results reflect that, like our counterparts in other States, racing activities are no longer a source of profit for the Club, but rather are a significant cost centre.

SAJC recognises the fundamental importance of maintaining first class racing and training facilities and will not compromise on this basic objective.

SAJC remains convinced that a significant part of the wagering income which has traditionally been earned directly by the Club is now being redirected via the wagering operators to racing's governing bodies, including TRSA.

The costs of funding our racing and training facilities will continue as a major challenge for SAJC in future years.

Similarly, the need to strike a balance between prizemoney allocations and the costs of infrastructure development and maintenance will continue as a challenge for racing administrators in South Australia in years to come.

1.2 Hospitality

The Hospitality department manages race day catering as well as non-race day utilisation of Club facilities. Results were well below the prior year result with lower utilisation of facilities, reduced spends by patrons due to economic conditions, and increased competition for non-race day functions following the “opening” of the Adelaide Oval complex. Significant resources are to be dedicated to increasing marketing and sales focus in the 2014/15 financial year.

1.3 Licenced Venues

Gaming and catering profits from Licenced Venues increased compared to the prior year. This is an excellent result given prevailing economic conditions, industry averages and the continued construction which was going on all around the Lucky Horseshoe facility at Cheltenham. The closure of, and therefore the loss of revenue and net profits from the Cheltenham facility will have a major impact on the results of the Club in 2014/15.

2. Overhead Costs

Overhead costs are consistent with the prior year.

3. Investment Earnings

(Refer to table on p18)

Although returns in 2014 were lower than 2013, the total returns represent a very satisfactory result for the Club. Investment Manager earnings represent the returns from investments with the three Investment Managers (Morgans, Perpetual

and Blackrock). Returns for the year averaged 13.4% (2013: 15.8%). Developer Loan interest reduced as the developer paid its annual lump sums under the Cheltenham Land Facilitation Agreement (LFA) and as interest rates fell, noting that the developer paid its last instalment under the LFA on 11 July 2014.

4. Depreciation

Accounting Standards will always require depreciation charges to be incurred over the estimated lives of the many assets we have. Because of the nature of the Club assets, we will continue to incur depreciation charges of similar magnitude to the 2013/14 charge of \$3.0M per annum in the near future.

5. 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 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.

As no commitment has been entered into beyond 31 July 2014, the cost of \$2.75M incurred in the 2013/14 financial statements is the last of the contributions as noted above. As at 31 July 2014, \$2.063M being 75% of the contribution of \$2.75 million remained unpaid in accordance with the payment arrangements agreed with TRSA. During the year, a total of \$2.563M was paid to TRSA.

It is noted that without this Prizemoney Contribution, the SAJC would have returned a profit in each of the last 4 years.

CHAIRMAN OF FINANCE REPORT 2013/14

CAPITAL PROJECTS

A number of Capital Projects have been undertaken during the year. Total capital expenditure (including GST) on those projects for 2013/14 was \$1.648M (2013: \$1.767M) detailed as follows (Refer to table).

SAJC INVESTMENT FUND

(Refer to table on p19)

Funds are invested in accordance with a Board approved Investment Strategy. The Investment Committee 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 Investment Strategy.

Returns received from investments during the 2014 financial year have generally been excellent. The overall weighted average return on investments for the year was 9.50% (2013: 11.83%) consisting of 6.70% (2013: 7.15%) on the Developer funds of \$15M (2013: \$22.5M), and 13.4% (2013: 15.8%) on the funds held by our investment managers. The overall allocation of funds is evenly weighted between defensive assets (49.3%; 2013: 63.0%) and growth assets (50.7%; 2013: 37.0%).

The Investment Committee is reviewing options for the investment of the final portion of the recent receipt of Developer funds (in Term Deposits at 31 July). When these funds are invested, the investment holdings will move closer to the Investment Strategy target allocation of 40% defensive assets and 60% growth assets. It is this target allocation of funds that the Board believes the SAJC will require to be able to generate sufficient funds to maintain the Club's activities and infrastructure.

3. INVESTMENT EARNINGS

Investment Earnings came from the following sources:

Year Ended	2014 \$000	2013 \$000	2012 \$000	2011 \$000
Investment Manager Earnings	3,876	4,110	861	-
Interest on Developer Loans	948	1,581	2,003	621
Interest on Club Funds	61	40	312	959
TRSA Loan Interest	-	-	198	85
TOTAL INVESTMENT INCOME	4,885	5,731	3,374	1,665

CAPITAL PROJECTS

Item	Spend \$000
Gaming Machines	157
Track Equipment	157
Cobblestone Court	133
Horse Crossing – Members Carpark	129
Fire Safety Upgrade	127
Carpet – 2nd Floor Members	104
Diva Kitchen Upgrade	92
Other Projects (individually less than \$100K)	742
TOTAL CAPITAL EXPENDITURE	1,648

During the year:

- In July 2014, the Developer paid the final \$15M in accordance with the LFA which was renegotiated in 2012
- The Prizemoney Contribution of \$2.5M due to TRSA as at 31 July 2013 has been paid, along with the first quarter (\$687,500) of the contribution due for the 2013/14 year
- The Club, and the Fund, has recognised an expense of \$2.75M to TRSA for the Prizemoney Contribution for the 2013/14 year of which \$687,500 was paid during the year.
- Impressive gains have been reported by each of the Investment Managers

THANKS

I acknowledge the outstanding work of Michael Cox in his role as Manager Business and Financial Services, and his team.

