



Annual Report 2010/2011

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Dear Fellow Members,

On behalf of your Board I present the Club's Annual Report and Statement of Accounts for the financial year 2010/11.

FINANCIAL MATTERS

Last year I was able to report a surplus of \$76.527 million.

This year I report a deficit of \$1.411 million.

Why is this so?

You will remember that last year I wrote: "This \$76.527 million is a unique and never-to-be repeated figure." Last year's figures, of course, reflected the reported profit from the Cheltenham racecourse Land Facilitation Agreement (LFA).

Although the Club has a \$1.4 million loss for this year, we have to take into account that the loss is affected by three significant matters:

- the \$2.6m depreciation charges on assets that have been constructed or acquired over a number of previous years and all of which are fully paid;
- \$1.8m to Thoroughbred Racing South Australia (TRSA) as the agreed prizemoney contribution for 2010/11. Those two major expenses total \$4.4 million;
- Interest income which predominantly came from earnings on funds made available by the Cheltenham LFA.

The Board's Chairman of Finance has, in a refreshingly plain English form, provided all of us with a thoroughly comprehensive overview of the Club's financial situation and as to the future investment of its funds. It is a dramatically effective document for which that Committee's Chairman deserves full credit and acclamation.

I have always believed in the maxim of "horses for courses" and so adopt this report as his specialist contribution.

Further full information is then provided by Michael Beviss, the Club's Financial Controller, and these two reports give an unflinchingly clear exposition of all these very important financial matters.

LIFE MEMBERS

Three Members have been recommended by the Board for consideration by the Members, and if thought fit and appropriate, for the three to be admitted as Life Members.

Dr. M. P (Sam) Barnett has been a Club Doctor for the past 29 years, and has given the Club, its Members, Jockeys, Trainers and the public outstanding professional care and service.

Sharon Forrester-Jones was a Board Member for nine years during which she made a strong contribution to the Club. In times of some difficulties, Sharon placed the interests of the Club first. Sharon at the time of her resignation served in the position of Deputy Vice-Chairman of the Club.

F. W. (Bill) Clarke is a 50 year long Member, and raced many horses including Red Handed which won the 1967 Melbourne Cup.

If so elected as Life Members we wish them good luck and know that they will still enjoy their Racing for many years.

OUR PATRONS

The Governor of South Australia, His Excellency Rear Admiral Kevin Scarce, A.O., C.S.N., R.A.N. attends Morphettville whenever he can despite his incredibly busy Vice Regal schedules.

Robert Gerard A.O. continues to be very involved with, and generous to, the Club.

Both Patrons remain supportive and giving of their times to the Club, and both take an active interest in its activities.

STATE GOVERNMENT

The Club, in liaison with TRSA, lobbied the State Government for the running of the Adelaide Cup to be moved from March to May. A good business case was made out, but ultimately it was not successful.

Minister for Recreation and Sport, the Honourable Tom Kenyon, enjoys his racing and is available and as accommodating to the Club whenever possible in these straitened financial times.

It should not be forgotten that the Government made very significant tax reforms, such that tax streams from our industry, previously paid to the Government are now paid to the racing industry.

SPONSORS

Now is a very difficult time for the corporate, commercial and professional worlds. The Global Financial Crisis, abated yet lingering, is bedevilled by the uncertainties in Europe.

Yet the Club has been able to almost wholly retain its largest Sponsors, with which we continue to have close relationships and the hope that each will continue on in the many years of the future.

The Club is not at all complacent in trying to give value for money to all of our Sponsors, but it is a two way street and I ask that you, whenever possible, support our Sponsors such that we do have a long-lasting, mutual and reciprocal relationship.

All Sponsors are vital to the prosperity of the Club. I do not list all our Sponsors because this Report would otherwise deforest Tasmania.

Even so, it would be remiss of me not to now fully acknowledge and thank our largest Sponsors:

Scott Group of Companies,
Lion Nathan,
Adelaide Casino,
Schweppes,
Sportingbet,
Samuel Smith & Sons-Yalumba Wines,
Betfair,
Myer,
Distinctive Homes, and
Holdfast Insurance.

Thank you, all of our Sponsors, for your great support to our Club and Morphettville's racing.

MEMBERS' FORUMS

Your Board recognises that there should be a forum for open discussions between Board Members and SAJC Members, and to that end the first Members' Forum will be held on 16th February, 2012.

Members should, and will have, the opportunity to air and discuss their views on matters germane to the Club. The Board looks forward to finding out, listening to and considering the views of its Members.

One such topic will be the "3 Board Members/3 years" rotation suggestion to achieve a systematic manner of Board Members either retiring or making themselves available for re-election in the future.

Other topics might include whether a SAJC Chairman should serve a maximum term of 4 to 6 years, whether Board Members should serve a maximum of 9 years, and whether the name "South Australian Jockey Club" remains viable and apt in this day and age or if it should be changed (something I would strongly oppose!)

At the very least these forums should be both constructive and interesting.

NOVEMBER 2012 BOARD ELECTION

Sharon Forrester-Jones resigned her Board position in early 2011 after nine years' service on the Club's Board.

Three Members offered themselves as candidates for the election, being:

- Kerry O'Brien,
- David Bridgland, and
- Greg Stewart.

The three Returning Officers (John Sawley, Maurie Howard and Ray Bradmore) will carefully count the votes cast, but it is only those three Returning Officers who will know the results of the election - until Mr Sawley announces them at the AGM in accordance with Item 5 of the Ordinary Business of the AGM.

The successful candidate will be elected for a three year term concluding at the 2014 AGM, as last year's AGM passed a resolution moving the term of Board Members thereafter elected back to a three year term.

COMPLETED PROJECTS

Now that the Panasonic Pavilion kitchen is complete the opportunities for the Club to grow raceday income and especially non-raceday income is enormous. Our Business Strategy includes corporate functions, seminars and catering off-course. We need this non-raceday activity as the costs to the Club are there 365 days per year and racing only generates income from them on 65 days per year. The Panasonic kitchen, costing \$1.65 million, was put to an immediate test on Melbourne Cup Day at Morphettville. Seemingly from all reports the areas serviced by the new kitchen were a spectacular success.

The gardens adjacent to the Panasonic Pavilion were completed with plantings done by our own staff and were operational from Adelaide Casino Adelaide Cup Day. Penny Thomson, our Head Gardener, has planted this area to enhance and beautify. The area hosted the Fashions on the Field for our sponsor Myer Limited. Myer and the Victoria Racing Club (the Fashions on the Field winner goes to Melbourne to compete in the Fashions on the Field Spring Carnival at the VRC) were extremely pleased with the garden, and have already rebooked it for 2012.

The new entrance booths and covered walkways are now completed, and will be a boon not only to racegoers but also people attending our dining venues at night as lighting is now provided in making that entrance area safer for all concerned.