In addition to his role at SAJC, Michael has accepted responsibility to manage a national racing clubs benchmark study on behalf of his interstate peers.

SAJC INVESTMENT FUNDS

Year Ended	2014 \$000	2013 \$000	2012 \$000
Total Amount Due From Developer	-	15,000	22,500
Perpetual	14,730	12,747	7,424
Morgans	11,147	10,540	9,699
Blackrock	10,184	8,740	5,084
Term Deposits	14,000	-	6,000
Investment Cash Account	1,381	4,254	1,172
TOTAL ASSETS	51,442	51,281	51,879
LESS: AMOUNT DUE TO TRSA	(2,062)	(1,875)	(2,400)
NET ASSETS	49,380	49,406	49,479





BOARD COMMITTEES

Due to the complex and specialised nature of certain aspects of the Club's operations, the SAJC Board have established a number of committees, represented and Chaired by Board members. In addition to the Finance and Investment Committees, the Club also has the following committees:

- BUSINESS DEVELOPMENT
- RISK & GOVERNANCE
- MASTER PLAN
- RACING
- PERFORMANCE REVIEW AND REMUNERATION
- EBMS EXECUTIVE



OTHER BOARD COMMITTEE REPORTS 2013/14



BODELLE FRANCIS **BUSINESS DEVELOPMENT COMMITTEE**

The purpose of the Business Development Committee is to provide strategic direction for marketing, sales and our commercial operations. This committee also assists in the creation and monitoring of growth initiatives and the development of membership offerings. It also strives to investigate innovative ways to attract a broader market to the track, whilst looking at ways to enhance the race day experience for our current patrons and members.

Continuous work has been done in conjunction with TRSA to strengthen the brand awareness of Morphettville and the racing industry as a whole, with new industry branding aimed to be rolled out within the next six months. The SAJC logo also had a refresh this year, not only to complement our new Morphettville branding but also to represent a more historic feel.

Our Sales & Sponsorship Manager role has been operational for approximately twelve months and work has been done relationship building to attract new sponsors. Much emphasis has also been placed on not just generating revenue race days, but also better utilising our Club outside of this. The sales team have made a strong focus on the promotion and selling our facilities for 'non race day' functions such as weddings, conferences and expos which has been financially beneficial.

Promotion and growth of our feature races days will always remain a key focus for this committee. Securing of popular entertainment acts such as Guy Sebastian and Rachael Leahcar has had a positive response and varying packages such as the \$25 "Burger, Beer and Best Bets" have been created, all aiming to attract broadened demographics on course. Our new website is now operational with the race day calendar still being the highest viewed page. Emphasis on digital marketing has continued to be a focus due to it's effectiveness and lower cost in relation to traditional media channels – our Facebook page is currently responsible for 96% of all of the Club's social media referrals.

Membership is currently at the highest level it has been since July 2012 and initiatives implemented last financial year such as the Winning Owners membership have been welcomed. The Ladies on Track Luncheon initiative continues to grow in popularity and excitingly we hope to announce in the near future that the Club has managed to secure a syndicated "members horse" – similar to that of the Melbourne Racing Club's "Members Joy".

The Junction now too has a new look and feel, with all signage works being completed and continues to deliver strong returns to the Club. Our TAB agency has now been operational for over twelve months and has become a very important part of the business, also attracting new patrons to the venue. Benefiting from the focus of 'non race day', The Junction has managed to secure a number of new functions continuing to stimulate growth in this area.



CHRIS SARGENT RISK & GOVERNANCE COMMITTEE

The purpose of the Risk and Governance Committee is to overview those issues and matters that may give rise to potential legal risks within the governance of the Club. Such matters cover:

- Constitutional issues
- Procedural compliance with Tenders
- Contractual compliance by external providers
- New member approvals
- Work Health and Safety issues including the review of policies
- Leases reviews
- Risk and Hazard assessments
- Legal issues overview and instructing the Club solicitor

The Committee's key focus in the last twelve months was on the following activities:

- Annual Review of all WHS policies in line with case law.
- Discussions regarding the renewal of Club's Enterprise Bargaining Agreement (EBA)
- Drafting Board Member's Privacy and Protection Policy
- Drafting Policy on Members' Code of Conduct
- Preparation for the Special General meeting moved by Members
- An overview of sale and approval of the transfer of the lease at the Trainer's Café

In relation to the EBA there were several meetings with key staff to discuss options and strategies regarding the structure of the EBA. Unfortunately the previous EBA did not provide the flexibility that the club requires to operate in certain areas. For example, the groundstaff operate only 5 days per week but because they are required on a Saturday, the Club has to pay penalty rates. The parties have been negotiating for most of this year to provide the Club with some financial relief. Due to the intricacies of the EBA it will take the club some time to achieve its key objectives.

As Vice Chair, I have also raised issues with the TRSA at our joint meetings associated with issues involving broadcast of the racing on a Saturday.