The entrance area is to be named the Colin Hayes Entrance in honour of one of our State's greatest trainers. His son David will officially open the entrance facilities. The bust of Colin will be removed from its nether placement outside the Mounting Yard to a position within the entrance facilities.

Very extensive remodelling of the Parade Ring, and the installation of strong white fencing has enhanced the safety of horses and their handlers.

The raceday horse stalls, have been significantly upgraded to provide for the comfort and safety of horses especially in hot or inclement weather. Including Insulated Roofing and Shade Structures they were completed at a cost of \$317,000.

The Morphettville Junction gaming renovations were completed at a cost of \$1.06 million, and the Club seeks from the TAB approval to operate a TAB agency there.

The reputation of the Club's dining facilities grows stronger each year. This Melbourne Cup Day there were 9,856 people attending, and of which 4,250 people sat down to food and beverage packages.

The two turf tracks and the Pro Ride training track are a credit to the Club's staff. Indeed all the staff of the Club have achieved quite wonderfully, and their dedication, performance and results are outstanding. The Parks track has really settled down and developed during the year. Understandably the course proper is currently benefiting from a renovation designed to remove thatch and improve soil quality. This will reinvigorate our racing surface without disruption.

Brenton Wilkinson, as CEO, continues to have all the confidence, support and admiration of both the staff and the Board.

As Chairman I am blessed with a Board which has worked so hard, well and with good spirit. They all have my respect, admiration and gratitude for all they have done for our Club in this last year, and previously.

OTHER CAPITAL WORKS

The Diva Terrace has now been completed at a cost of \$73,000. This alfresco area has increased the licensed capacity in that section. The wine barrels and large tops, rectangular tables and umbrellas were a boon and the barbecue, selling gourmet sausages has been a success.

The toilets in the Heritage Stand were completed by Liberali Constructions and on budget at \$213,000. The project will reduce the need to expensively hire portable toilet facilities on feature days and has blunted the pressures from the Heritage Board to get the matter completed after long delays by the Club.

The Female Jockeys rooms which can now accommodate 31 female jockeys were completed at a cost of \$317,000. They are superb facilities.

The design engineering and documentation for the 2nd Floor grandstand project was not put to tender in May as previously planned. The estimated cost will be significant and likely about a figure of \$4 - \$5m.

The 31-year-old air conditioning system failed badly for several hours on the recent Cox Plate Day at Morphettville. The entire system for the grandstand is to be replaced. The cost is estimated at \$1.1 million.

The current inefficient system is to be replaced immediately after 2012's Adelaide Cup Day, and already the two custom-made boilers and two custom-made chillers have been ordered. The lead time for delivery of these items is some 12 weeks, hence the delay in installation.

The new air-conditioning system will take about 4 weeks to install, inclusive of all components and associated structural works, and will be undertaken by O'Connors. It can be safely observed that this work has been long overdue.

The painting of the grandstand during the year went well.

COMMERCIAL VENUES

The Morphettville Junction and Lucky Horseshoe venues continue to perform above expectations. The net return to the Club from these venues is \$1.5m in the last financial year.

Development Approval was received on 5th October 2011 for the new facility on Cheltenham Parade, but regrettably an appeal has been lodged by the Cheltenham Park Residents' Association which the Club is defending. This new facility is expected to increase its net returns to the Club by over 21%.

BOARD MEMBERS

The three newly elected Board Members, Bodelle Francis-Lee, Steve Kelton and Allan Burchard quickly integrated into the Board with enthusiasm, varied expertises and hard work ethic.

The Board has six Committees which meet regularly:

Finance	Investment	Business Development
Racing	Administration and Governance	Commercial Operations

Bill Spear carries out important work as Vice-Chairman, as does Tony Newman as the Deputy Vice-Chairman of the Club. I am ex officio on all Committees.

ADELAIDE CUP DAY

16,872 attended on Adelaide Casino Adelaide Cup Day 2011.

Despite strong support of then Racing Minister Michael Wright the Rann Government was implacably opposed to any change from the March public holiday for the Adelaide Cup.

The next Adelaide Cup will be run on 12th March 2012. The Group and Pattern Committee was unable to meet until July 2011 and there had to be consultation with that Committee and other major racing Clubs for a change back to May to be approved. All in all, time simply ran against a change in 2012.

The SAJC and TRSA will work with the new Premier, Hon. Jay Weatherill, towards a May Adelaide Casino Adelaide Cup to complete our Autumn Carnival. We need the public holiday for this race to assure the returns to the SAJC and the industry.

The Club does not want to be involved in a divisive political issue. The Government and the Opposition have strikingly different and oppositional attitudes to the return to the May date when the Club believes it can better achieve returns and results conducive to the Club.

JOINT VENTURERS

Urban Pacific and Jennings Ltd, as the Joint Venturers involved at Cheltenham, have been meticulous in their payments and responsibilities to the Club.

In March 2011 the Joint Venturers paid the third tranche payment of \$15 million, and the fourth and fifth tranche payments of \$15 million each are due to be paid on the 11th day of July in each of 2012 and 2013.

The Bank Guarantees securing the outstanding amount of \$30 million have been provided, and since 11th August 2011 the Club commenced earning interest on \$30 million. This will reduce to \$15 million from 11th July 2012 and will cease from 11th July 2013 when all funds are received by the Club.

THOROUGHBRED RACING SA (TRSA)

TRSA is the Controlling Authority for Racing in South Australia.

Frances Nelson QC chairs a Board of 7 Members.

TRSA made strong representations on behalf of the Club to the State Government to move the Adelaide Cup date back to May, and has been generally supportive of the SAJC in many ways.

TRSA this year gave us a capital grant of \$250,000 towards the raceday horse stalls upgrading project for which the Club was grateful.

We continue to have quarterly meetings to discuss and manage major matters relating to both TRSA and the SAJC.

The SAJC is an equal one half shareholder in TRSA, and with goodwill and commonsense, the relationship between the two bodies should continue to be beneficial and enduring.

TRSA LOAN AGREEMENT

The Club agreed to advance Thoroughbred Racing SA (TRSA) up to \$4m, which has been utilised by TRSA to provide support to the Gawler & Barossa Jockey Club (GBJC) regarding their now completed redevelopment of their racecourse. The GBJC has sold surplus land which should cover the balance. The funds lent could have been obtained from a bank but it was decided to keep it in the industry, which is to the benefit of all concerned.

\$2.5m was originally lent at 7.10% interest and is repayable on 1st March 2012, and a further \$1.5m was advanced on 10th May 2011 to TRSA, again payable by 1st March 2012.

The interest is an attractive one to your Club, and there is a further provision that if the SAJC could obtain an interest rate on a term deposit with any of the big four Banks or Bank SA that is higher than the previously mentioned rate, TRSA can either seek alternative funding and repay the principal in full or elect to pay the higher rate of interest which the SAJC might so obtain.

The advance is secured against the Club's existing prizemoney commitments to TRSA such that the SAJC is fully protected.

The Club took up this opportunity which is obviously beneficial to the Club, TRSA and GBJC. By doing so the Club has done well by its rates of returns, and importantly kept the funds within, and helped, the Racing industry.

The monies already paid by the Club to TRSA for prizemonies were as follows:

\$1.0m – paid 31st May 2009

\$0.9m – paid in two amounts on 17th January 2011 and 10th March 2011

This year's and future proposed quarterly payments in arrears to TRSA commenced in July 2011. Prizemoney commitments are as follows:

\$1.8m	2010/2011
\$2.4m	2011/2012
\$2.5m	2012/2013
\$2.75m	2013/2014

Of the last amount of \$2.75m a figure of \$1.1m is to be the subject of a Board recommendation to the Members at the Annual General Meeting in November 2011 (as later appears).

The \$1.1m is sought to be approved to ensure that the general prizemoney levels are not impacted nor reduced for 2013/2014.

ITEM 8 - RESOLUTION

At this year's AGM there is a Resolution for the consideration and vote of the Members.

This Item 8 reads as follows:

"To consider and if thought fit pass a resolution that the South Australian Jockey Club contributes \$1.1 m from income earned on the investment of the funds received from the sale of Cheltenham to Thoroughbred Racing SA as a contribution to prizemoney in 2013."

In my 3rd November 2011 Newsletter to Members I wrote as to the background, history and potentials of this Resolution.

For the sake of simplicity I reiterate:

For the 2011 Annual General Meeting Members will consider a recommendation from the Board that SAJC Members approve an amount of \$1.1m being provided to Thoroughbred Racing SA for race stakemonies.

I explain as follows:

1. As part of the Land Facilitation Agreement for the Cheltenham Racecourse, in 2008 the then previous SAJC Board agreed to provide stakemoney contributions of \$10.25m over a 5 year period from 2008/2009 to 2012/2013. Five varying amounts were specified in the agreement as to the annual payments to be made.
2. Due to delays from the Cheltenham Park Residents' Association actions and subsequent Global Financial Crisis, the Cheltenham Joint Developers sought a delayed schedule of payments to be made to the SAJC.
3. The Members at the Club's 2009 Annual General Meeting agreed to the delayed schedule of payments and passed the Resolution to that effect.
4. In 2010 new discussions took place between the SAJC and TRSA, subsequent to the Club's decision to accept a variation in the payment terms from the purchaser. Several meetings were held in April/May 2010 to discuss possible variations to the stakemoney contribution payment structure and the Club's proposed Capital Expenditure.
5. Because of those discussions the SAJC and TRSA concluded a new agreement with regards to the payment structure with respect the stakemoney contributions which:
 - provided for the payments to be made over 6 years instead of 5 years
 - varied the previously agreed annual payment schedule to better suit the SAJC's revised position in terms of the receipts/payments from the Joint Venturers
6. The SAJC Board agreed that in acknowledging that TRSA, on behalf of the thoroughbred racing industry, was agreeing to extend by 12 months the payment by the SAJC of the previously agreed \$10.25m stakemoney contribution, with reduced payments in some years and to extend payment timelines without any interest being charged to the SAJC, that it would recommend to Members that they provide an additional \$1.1m in prizemoney contributions in 2013/2014.
7. The agreement reached and executed by the SAJC and TRSA on this matter in 2010, allowed TRSA to bring forward stakemoney increases at the Metropolitan race meetings, earlier than would otherwise have been done.
8. The stakemoney increases which have been made since 2010 have been made in anticipation that the SAJC Members would support the **recommendation** their Board had agreed to place before them for approval. Without the approval of the additional \$1.1m in prizemoney contributions from the SAJC it is likely that stakemoney cuts will be necessary to "re-balance" TRSA's 5 year budget.
9. As you can see, both the SAJC and TRSA have been as business-like and as accommodating as possible.
10. Put simply, the SAJC has, in times of difficulties beyond its control obtained a delayed payment regime, without loss or interest being paid to TRSA, and to the overall benefit of race stakemoney so obviously needed to keep racing solvent.
11. At the time I was telephoned by the Advertiser for the Club's comments and position. I said: "The SAJC's position is quite clear. The SAJC does not renege on its promises."
12. My position remains unchanged. The Club, as an honest broker, keeps its word. It's word is its bond. I ask Members to support the Board's recommendation (approved by all but the last three elected Board Members).

I ask Members to accept the Board's recommendation as a contribution to race stakemonies and confirm the \$1.1m be paid.

Lastly, both the Board and I sincerely thank you all for the support and encouragement given to us. I honestly believe that the SAJC is "back in town" and with a good future - if we can consolidate and prosper.

With all best wishes,

David Peacock

David Peacock
Chairman

2010/11 saw the Club's operating results return to a more normal level after the once-off surplus of \$76.5 million in 2009/10, which was driven substantially by the reported profit from the Cheltenham racecourses' Land Facilitation Agreement (LFA).

Our bottom line result of a loss of \$1.4 million for 2010/11 is at first glance disappointing, but on deeper analysis can be interpreted as a very satisfactory result.

That loss is after taking into account three significant factors:

- | | |
|---|-----------------------|
| 1. Incurring depreciation charges, on assets that have been constructed or acquired over a number of years, and which are all fully paid for. | \$2.6 million Expense |
| 2. Expensing the agreed prizemoney contribution to Thoroughbred Racing South Australia ("TRSA"), for 2010/11 as established by previous Boards and endorsed by the current Board. | \$1.8 million Expense |
| 3. Recognising interest income, predominantly attributable to earnings on funds made available by the Cheltenham Land Facilitation Agreement. | \$2.4 million Income |
| Net Impact of these three factors | \$2.0 million Expense |

These factors each require special comment as they reflect the changing nature of SAJC's finances, and each will persist for a number of years to come.

1. Accounting Standards will always require depreciation charges to be incurred over the estimated lives of the many assets we have, virtually all of which are at or adjacent to the Morphettville Racecourse. A charge of similar magnitude to this will impact on our results for the foreseeable future because, as older assets are fully written off, we will be incurring charges on those assets which have only recently been completed, or which will be completed in future years. The challenge for your Club is to ensure that it generates adequate returns on existing assets, and especially on all new investments. The strength of your Club's position is that all assets have been fully paid for: - the Club has no debt because, of course, of the LFA.
2. In 2008, the then SAJC Board committed to assist TRSA with a special "Prizemoney Contribution", totalling \$ 10.25 million over a period of, initially 5 years to 31 July 2013, to be funded from earnings from the proceeds of the Cheltenham LFA. Your current Board has endorsed this commitment, and subject to members approval at the 2011 Annual General Meeting, will increase this commitment to \$11.35 million over a six year period ending on 31 July 2014.
3. From 11 November 2010, SAJC commenced receiving interest on deferred funds and from 11 August 2011 is now generating income on the whole of the unused balance of funds available from the Cheltenham LFA, including the balance of funds due from the developer, in accordance with the deferred payment arrangements as agreed at the Annual General Meeting of members on 27th November 2009.