The Committee has also spent time reviewing all business processes and ensuring there are policies and planning criteria established to ensure that appropriate levels of advice are provided to the Board Directors and to ensure that there is a full commitment to the various strategies and targets set by the Board. For

example we have initiated an ongoing review of absenteeism in the Club mindful of the need to provide suitable employment to what is an aging work force in the Club in certain areas and not discriminate.

As stated last year, the Committee works on the premise that if there is one bad or weak link in our processes then there is a potential risk. However, merely having a good system is not enough. There must be rigour and consistency in the way the system is implemented and managed i.e. delivery is a very important part of the process along with monitoring and reviewing on a regular basis.

I would like to thank all the members of the Committee and staff for their due diligence in ensuring that all of the risk management issues are under control.

OTHER BOARD COMMITTEE REPORTS 2013/14



GREG STEWART **MASTER PLAN COMMITTEE**

The SAJC formed a Master Plan Committee to deliver an assessment of potential future uses for surplus land around the Morphettville precinct that will complement events at South Australia's premier racing centre. This plan is being undertaken in a broad context including the State Government's 30 Year Plan for Greater Adelaide, ongoing town planning requirements and the SAJC's continued compatibility with neighbouring precincts.

An overview "Master Plan" report has been considered which broadly identifies a wide range of possible development opportunities in the context of a Transit Oriented Development (TOD) approach for surplus land. This planned approach has received in principle support from the State Government, the City of Marion and the City of West Torrens (the two councils within which the Morphettville Racecourse is situated), subject to assessing its financial feasibility and viability. The report focuses on broadly identifying potential surplus land,

land use capacities, a wide range of possible development opportunities, protecting and enhancing the long term core racing activities at Morphettville and other key town planning issues and matters of importance to SAJC.

The Stage 1 report was presented to the Board in May 2014, with endorsement to proceed to Stage 2.

A commercial overview has also been undertaken investigating the economic merit of a number of TOD development options. It appears that use of non-core racing land may present a unique investment platform for SAJC to significantly advance its financial sustainability objectives arising from significant property commercial opportunities.

This report called "Morphettville Transit Village Activity Centre and Transit Living Zone Stage 2 – Commercial Overview" was completed in July 2014, and will be reviewed by the SAJC Board in due process for determination of progression to future stages.

It is expected that the Board will authorise further more detailed investigations with Government and of public infrastructure and services to ensure every asset under SAJC ownership is suitable for future uses and is being utilised in the best interests of the Club and its members.



STEVE KELTON **RACING COMMITTEE**

The Racing Committee was established to oversee the principal racing activities and act as an intermediary between the key racing stakeholders (trainers, jockeys, etc) and the Board.

The Racing Committee works to ensure the Board is informed about all Racing matters and that there is an appropriate level of consultation with major stakeholders.

The Committee has as its highest priority the addressing of health and safety matters in relation to all licensed persons, owners, staff and other persons as well as horses. Significant changes have been made in the race day stalls, the training and work areas as well as car parking. Capital projects, equipment and maintenance are all considered and prioritized. Track renovations and upkeep are closely monitored, as are all other racing matters.

EBMS EXECUTIVE COMMITTEE

The EBMS Executive Committee was established to oversee the implementation of an integrated business information system, the Ungerboeck Systems International EBMS IT system.

This is a comprehensive events and data management system that is utilized by many Australian Racing, Clubs as well other major organizations. The system incorporates Events, Catering, Facility Management, Finance and Membership. Already the system is delivering improvements in effectiveness and efficiency.

PERFORMANCE REVIEW AND REMUNERATION COMMITTEE

The Performance Review and Remuneration Committee was established to consider and assess the performance of executives and determination of the appropriate salary remuneration. Due consideration is given to cost of living changes, organisational requirements and other relevant external factors. It also acts as a sounding board to the CEO in respect of the SAJC management structure.

The CEO's assessment is an exhaustive process but ensures that Board priorities and feedback are openly discussed and acted upon. This is because the Committee believes that the performance and culture of the SAJC is closely related to the energy, capacity and effectiveness of the CEO.

A photograph of a horse race in progress. A jockey wearing a yellow helmet, green and red silks, and white breeches is riding a brown horse. The horse's saddle cloth is black with yellow trim and the name "MAY'S DREAM" in yellow. The horse is galloping on a green grass track. In the background, there is a large, modern, multi-story building with many windows, likely a grandstand or clubhouse. The sky is blue with some white clouds. A red semi-transparent box is overlaid on the left side of the image, containing text.

FEATURE
RACE WINNERS

2013/14

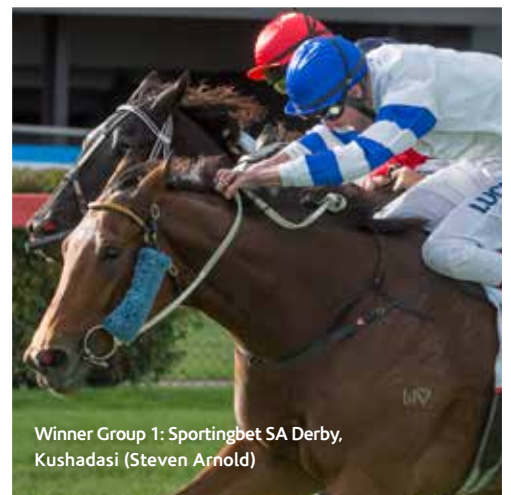
The South Australian Jockey Club's exciting calendar of 58 days racing action at Morphetville was highlighted by the running of South Australia's four Group 1 races.



Main pic: Winner Group 1: Schweppes Oaks,
May's Dream (Brad Rawiller)



Winner Group 1: Sportingbet Classic,
Driefontein (Vlad Duric)



Winner Group 1: Sportingbet SA Derby,
Kushadasi (Steven Arnold)



Winner Group 1: Tapestry Wines Goodwood,
Smokin' Joey (Ben Melham)

FEATURE RACE WINNERS 2013/14

Stakes	Race Name	Winner	Trainer	Jockey
GROUP 1				
\$500,000	The Tapestry Wines Goodwood	Smokin' Joey	Wez Hunter	Ben Melham
\$500,000	Sportingbet South Australian Derby	Kushadasi	Richard Jolly	Steven Arnold
\$400,000	Sportingbet Classic (Robert Sangster Stakes)	Driefontein	Gai Waterhouse	Vlad Duric
\$400,000	Schweppes Oaks (Australasian Oaks)	May's Dream	Darren Weir	Brad Rawiller
GROUP 2				
\$400,000	TattsBet Adelaide Cup	Outback Joe	Nigel Blackiston	Chad Schofield
\$250,000	Sportingbet Stakes (Euclase Stakes)	Miracles of Life	Daniel Clarken	Dean Yendall
\$175,000	Pura Milk Queen Of The South Stakes	Tango's Daughter	Mick Price	Dean Yendall
GROUP 3				
\$150,000	Tapestry Shiraz R A Lee Stakes	Rhythm to Spare (NZ)	Michael Moroney	Damien Oliver
\$115,000	Adelaide Galvanising Spring Stakes	Just Discreet	Phillip Stokes	Adrian Patterson
\$115,000	James Boag's Premium Lord Reims Stakes	Distillation	Nick Smart	Simon Price
\$115,000	Big Screen Video Breeders' Stakes	London Lolly	Michael, Wayne & John Hawkes	Todd Pannell
\$115,000	R N Irwin Stakes	Driefontein	Gai Waterhouse	Vlad Duric
\$115,000	Schweppervescence Stakes (Auraria Stakes)	Girl in Flight	Robbie Griffiths	Matthew Allen
\$115,000	Sportingbet SA Sires Produce Stakes	Go Indy Go	Leon Macdonald & Andrew Gluyas	Jason Holder
\$115,000	MAC Just Over? Don't Drive D C Mckay Stakes	Essay Raider	Leon Macdonald & Andrew Gluyas	Jason Holder
\$115,000	Chairman's Stakes	Gamblin' Guru	Leon Macdonald & Andrew Gluyas	Jason Holder
\$115,000	Sportingbet SA Fillies Classic	Rezoned (NZ)	Robert Smerdon	Mark Zahra
\$115,000	Darley National Stakes	Moonovermanhattan	Mick Price	Damien Oliver
\$100,000	Sportingbet Proud Miss Stakes	Miss Steele	Michael Kent	Dean Yendall

Stakes	Race Name	Winner	Trainer	Jockey
LISTED				
\$100,000	Mitty's Port Adelaide Cup	Ominous (GB)	Nigel Blackiston	Dwayne Dunn
\$100,000	MAC Just Over? Don't Drive Centaurea Stakes	Blue Ribbon	Colin Little	Jason Holder
\$80,000	Mitty's Laelia Stakes	Every Faith	Robert Smerdon	Simon Price
\$80,000	Express Colour Printing Dequetteville Stakes	Oridane	Byron J Cozamanis	Troy Baker
\$80,000	Sportingbet Penny Edition Stakes	Golden Penny	Richard Jolly	Paul Gatt
\$80,000	Express Colour Printing Morphettville Guineas	Forever Discreet	Phillip Stokes	Dom Tourneur
\$80,000	Sportingbet W H Wylie Handicap	Karacatis	Richard Jolly	Paul Gatt
\$80,000	Penang Trophy (Tokyo City Cup)	Star Rolling	Peter Morgan & Craig Widdison	Reece Wheeler
\$80,000	Hill Smith Stakes	Storm Approach	Peter G Moody	Linda Meech
\$80,000	Dominant Durbridge Stakes	Golden Penny	Richard Jolly	Paul Gatt
\$80,000	City Of Marion Stakes	Addiction To Rock	Will Clarken	Todd Pannell
\$80,000	Adelaide Galvanising Christmas Handicap	Dubawi Gold	Stuart Gower	Shayne Cahill
\$80,000	Holdfast Insurance Birthday Cup	Vima	Bill Papazaroudakis	Simon Price
\$80,000	Schweppes C S Hayes Memorial Cup	River's Lane	David & Ryan Balfour	Joe Bowditch
\$80,000	MAC Just Over? Don't Drive Stakes (Matrice Stakes)	Riziz	Ken Sweeney	Damien Oliver
\$80,000	Sportingbet Cinderella Stakes	Sunset Rock	Lloyd Kennewell	Joe Bowditch
\$80,000	Manihi Classic	Angels Beach	Peter G Moody	Linda Meech
\$80,000	Marsh Port Adelaide Guineas	Gamblin' Guru	Leon Macdonald & Andrew Gluyas	Jason Holder
\$80,000	HC Nitschke Stakes	Tango's Daughter	Mick Price	Dean Yendall
\$80,000	Projection Graphics Redelva Stakes	Minaj (NZ)	Anthony Freedman	Vlad Duric
\$80,000	Holdfast Insurance City Of Adelaide Handicap	Maybe Discreet	Phillip Stokes	Dom Tourneur
\$80,000	Queen Adelaide Stakes	Bullpit	Danny O'Brien	Michael Rodd
\$80,000	Adelaide Galvanising Adelaide Guineas	Alpha Beat	Anthony Cummings	Damien Oliver
\$80,000	Oaklands Plate	Cailin Miss	Mick Price	Dean Yendall
\$80,000	Programmed Lightning Stakes	Buddy Bundy	Phillip Stokes	Dom Tourneur