Interest income was earned during 2011/12 from the following sources:

Interest on Club Funds	\$1,024,000
Interest on Developer Loans	\$ 641,000
Amortisation of deferred interest factor on deferred payments.	\$ 778,000
Total Interest Income	\$2,443,000

Utilisation of Funds from Cheltenham Land Facilitation Agreement

Members often ask Board members what has happened to all the money from Cheltenham.

- The agreed price was \$85 million.
- We now have \$54 million in continuing investments.

Simplistically, that means that SAJC has spent \$31 million of the Cheltenham proceeds.

I am pleased to provide the following high level accounting for expenditure of that \$31 million:

	Brief Detail	Year	Amount	Total
	Debt Repayment			
1.	Repayment of Loans and Overdraft as at July 2008	2008/9	19,472,000	
	Sub Total			19,472,000
	Costs of Rationalisation of Racecourses			
2.	Victoria Park - Remediation	2008/9	2,550,000	
3.	Cheltenham - Purchase of additional land for proposed Licensed Club	2008/9	321,000	
4.	Cheltenham - Rates and taxes, to the extent that these items continued to be SAJC costs, not recoverable from the Joint Venture.	2008/9	700,000	
5.	Morphettville – Inner Track Works	2008/9	1,412,000	
	Sub Total			4,983,000
	Remedial Expenditure on work carried out prior to 30 June 2008			
6.	Morphettville - Panasonic Pavilion - Additional required expenditure to the roof and general structure.	2009/10	1,000,000	
	Sub Total			1,000,000
	Upgrades at Morphettville Racetrack and Grandstands			
7.	Morphettville - New Cabling for audio and video purposes	2009/10	760,000	
8.	Morphettville - New Kitchen at Panasonic Pavilion - (In progress at 31 July 2011)	2010/11	728,000	
9.	Morphettville - New entrance structures and paving at Members' Entrance and Tramway Entrance - (In progress at 31 July 2011)	2010/11	286,000	
10.	Upgrade and expansion of the Female Jockeys Room	2010/11	317,000	
11.	Upgrade to horse stalls including shade-cloth shelters	2010/11	317,000	
12.	Sectional Timing Recording	2010/11	244,000	
13.	Renovation to Heritage Stand Toilets	2010/11	213,000	
14.	New Starting Gates	2010/11	167,000	
15.	Jump –Out Track	2010/11	99,000	
16.	Relocation and Upgrade of Trainers Bar	2009/10	88,000	
17.	Diva Terrace Paving	2010/11	73,000	
18.	Bridle Gardens (behind Panasonic Pavilion)	2010/11	170,000	

	Sub Total			3,462,000
	Upgrade to Morphetville Junction			
19.	Morphettville Junction -Renovations to Gaming facility	2009/10	1,060,000	
	Sub Total			1,060,000
	Running Total, to 31 July 2011			29,977,000
20.	Various other capital expenditure items, of individually, less than \$100,000, and operating cash flow items.			1,023,000
	Total Expenditure of Cheltenham Proceeds			31,000,000

SAJC Investment Funds

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

Detail	Amount \$
1. Total amount due from Joint Venture	30,000,000
2. Amount held on Interest Bearing Term Deposits of 120 day rolling maturities.	20,000,000
3. Amount Loaned to TRSA	4,000,000
Balance of Unused Cheltenham Proceeds	<u><u>54,000,000</u></u>

Future Investment of Above Funds

The Board recognises that the above structure of our investment funds is fully weighted to interest bearing assets, and whilst that has served us well to date, a more aggressive philosophy will be required to generate the funds which SAJC is committed to reinvesting in the Club and the Industry.

To that extent, we have been through an extensive process to develop an Investment Strategy, and appoint professional funds managers to assist us with the future management of these funds. The background to this process is:

- In January/ February 2011, after taking independent legal and taxation advice, we developed a draft investment strategy. That strategy recognised that:
 - SAJC has a tax exempt status which means that:
 - Interest income is not taxable
 - Capital gains are not taxable
 - Dividend franking credits are not available to us.
 - At least 80% of our funds should be managed by independent external fund managers.
 - Strict criteria will apply to the use of the 20% of funds which may be retained for management by SAJC.
 - Whilst all funds will be held within the structure of SAJC, the funds will be identified as the "SAJC Investment Fund" which will have a base capital fund of \$50 million. (The balance of \$4 million is available to SAJC for, primarily, identified near term capital expenditure programmes.)
 - Earnings of the Fund will be available to:
 - Meet pre-existing Prizemoney Contribution commitments to TRSA.
 - Meet approved capital expenditures for SAJC.
 - Grow the base of the fund above the initial \$50 million.

- In exceptional circumstances, meet approved recurrent expenditure.
- In April 2011, we requested 10 organisations to provide expressions of interest to assist SAJC in the funds management process. 9 responded by the due date.
- In June, a sub-committee received presentations from 5 of those organisations.
- On June 30, 2011 the Board agreed to a recommendation to appoint 3 organisations to manage the above SAJC funds as they become available.
- The overall management of the SAJC Investment Fund will be the responsibility of a sub-committee of the Finance Committee. It will not be the responsibility of an independent group of persons, as was canvassed at one time. This decision was taken as your Board believes that those people responsible for selection of Fund Managers, and the ongoing monitoring and review of their performance, should be subject to normal election processes.
- Those organisations which we have appointed to manage SAJC Funds are:
 - Perpetual Limited
 - BlackRock International Inc.
 - RBS Morgans (Adelaide Office)

Since 1 August 2011, SAJC has commenced to progressively move funds to those organisations for their management. As at 31 October 2011, the funds advanced to each manager were:

- RBS Morgans: \$5.0 million
- Perpetual Limited: \$5.0 million
- BlackRock International Inc: \$1.5 million

The performance of those managers will be monitored through regular reporting to the Investment Committee, and ultimately the Board of SAJC.



Allan Burchard
Chairman – Finance Committee and Investment Committee

Feature Race Winners 2010/11



STAKES	RACE NAME (SPONSOR'S NAME)	WINNER (& TRAINER)	DISTANCE	RIDER	TIME
Group 1					
\$350,000	THE GOODWOOD (SW + Penalties) (The Distinctive Homes)	Lone Rock (Robert Smerdon)	1200m	Clare Lindop	1-09.07
\$350,000	SOUTH AUSTRALIAN DERBY (3YO - SW) (Betfair)	Shadows in the Sun (Anthony Cummings)	2500m	Ben Melham	2-39.88
\$350,000	ROBERT SANGSTER STAKES (Fillies & Mares – Weight-for-age) (Sportingbet)	Response (Mathew Ellerton & Simon Zahra)	1200m	Dwayne Dunn	1-09.08
\$350,000	SCHWEPPE OAKS (3YO Fillies - SW)	Lights of Heaven (NZ) (Peter G Moody)	2008m	Luke Nolen	2-05.35
Group 2					
\$400,000	ADELAIDE CUP (Adelaide Casino)	Muir (GB) (Robert Hickmott)	3200m	Darren Gauci	3-23.46
\$200,000	YALLAMBEE CLASSIC (3YO – SW)	Shrapnel (Mark Kavanagh)	1200m	Michael Rodd	1-08.81
\$175,000	QUEEN OF THE SOUTH STAKES (Fillies & Mares – SW + Penalties) (Panasonic)	Goon Serpent (David Jolly)	1600m	Nicholas Hall	1-36.40
Group 3					
\$200,000	R A LEE STAKES (SW + Penalties) (Schweppes)	Budriguez (David Jolly)	1600m	Justin Potter	1-36.40
\$115,000	D C McKAY STAKES (Quality Handicap) (evright.com)	Streetcar Magic (David Jolly)	1100m	Justin Potter	1-02.10
\$115,000	CHAIRMAN'S TATSBET STAKES (3YO-SW) (TAB)	Kittens (Mark Kavanagh)	2020m	Stephen Baster	2-06.90
\$115,000	SA SIRE PRODUCE STAKES (2YO – SW) (Patinack Farm)	Cute Emily (Peter G Moody)	1400m	Shayne Cahill	1-24.68
\$115,000	SA FILLIES CLASSIC (3YO Fillies – SW) (Sportingbet)	Precious Lorraine (David Hayes0)	2400m	Paul Gatt	2-33.88
\$115,000	SPRING STAKES (WFA) (Spring Gully)	Rebel Raider (Leon Macdonald)	1200m	Clare Lindop	1-15.16
\$115,000	R N IRWIN STAKES (WFA) (Dunes Port Hughes)	Avenue (Peter G Moody)	1100m	Luke Nolen	1-02.56
\$115,000	AURARIA STAKES 3YO Fillies – SW + Penalties) (Schweppervescence)	Shylight (David Brideoake)	1800m	Glen Boss	1-50.63
\$115,000	NATIONAL STAKES (2YO - SW + Penalties) (The Jansz)	Triple Asset (John Keys)	1200m	Dwayne Dunn	1-10.11
\$115,000	BREEDERS' STAKES (2YO – SW) (Marsh)	Rockshaft (Robert Smerdon)	1200m	Jason Maskiell (a)	1-10.88
\$115,000	LORD REIMS STAKES (SW + Penalties) (Boag's)	Guyno (NZ) (Lou Luciani)	2600m	Jason Whiting	2-46.01
Listed					
\$100,000	PROUD MISS STAKES (Fillies & Mares – SW + Penalties) (Betfair)	Dubleanny (Mick Price)	1200m	Craig Newitt	1-10.28
\$100,000	CENTAUREA STAKES (3YO Fillies – SW + Penalties) (ACG Security)	Vivid Vixen (NZ) (Mick Price)	2004m	Craig Newitt	2-03.54
\$100,000	LAELIA STAKES (3YO Fillies – SW + Penalties) (Darley)	Ain'tnofallenstar (Lee Freedman)	1600m	Ben Melham	1-36.92

Feature Race Winners 2010/11



STAKES	RACE NAME (SPONSOR'S NAME)	WINNER (& TRAINER)	DISTANCE	RIDER	TIME
\$100,000	DEQUETTEVILLE STAKES (2YO Fillies– SW) (Con Yamas)	Manhattan Maid (Darren Weir)	1100m	Ben Melham	1-04.10
\$80,000	PORT ADELAIDE GUINEAS (3YO – Set Weights) (Windsor Estate Wines)	Echoes of Heaven (Mick Price)	1800m	Craig Newitt	1-48.94
\$80,000	OAKLANDS PLATE (2YO– SW & P) (Adelaide Casino)	Isopach (John P Thompson)	1600m	Mark Zahra	1-41.35
\$80,000	CITY OF ADELAIDE HANDICAP (Quality Handicap) (Holdfast Insurance)	Budriguez (David Jolly)	1400m	Justin Potter	1-23.38
\$80,000	PENNY EDITION STAKES (WFA) (Sportingbet)	Spacecraft (Mick Price)	1400m	Dean Holland	1-25.65
\$80,000	CITY OF MARION STAKES (Quality Handicap)	About Ready (Mick Price)	1200m	Paul Gatt	1-11.19
\$80,000	CHRISTMAS HANDICAP (Quality Handicap) (PD Excavations)	Blahnik (Stuart Gower)	1400m	Michael Hoppo	1-23.63
\$80,000	QUEEN ADELAIDE STAKES (2YO – SW) (Sharon Forrester-Jones)	Chinchilla (Lee Freedman)	1050m	Chad Lever	1-02.56
\$80,000	PORT ADELAIDE CUP (Quality Handicap) (Clean SA)	Maunatrice (Darren Weir)	2019m	Jacob Rule (a)	2-05.19
\$80,000	HC NITSCHKE STAKES (3YO - SW + Penalties) (Adelaide Galvanising)	Ain'tnofallenstar (Lee Freedman)	1400m	Simon Price	1-23.38
\$80,000	REDELVA STAKES (3YO – SW + Penalties) (Projection Graphics)	Tropic Thunder (Mark Kavanagh)	1000m	Dean Yendall	0-57.98
\$80,000	BIRTHDAY CUP (Quality Handicap) (Holdfast Insurance)	River's Lane (David Balfour)	1800m	Todd Pannell	1-51.27
\$80,000	LIGHTNING STAKES (2 & 3YO - SW) (Reliance Petroleum)	Kulgrinda (Peter G Moody)	1050m	Linda Meech	1-02.15
\$80,000	CINDERELLA STAKES (2YO Fillies – Set Weights) (Pewsey Vale)	Secret Status (Leon Macdonald & Andrew Gluyas)	1050m	Clare Lindop	1-01.53
\$80,000	ADELAIDE GUINEAS (3YO – SW) (Schweppes)	Booklet (Mathew Ellerton & Simon Zahra)	1600m	Dwayne Dunn	1-37.71
\$80,000	MANIHI CLASSIC (Quality Handicap) (Parmalat)	Conservatorium (Gary Kennewell)	1200m	Craig Newitt	1-09.64
\$80,000	MATRICE STAKES (SW + Penalties) (Sloan's Sands)	Das Machen (Mick Price)	1200m	Dale Smith	1-09.17
\$80,000	DURBRIDGE STAKES (WFA) (Patrick/Dunes)	About Ready (Mick Price)	1200m	Dale Smith	1-11.94
\$80,000	HILL SMITH STAKES (3YO – SW) (Cam Management)	Kittens (Mark Kavanagh)	1800m	Billy Egan	1-50.11
\$80,000	MORPHETTVILLE GUINEAS (3YO Fillies –SW) (Lindsay Park)	Becerra (Lee Freedman)	1600m	Mark Pegus	1-41.50
\$80,000	TOKYO CITY CUP (Quality Handicap) (Best Bets Sin City)	Dynamic Hero (Daniel Clarken)	1600m	Ben Claridge	1-41.49
\$80,000	W H WYLIE HANDICAP (Quality Handicap) (Betfair)	Grand Duels (Byron Cozamanis)	1100m	Clare Lindop	1-06.51
\$80,000	C S HAYES MEMORIAL CUP (Quality Handicap) (Adelaide Airport T1)	Cybercyn (Kevin & Heather Frew)	1600m	Jordan Frew (a)	1-35.71

The Group recorded an overall deficit of \$1,411k including depreciation of industry funded assets (\$375k). Interest received totalled \$2,433k (including \$778k in amortised interest earnings in relation to the deferred Cheltenham Funds). The Club also recognised a prizemoney commitment to TRSA of \$1,800k.