AUDITED FINANCIALS

REPORTS 2013/14

The South Australian Jockey Club presents
its Audited Financial Statements for the
year ended 31 July 2014.



AUDITED FINANCIAL REPORT 2013/14

SAJC AND ITS CONTROLLED ENTITY BALANCE SHEET

Balance Sheet as at 31 July 2014	Note	2014 \$000	2013 \$000
CURRENT ASSETS			
Cash and Cash Equivalents	2	15,638	4,736
Trade and Other Receivables	3	1,706	15,855
Inventories		304	245
Investments	4	5,320	9,311
Prepayments		190	128
TOTAL CURRENT ASSETS		23,158	30,275
NON-CURRENT ASSETS			
Investments	4	30,742	22,716
Property, Plant & Equipment	5	37,785	39,310
Intangible Assets	6	2,790	3,975
TOTAL NON-CURRENT ASSETS		71,317	66,001
TOTAL ASSETS		94,475	96,276
CURRENT LIABILITIES			
Trade and Other Payables	7	4,540	3,382
Employee Benefits	8	1,050	1,094
Other Liabilities	9	1,089	863
TOTAL CURRENT LIABILITIES		6,679	5,339
NON-CURRENT LIABILITIES			
Employee Benefits	8	57	96
TOTAL NON-CURRENT LIABILITIES		57	96
TOTAL LIABILITIES		6,736	5,435
NET ASSETS		87,739	90,841
EQUITY			
Reserves	10	7,706	9,226
Retained Earnings	10	80,033	81,615
TOTAL EQUITY		87,739	90,841

The accompanying notes form part of these financial statements.

AUDITED FINANCIAL REPORT 2013/14

SAJC AND ITS CONTROLLED ENTITY INCOME STATEMENT

Income statement for the year ended 31 July 2014	Note	2014 \$000	2013 \$000
REVENUE FROM OPERATING ACTIVITIES			
Hospitality Turnover		8,975	9,649
Gaming Revenue		6,122	5,738
Totalisator Revenue		1,669	1,592
Net Sponsorship		1,064	1,024
Nominations & Acceptance Fees		986	990
Members Subscriptions & Admissions		963	600
Sundry Revenue		2,660	2,610
TOTAL REVENUE		22,439	22,203
EXPENDITURE FROM OPERATING ACTIVITIES			
Hospitality Expenditure		8,299	8,713
Gaming - General Expenditure		4,607	4,102
General Maintenance		4,682	4,979
Depreciation - Property, Plant & Equipment		2,688	2,726
Raceday Wages & On Costs		1,489	1,528
Salaries & On Costs		1,868	1,672
Totalisator Operation & Maintenance		814	849
Promotion and Sponsorship		849	779
Insurance & Professional Fees		351	374
Sundry Expenses		889	730
TOTAL EXPENDITURE		26,466	26,452
(DEFICIT) FROM OPERATIONS		(4,027)	(4,249)
Investment Income		4,885	5,731
Finance Expenses		(99)	(29)
NET FINANCE INCOME		4,786	5,702
Depreciation of Funded Assets	10	(335)	(344)
Net Gain on Disposal of Non-Current Assets		19	1
SURPLUS FOR THE PERIOD BEFORE TRSA CONTRIBUTION		443	1,110
Prizemoney Contribution to TRSA		(2,750)	(2,500)
(DEFICIT) FOR THE PERIOD		(2,307)	(1,390)

The accompanying notes form part of these financial statements.

AUDITED FINANCIAL REPORT 2013/14

SAJC AND ITS CONTROLLED ENTITY STATEMENT OF CASH FLOWS

Statement of cash flows for the year ended 31 July 2014	Note	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating activities		23,940	24,312
Payments to suppliers and employees		(24,670)	(25,518)
Prizemoney Contribution to TRSA		(2,838)	(3,328)
Interest paid		(99)	(29)
NET CASH USED IN OPERATING ACTIVITIES	13 (ii)	(3,667)	(4,563)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds received under Land Facilitation Agreement		15,000	7,500
Interest received on investments		1,350	1,911
Proceeds from sale of property, plant & equipment		19	1
Payments for property, plant & equipment		(1,498)	(1,767)
Net acquisition of investments		(502)	(6,218)
NET CASH FROM INVESTING ACTIVITIES		14,369	1,427
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital grants		200	100
NET CASH GENERATED FROM FINANCING ACTIVITIES		200	100
NET INCREASE/ (DECREASE) IN CASH HELD		10,902	(3,036)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		4,736	7,772
CASH AT THE END OF THE FINANCIAL YEAR	13 (i)	15,638	4,736

The accompanying notes form part of these financial statements.