Major Variances

Revenue

	2010/11 000's	2009/10 000's	Variance 000's
Catering Turnover	9,055	8,447	608
Gaming Revenue	6,448	6,038	410
Member Subscriptions and Admissions	636	699	(63)

Catering Turnover

- Increase in promoting the venue for both raceday and non-raceday.
- A favourable result with the relocation of the Gaming Room at the Morphettville Junction freeing up the previous gaming room for additional functions and an increase in Bistro activity.

Gaming Revenue

- The Cheltenham Gaming venue saw an increase in Net Gaming Revenue (NGR) of \$189k.
- The Morphettville Junction's NGR was ahead of last year by \$221k, again with the relocation of the gaming room bringing about a positive result.

Member Subscriptions and Admissions

- Admission income was down on the prior year by \$15k.
- Member Subscriptions down by \$48k primarily due to the introduction of the free members' guest pass.

Expenses

	2010/11 000's	2009/10 000's	Variance 000's
Catering Expenditure	5,562	5,213	(349)
Gaming Expenditure	4,436	3,955	(481)
General Maintenance	4,117	3,823	(294)
Prizemoney Contribution to TRSA	1,800	900	(900)
Prizemoney – Other	67	239	172
Salaries, Superannuation & Taxes	1,443	1,083	(360)

Catering Expenditure

- With an increase in revenue and activity, we also see an increase in costs including wages, setup costs, promotions, security and cleaning.

Gaming Expenditure

- The gaming venues expenditure increase by \$481k consisting of an increase in gaming tax \$231k (in line with an increase in Net Gaming Revenue).
- Increase in wages in line with increased revenue and other operational factors.

General Maintenance

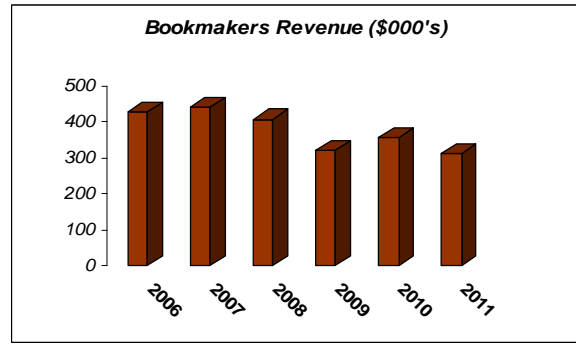
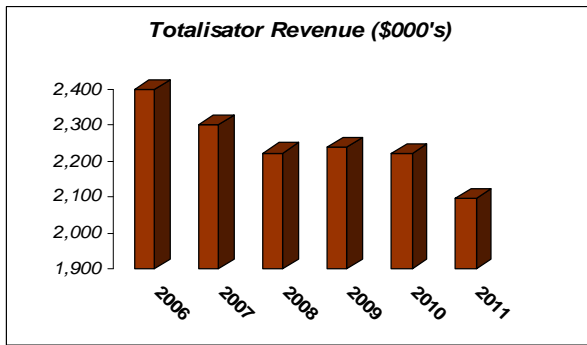
- Maintenance agreement with respect to the Pro-ride track \$53k.
- Works to the crossover \$79k
- Maintenance of facilities \$76k.

Prizemoney

- An additional \$900k being committed as per the agreement with TRSA.
- Other prizemoney saw a reduction of the SAJC's contribution for Magic Millions and the final year for Allan Scott's annual contribution.

Salaries, Superannuation & Taxes

- Prior year salaries were reduced because of the reversal during 2010 of the \$300k provision for the former CEO's Breach of Contract claim in 2009.



Please note impact of Corporate Bookmakers on reduction in Bookmakers revenue.

Cheltenham Funds

Outstanding Monies

The Group received a further instalment of \$15M on 11 March, 2011. The outstanding balance is now \$30M to be received as follows:

11 Jul 2012	\$15M
11 Jul 2013	\$15M
Total	\$30M

All monies deferred incur an interest charge payable to the Group by the developer which is set at BBSY (cash rate) + 2.5% (averaging between 7.0%-7.5% per annum) with the outstanding \$30M being secured by bank guarantees.

TRSA Prizemoney Contribution

The balance of the Group's commitment to TRSA will be recognised as follows

2011/12	\$2.40M
2012/13	\$2.50M
2013/14	\$2.75M*
Total	\$7.65M

*This includes a further \$1.1M to be recommended by the Board for approval by the members at the 2011 AGM.

The Group has agreed to pay the prizemoney contributions on a quarterly basis, nine months in arrears.

Segmented Overview of the SAJC's Performance 2010/11

	Racing		Catering		Gaming		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue								
Catering - Food and Beverage Sales	-	-	5,473	5,382	2,086	1,781	7,559	7,163
Net Gaming Revenue	-	-	-	-	6,448	6,038	6,448	6,038
Tote Revenue	2,096	2,221	-	-	-	-	2,096	2,221
Property Income	1,510	1,444	-	-	-	-	1,510	1,444
Catering - Sundry Income	-	-	1,432	1,236	64	48	1,496	1,284
Net Sponsorship	1,201	1,107	-	-	-	-	1,201	1,107
Nominations/Acceptances	1,021	956	-	-	-	-	1,021	956
Members Subscriptions	336	384	-	-	-	-	336	384
Bookmakers Commission	311	356	-	-	-	-	311	356
Admissions	300	315	-	-	-	-	300	315
Raceday Other	87	73	-	-	-	-	87	73
Auditorium	46	43	-	-	-	-	46	43
Sundry	6	11	-	-	-	-	6	11
	6,914	6,910	6,905	6,618	8,598	7,867	22,417	21,395
Expenses								
Salaries and Wages	(2,655)	(2,545)	(2,956)	(2,733)	(1,895)	(1,728)	(7,506)	(7,006)
Catering/Gaming Costs	-	-	(3,313)	(3,104)	(1,903)	(1,658)	(5,216)	(4,762)
Gaming Tax	-	-	-	-	(2,535)	(2,304)	(2,535)	(2,304)
Property Costs	(2,354)	(2,183)	-	-	-	-	(2,354)	(2,183)
Tote Expenses	(879)	(897)	-	-	-	-	(879)	(897)
Raceday Other	(789)	(858)	-	-	-	-	(789)	(858)
Sponsorship Expenses	(69)	(105)	-	-	-	-	(69)	(105)
Prizemoney - SAJC Funded	(67)	(239)	-	-	-	-	(67)	(239)
Wagering	(36)	(51)	-	-	-	-	(36)	(51)
	(6,849)	(6,878)	(6,269)	(5,837)	(6,333)	(5,690)	(19,451)	(18,405)
Contribution	65	32	636	781	2,265	2,177	2,966	2,990
Net Overheads - Administration and Marketing	(1,164)	(945)	(1,034)	(884)	(181)	(140)	(2,379)	(1,969)
Operating Surplus/(Deficit) Before Interest, Depreciation and Prizemoney Contribution to TRSA	(1,099)	(913)	(398)	(103)	2,084	2,037	587	1,021
Add/(Subtract) Other Items								
Non-Recurring Revenue							-	78,574
Net Interest Received							2,433	225
TRSA Prizemoney Contribution							(1,800)	(900)
Depreciation							(2,251)	(1,977)
Depreciation - Funded Assets							(375)	(415)
Total							(1,406)	76,528