AUDITED FINANCIAL REPORT 2013/14

SAJC AND ITS CONTROLLED ENTITY STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income for the year ended 31 July 2014	Note	2014 \$000	2013 \$000
Deficit for the period		(2,307)	(1,390)
Other comprehensive income - revaluation decrement of gaming entitlements to fair value		(795)	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		(3,102)	(1,390)

The accompanying notes form part of these financial statements.

SAJC AND ITS CONTROLLED ENTITY STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for the year ended 31 July 2014	Retained Earnings \$000	Reserves \$000	Total \$000
BALANCE AT 1 AUG 2012	82,658	9,564	92,222
(Deficit) for the year	(1,390)	-	(1,390)
Other comprehensive income - revaluation decrements	-	-	-
Depreciation of industry funded assets	-	(344)	(344)
Transfers to and (from) reserves	347	6	353
BALANCE AT 31 JUL 2013	81,615	9,226	90,841
BALANCE AT 1 AUG 2013	81,615	9,226	90,841
(Deficit) for the year	(2,307)	-	(2,307)
Depreciation of industry funded assets	-	(335)	(335)
Other comprehensive income - revaluation decrements	-	(795)	(795)
Transfers to and (from) reserves	725	(390)	335
BALANCE AT 31 JUL 2014	80,033	7,706	87,739

The accompanying notes form part of these financial statements.

A full-page photograph of a jockey in pink and black silks riding a grey horse during a race. The horse is in mid-stride on a green grass track. In the background, a multi-story building and a crowd of spectators in the stands are visible under a clear sky. A red semi-transparent rectangle is overlaid on the lower-left portion of the image, containing the title and introductory text.

NOTES TO THE FINANCIAL STATEMENTS

The South Australian Jockey Club presents
its Notes to the Financial Statements for
the year ended 31 July 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2014

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 2014 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 30th day of October 2014.

STATEMENT OF COMPLIANCE

The Club has previously adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-02 Amendments to Australian Standards arising from Reduced Disclosure Requirements in the prior 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) 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 throughout the Annual Report to the nearest thousand dollars, unless otherwise stated.

The financial report is prepared in Australian Dollars, which is the Group'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 Club'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 any 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.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2014	2013
Buildings & 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.

NOTES TO THE FINANCIAL STATEMENTS

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 the 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.

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 Club's obligations. The calculation is performed using the projected unit credit method.

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 and 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 average cost 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

The Group's 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

NOTES TO THE FINANCIAL STATEMENTS

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 any 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 comprises equity securities where fair value is determined by reference to their quoted closing bid price at reporting date.

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

Financial liabilities 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

NOTES TO THE FINANCIAL STATEMENTS

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.

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 exceeds its recoverable amount.

The recoverable amount of property, plant and equipment is the greater of its fair value and value in use. In the case of non-current asset of a not-for-profit entity, "value in use" means "depreciated replacement cost" of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits.

Depreciation replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

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 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 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Information about estimates and judgements that have the most significant affect on the amounts recognised in the financial statements, are described in Note 4 : Investments and Note 8: Intangible Assets.

NOTES TO THE FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS

Cash And Cash Equivalents	2014 \$000	2013 \$000
Cash at Bank	1,638	4,736
Interest Bearing Deposits	14,000	-
TOTAL	15,638	4,736

At reporting date a secured overdraft facility with Commonwealth Bank of Australia of \$1M remained unused and is subject to annual review.

3. TRADE AND OTHER RECEIVABLES

Trade And Other Receivables	2014 \$000	2013 \$000
CURRENT		
Trade Receivables	1,710	859
Provision for Doubtful Debts	(4)	(4)
Other Receivables	-	15,000
TOTAL	1,706	15,855

Impairment losses to the value of \$2K were written off against the doubtful debts expense during the year (2013:\$6K).

4. INVESTMENTS

Investments	2014 \$000	2013 \$000
CURRENT		
Financial assets held for trading - fair value	4,320	3,881
Fixed interest securities - fair value	1,000	5,430
	5,320	9,311
NON-CURRENT		
Fixed interest securities - fair value	4,640	3,709
Financial assets designated at fair value	26,102	19,255
Derivative liabilities - fair value	-	(248)
	30,742	22,716
TOTAL INVESTMENTS	36,062	32,027

OTHER RECEIVABLES

In accordance with the renegotiated Land Facilitation Agreement with AV Jennings – Urban Pacific (AVJ-UP), the SAJC received payments of \$15M on 11 March 2011, \$7.5M on 11 July 2012, \$7.5M on 11 July 2013 and \$15M (as final payment) on 11 July 2014. The SAJC earned interest income at BBSY + 2.5% up to 11 July 2012, with subsequent interest earned at BBSY + 4.0% until final settlement.