Capital Expenditure

Total capital expenditure for 2010/11 was \$4.33M (inc. accruals). Significant items of capital expenditure include:

Item	Spend \$000's
Bridle Gardens	170
Heritage Grandstand Toilets	213
Entrance Works (in progress)	286
Raceday Stalls Improvements	317
Ladies Jockey Room	317
Panasonic Kitchen (in progress)	728
Cabling for Audio/Video	1,012

Norwood Community Club

- The Norwood Community Club ceased operations on 28 February 2006 and reported a deficit of \$5K being for legal fees. The Norwood Community Club's results form part of the Group's accounts.
- The 26 Gaming Machines have been scrapped and the Gaming Machine Entitlements have been suspended until a future location for their use has been identified. The \$975K value of the Gaming Machine Entitlements has not been affected.

**Michael Beviss
FINANCIAL CONTROLLER**

STATISTICAL DATA

Year Ended	2011	2010	2009	2008	2007	2006
RACING						
Race Meetings	66	68	63	65	66	64
Races Run	526	549	508	520	530	518
Nominations	8,888	8,681	7,728	7,877	8,409	8,262
Starters	5,294	5,424	5,082	5,375	5,643	5,461
ON-COURSE TURNOVER (\$000)						
Totaliser	14,188	14,876	15,103	14,725	15,464	15,838
Bookmakers	30,445	35,809	35,703	46,435	50,355	48,757
Total Turnover	44,633	50,685	50,806	61,160	65,819	64,595
MEMBERSHIP						
Total Members	1,610	1,703	2,017	1,725	1,751	1,814

SOUTH AUSTRALIAN JOCKEY CLUB AND ITS CONTROLLED ENTITY
BALANCE SHEETS AS AT 31 JULY 2011

	NOTE	SAJC		Consolidated	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
CURRENT ASSETS					
Cash and Cash Equivalents		1,694	3,198	1,694	3,202
Investments - Interest Bearing Deposits		20,000	10,500	20,000	10,500
Inventories		237	231	237	231
Trade and Other Receivables	2	19,991	16,339	19,978	16,327
Prepayments		267	298	267	298
TOTAL CURRENT ASSETS		42,189	30,566	42,176	30,558
NON-CURRENT ASSETS					
Receivables	2	13,882	28,104	13,882	28,104
Property, Plant & Equipment	3	40,085	38,420	40,085	38,420
Intangible Assets	4	3,000	3,000	3,975	3,975
TOTAL NON-CURRENT ASSETS		56,967	69,524	57,942	70,499
TOTAL ASSETS		99,156	100,090	100,118	101,057
CURRENT LIABILITIES					
Trade and Other Payables		3,951	3,372	3,951	3,372
Employee Benefits	5	537	456	537	456
Other Liabilities	6	736	944	736	944
TOTAL CURRENT LIABILITIES		5,224	4,772	5,224	4,772
NON-CURRENT LIABILITIES					
Employee Benefits	5	383	363	383	363
TOTAL NON-CURRENT LIABILITIES		383	363	383	363
TOTAL LIABILITIES		5,607	5,135	5,607	5,135
NET ASSETS		93,549	94,955	94,511	95,922
EQUITY					
Reserves	7	9,406	9,781	10,381	10,756
Retained Earnings	7	84,143	85,174	84,130	85,166
TOTAL EQUITY		93,549	94,955	94,511	95,922

The accompanying notes form part of these financial statements.

SOUTH AUSTRALIAN JOCKEY CLUB AND ITS CONTROLLED ENTITY
INCOME STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

NOTE	SAJC		Consolidated	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
REVENUE FROM OPERATING ACTIVITIES				
Catering Turnover	9,055	8,447	9,055	8,447
Gaming Revenue	6,448	6,038	6,448	6,038
Totalisator Revenue	2,096	2,221	2,096	2,221
Net Sponsorship	1,201	1,107	1,201	1,107
Nominations & Acceptance Fees	1,021	956	1,021	956
Sundry Revenue	792	697	792	697
Members Subscriptions & Admissions	636	699	636	699
Administration Grants	508	551	508	551
Promotional Grants	500	500	500	500
Training Fees	341	302	341	302
Bookmakers Commission	311	356	311	356
Auditorium Wagering Activities	46	43	46	43
Racebook Revenue	27	33	27	33
TOTAL REVENUE	22,982	21,950	22,982	21,950
EXPENDITURE FROM OPERATING ACTIVITIES				
Catering Expenditure	5,562	5,213	5,562	5,213
Gaming - General Expenditure	4,436	3,955	4,436	3,955
General Maintenance	4,117	3,823	4,117	3,823
Cost of Goods Sold	2,461	2,270	2,461	2,270
Depreciation - Property, Plant & Equipment	2,251	1,977	2,251	1,977
Prizemoney Contribution to TRSA	1,867	1,139	1,867	1,139
Raceday Wages & Payroll Tax	1,514	1,615	1,514	1,615
Salaries, Superannuation & Taxes	1,443	1,083	1,443	1,083
Totalisator Operation & Maintenance	879	897	879	897
Promotion and Sponsorship	869	853	869	853
Insurance & Professional Fees	505	477	510	478
Sundry Administration	332	280	332	280
Postage, Stationery & Telephone	92	72	92	72
Auditorium - Wagering Activities	36	51	36	51
Travel & Conferences	36	42	36	42
Racebook Costs	35	48	35	48
Victoria Park Remediation	-	194	-	194
TOTAL EXPENDITURE	26,435	23,989	26,440	23,990
SURPLUS/(DEFICIT) FROM OPERATIONS	(3,453)	(2,039)	(3,458)	(2,040)
Net Gain/(Loss) on Disposal of Non-Current Assets	(9)	78,757	(9)	78,757

SOUTH AUSTRALIAN JOCKEY CLUB AND ITS CONTROLLED ENTITY
INCOME STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

	NOTE	SAJC		Consolidated	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Finance Income		2,443	365	2,443	365
Finance Expenses		(12)	(140)	(12)	(140)
Net Finance Income		2,431	225	2,431	225
Depreciation of Funded Assets	7	(375)	(415)	(375)	(415)
(DEFICIT)/SURPLUS FOR THE PERIOD		(1,406)	76,528	(1,411)	76,527
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(1,406)	76,528	(1,411)	76,527

The accompanying notes form part of these financial statements.