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENTS

Reconciliations of the carrying amounts of each class of Investments	2014 \$000	2013 \$000
FINANCIAL ASSETS HELD FOR TRADING		
Carrying Amount at the beginning of year	3,881	4,074
Additions	1,079	1,692
Disposals	(644)	(1,992)
Fair Value Revaluations	4	107
CARRYING AMOUNT AT THE END OF THE YEAR	4,320	3,881
FIXED INTEREST SECURITIES (CURRENT)		
Carrying Amount at the beginning of year	5,430	6,708
Additions	-	5,600
Disposals	(4,430)	(6,878)
Fair Value Revaluations	-	-
CARRYING AMOUNT AT THE END OF THE YEAR	1,000	5,430
FIXED INTEREST SECURITIES (NON-CURRENT)		
Carrying Amount at the beginning of year	3,709	2,271
Additions	1,171	1,798
Disposals	(407)	(858)
Fair Value Revaluations	167	498
CARRYING AMOUNT AT THE END OF THE YEAR	4,640	3,709
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE		
Carrying Amount at the beginning of year	19,007	9,154
Additions	8,993	14,624
Disposals	(5,261)	(7,987)
Fair Value Revaluations	3,363	3,464
Derivative Liabilities	-	(248)
CARRYING AMOUNT AT THE END OF THE YEAR	26,102	19,007
TOTAL INVESTMENTS	36,062	32,027

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENTS

Investments represent funds managed by Investment Managers	Fair Value Hierarchy Level 1 \$000	Fair Value Hierarchy Level 2 \$000	Holding at 31 July 2014 \$000	Weighted Average Return 31 July 2014	Holding at 31 July 2013 \$000	Weighted Average Return 31 July 2013
Morgans	11,147	-	11,147	12.05%	10,540	10.26%
Perpetual	4,011	10,719	14,730	13.24%	12,747	16.86%
Blackrock	-	10,185	10,185	15.29%	8,740	21.82%
TOTAL INVESTMENTS	15,158	20,904	36,062	13.44%	32,027	15.79%

FAIR VALUE HIERARCHY

The fair value of Level 1 investments are measured at their quoted bid price at reporting date. Level 2 investments represent unlisted securities which fair values are based on fund managers' estimates of net assets of the securities at a point in time. Internal controls over the valuation process by investment managers have been independently audited by the auditors of the investment managers in accordance with Guidance Statement GS007 *Audit Implications of the use of Service Organisations for Investment Management Services*.

5. PROPERTY PLANT & EQUIPMENT

Property Plant & Equipment	Note	2014 \$000	2013 \$000
FREEHOLD LAND AT COST			
Morphettville		357	357
Cheltenham		321	321
		678	678
BUILDINGS & IMPROVEMENTS AT COST			
Morphettville		58,821	58,127
Lucky Horse Shoe		-	1,762
LESS: ACCUMULATED DEPRECIATION		(28,153)	(27,823)
		30,668	32,066
PLANT & EQUIPMENT AT COST			
Morphettville		13,549	13,217
LESS: ACCUMULATED DEPRECIATION		(7,896)	(7,095)
		5,653	6,122
CAPITAL WORKS IN PROGRESS		786	444
TOTAL PROPERTY PLANT & EQUIPMENT		37,785	39,310
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	4,916	5,484

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT & EQUIPMENT

Reconciliations of the carrying amounts of each class of Property, Plant & Equipment	2014 \$000	2013 \$000
FREEHOLD LAND AT COST		
Carrying Amount at the beginning of year	678	678
Additions	-	-
CARRYING AMOUNT AT THE END OF YEAR	678	678
BUILDINGS & IMPROVEMENTS		
Carrying Amount at the beginning of year	32,066	33,268
Transfers from Capital Works in Progress	770	1,039
Depreciation	(2,168)	(2,241)
CARRYING AMOUNT AT THE END OF YEAR	30,668	32,066
PLANT & EQUIPMENT		
Carrying Amount at the beginning of year	6,122	6,272
Transfers from Capital Works in Progress	386	679
Disposals	-	-
Depreciation	(855)	(829)
CARRYING AMOUNT AT THE END OF YEAR	5,653	6,122
CAPITAL WORKS IN PROGRESS		
Carrying Amount at the beginning of year	444	463
Additions	1,498	1,699
Transfer to Buildings & Improvements	(770)	(1,039)
Transfer to Property, Plant & Equipment	(386)	(679)
CARRYING AMOUNT AT THE END OF YEAR	786	444
TOTAL PROPERTY PLANT & EQUIPMENT	37,785	39,310

CHELtenham DISPOSAL

The agreement 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 previously transferred the ultimate risks and rewards associated with the land to AVJ-UP, and has no continuing involvement or control of the land.

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS

Intangible Assets	2014 \$000	2013 \$000
GAMING MACHINE ENTITLEMENTS		
Morphettville	1,200	1,500
Cheltenham	1,200	1,500
Norwood Community Club	390	975
TOTAL LICENCES & ENTITLEMENTS	2,790	3,975

On 14 July 2011, the South Australian Government introduced a trading system for gaming entitlements. The most recent trading round was held on 31 July 2014, and resulted in a sell price of \$30,000. 13 of the Norwood Community Club entitlements were sold in this trading round, accordingly the SAJC has revalued all of its remaining entitlements to reflect this market value.

7. TRADE AND OTHER PAYABLES

Trade and Other Payables	2014 \$000	2013 \$000
Trade and Other Payables	2,478	1,507
TRSA Prizemoney Payable	2,062	1,875
TOTAL	4,540	3,382

8. EMPLOYEE BENEFITS

Employee Benefits	2014 \$000	2013 \$000
CURRENT		
Employee Provisions	1,050	1,094
NON-CURRENT		
Employee Provisions	57	96

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER LIABILITIES

Other Liabilities	2014 \$000	2013 \$000
Deferred Income	1,089	863

10. RESERVES & RETAINED EARNINGS

Reserves & Retained Earnings	2014 \$000	2013 \$000
RETAINED EARNINGS		
Balance Brought Forward	81,615	82,658
Add: Operating Surplus/(Deficit)	(2,307)	(1,390)
Adjustments	-	3
Less: Transfers from Reserves (net)	725	344
TOTAL RETAINED EARNINGS	80,033	81,615
INDUSTRY CAPITAL GRANTS RESERVE		
Balance Brought Forward	5,251	5,589
Less: Depreciation of Industry Funded Assets	(335)	(344)
Adjustments	-	6
BALANCE AT YEAR END	4,916	5,251
ASSET REVALUATION RESERVE		
Balance Brought Forward	3,975	3,975
Transfers to Retained Earnings	(390)	-
Less: Revaluation Decrements	(795)	-
BALANCE AT YEAR END	2,790	3,975
TOTAL RESERVES	7,706	9,226

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.

NOTES TO THE FINANCIAL STATEMENTS

11. SUPERANNUATION FUND

All employees may nominate their preferred fund for employer contributions.

The Club and Group contributed \$674K of employer contributions in the year ended 31/7/14 (2013: \$637K)

As at year end, the number of full-time employees working for the Club was 63 (2013: 58).

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 while Gaming Machine Entitlements are not in use, these remain the property of the Group. On 31 July 2014, 13 of the 26 NCC gaming entitlements were disposed for \$30,000 each. There were no other transactions with the Norwood Community Club Inc. during 2013/14.

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, however has minimal influence over TRSA which acts as the industry body. The following transactions occurred between the SAJC and TRSA during the year:

- The Club incurred a liability of \$2.75M (2013: \$2.5M) 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 \$2.063M (2013: \$1.875M) and is included in Trade and Other Payables in the Balance Sheet. The amount is non-interest bearing.

- The Club received \$1.746M in industry payments from TRSA during the year being for marketing/promotion, training subsidies and capital grants (2013: \$1.556M).

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 their 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 was 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.

Key Management Personnel Compensation

	2014 \$000	2013 \$000
Short-term employee benefits	1,016	897

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 was no other amounts receivable from or payable to Key Management Personnel at reporting date arising from the above transactions.

NOTES TO THE FINANCIAL STATEMENTS

13. CASH FLOW INFORMATION

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:-

Cash Flow Information	2014 \$000	2013 \$000
(i) RECONCILIATION OF CASH		
Cash and Cash Equivalents	15,638	4,736
(II) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT FROM ORDINARY ACTIVITIES		
Surplus/(Deficit) from ordinary activities	(2,307)	(1,390)
Investment Income	(4,885)	(5,731)
Less Capital Grants	(200)	(333)
Depreciation	2,688	2,726
Depreciation of Funded Assets	335	344
Profit on sale of property, plant and equipment	19	1
CHANGE IN ASSETS AND LIABILITIES		
(Increase) in receivables	(541)	601
(Increase) / Decrease in inventory	(60)	36
(Increase) in prepayments	(61)	(39)
Increase / (Decrease) in payables	1,202	(783)
(Decrease)/ Increase in employee benefits	(83)	176
Increase / (Decrease) in other liabilities	226	(171)
NET CASH PROVIDED (UTILISED) BY OPERATIONS	(3,667)	(4,563)

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 unlikely based on current sales data whether any such revenue will be earned.

15. AUDITOR'S REMUNERATION

KPMG earned the following remuneration from the Club during the year:

	2014 \$000	2013 \$000
AUDIT SERVICES		
Audit or review of financial reports	50	50
Non-audit services	2	-
	52	50

REPORT AND STATEMENT BY THE BOARD

For the year ended 31 July 2014

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 and \$2,500 to each other Board Member 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.

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 30th day of October, 2014

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 30-49 for the year ended 31 July 2014, are in our opinion properly drawn up:

- (a) so as to present fairly the financial position of the Group as at 31 July 2014 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 – Reduced Disclosure Requirements 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 30th day of October, 2014

Signed in accordance with a resolution of the Board



A.P. (Tony) Newman
Chairman



Allan C Burchard
Chairman of Finance Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAJC INC.

For the year ended 31 July 2014



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

We have audited the accompanying financial report of the South Australian Jockey Club Incorporated (the Club), which comprises the balance sheet as at 31 July 2014, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information, and the statement by the Board of the Club, for 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 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 determines is necessary to enable the preparation 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. These Auditing 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 the *Associations Incorporation Act 1985* and Australian Accounting Standards – Reduced Disclosure Requirements, a view which is consistent with our understanding of the Group's financial position and of its performance.

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

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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 Australia Jockey Club Inc. is properly drawn up so as to present fairly, in all material respects, the financial position of the Group as at 31 July 2014, and of its financial performance for the year then ended in accordance with the *Associations Incorporation Act 1985* and Australian Accounting Standards – Reduced Disclosure Requirements.



KPMG



John Evans
Partner

Adelaide
30 October 2014

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