SOUTH AUSTRALIAN JOCKEY CLUB AND ITS CONTROLLED ENTITY
STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2011

	NOTE	SAJC		Consolidated	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from operating activities		25,428	22,669	25,424	22,669
Payments to suppliers and employees		(25,988)	(23,074)	(25,988)	(23,074)
Interest paid		(12)	(140)	(12)	(140)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10(ii)	(572)	(545)	(576)	(545)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds under Land Facilitation Agreement		15,000	20,000	15,000	20,000
Interest Received on Investments		1,615	78	1,615	78
Proceeds from sale of property, plant & equipment		25	58	25	58
Loan to Thoroughbred Racing SA		(4,000)	-	(4,000)	-
Payments for property, plant & equipment		(4,322)	(3,892)	(4,322)	(3,892)
Net Increase in Investments		(9,500)	(10,500)	(9,500)	(10,500)
NET CASH FROM INVESTING ACTIVITIES		(1,182)	5,744	(1,182)	5,744
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	2,900	-	2,900
Reduction in borrowings		-	(5,900)	-	(5,900)
Proceeds from capital grants		250	250	250	250
NET CASH USED IN FINANCING ACTIVITIES		250	(2,750)	250	(2,750)
NET INCREASE/(DECREASE) IN CASH HELD		(1,504)	2,449	(1,508)	2,449
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		3,198	749	3,202	753
CASH AT THE END OF THE FINANCIAL YEAR	10(i)	1,694	3,198	1,694	3,202

The accompanying notes form part of these financial statements.

SOUTH AUSTRALIAN JOCKEY CLUB AND ITS CONTROLLED ENTITY
STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2011

	SAJC			Consolidated		
	Retained Earnings	Reserves	Total	Retained Earnings	Reserves	Total
	\$000	\$000	\$000	\$000	\$000	\$000
BALANCE AT 1 AUG 2009	5,535	12,892	18,427	5,528	13,867	19,395
Surplus for the year	76,528	-	76,528	76,527	-	76,527
Transfers to and (from) reserves	2,696	(2,696)	-	2,696	(2,696)	-
Depreciation of industry funded assets	-	(415)	(415)	-	(415)	(415)
Transfers to and (from) reserves	415	-	415	415	-	415
BALANCE AT 31 JUL 2010	85,174	9,781	94,955	85,166	10,756	95,922
BALANCE AT 1 AUG 2010	85,174	9,781	94,955	85,166	10,756	95,922
(Deficit) for the year	(1,406)	-	(1,406)	(1,411)	-	(1,411)
Disposal of Industry Funded Assets	-	-	-	-	-	-
Depreciation of industry funded assets	-	(375)	(375)	-	(375)	(375)
Transfers to and (from) reserves	375	-	375	375	-	375
BALANCE AT 31 JUL 2011	84,143	9,406	93,549	84,130	10,381	94,511

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The South Australian Jockey Club Incorporated ('SAJC or Club') is an association domiciled in Australia. The consolidated financial report of the Club for the year ended 31 July 2011 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 10th day of November 2011.

Statement of Compliance

The Club early adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-02 Amendments to Australian Standards arising from Reduced Disclosure Requirements for the financial year beginning 1 August 2009 to prepare Tier 2 general purpose financial statements. The consolidated financial report of the Group and the financial report of the Club are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB).

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Associations Incorporation Act 1985.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS') reduced disclosure requirements. A statement of compliance with International Financial Reporting Standards cannot be made due to the Group applying the not for profit sector specific requirements contained in the AIFRS.

Basis of Preparation

The financial report is prepared in Australian Dollars.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: intangible assets.

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

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1.1 Basis of consolidation

(i) Subsidiaries

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

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

(ii) Transactions eliminated on consolidation

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

1.2 Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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 economic lives, using the straight line method.

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

	2011	2010
Buildings and Improvements	2.5% - 10%	2.5% - 10%
Plant & Equipment	5% - 25%	5% - 25%

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 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.

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.

Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset. Finance income comprises interest income on funds invested and the unwinding of discounts on financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Government Grants

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

Grants

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

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

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

Funding

From 1 August 2006 grants received, or receivable from TRSA for capital purposes are treated as operating income. The depreciable component of such items is recognised as an operating expense.

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 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Interest Bearing Deposits of greater than 90 days duration are disclosed as investments.

1.5 Employee Benefits

Defined Contribution Superannuation Fund

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Income Statement as incurred.

Long-term Service Benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

Wages, Salaries and Annual Leave

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

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

1.7 Income Tax

The Group is exempt from Income Tax.

1.8 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.

1.9 Acquisition of Assets

All assets acquired, including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Borrowing costs are capitalised to qualifying assets as set out in note 1.14.

1.10 Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy 1.6) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For assets that have an indefinite useful life the recoverable amount is estimated at each balance sheet date.

Calculation of recoverable amount

The recoverable amount of the Group's investments securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use.

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

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

1.11 Receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy 1.10).

1.12 Payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

1.13 Operating Leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

1.14 Borrowing Costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets.

1.15 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. The trading of the NCC from this date has been consolidated into the results of the SAJC.

Effective 28 February 2006 the Norwood Community Club ceased operations and the Gaming Machine Entitlements are not in use, however, remain the property of the Group.

1.16 Intangible Assets

In February 2005 the State Government of South Australia amended the Gaming Machines Act (1992) (“Act”) inserting Division 3A into the Act. The act provides a mechanism for gaming machine entitlements to be sold at a fixed legislated value. SAJC controlled gaming machine entitlements are recorded at their fair value. This class of non-current assets, measured at fair value, is assessed annually to ensure the carrying amount does not materially differ from its fair value. Revaluation increments, on a class of assets basis, are recognised in the Asset Revaluation Reserve except that, amounts reversing a decrement previously recognised as an expense are recognised as revenues. These intangible assets have not been internally generated and have indefinite useful lives.

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

	NOTE	SAJC		Consolidated	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
2. RECEIVABLES					
Current					
Trade Receivables		991	1,339	978	1,327
Other Receivables		15,000	15,000	15,000	15,000
Loan to TRSA		4,000	-	4,000	-
		<u>19,991</u>	<u>16,339</u>	<u>19,978</u>	<u>16,327</u>
Non Current					
Other Receivable		15,000	30,000	15,000	30,000
Discount to reflect Net Present Value		(1,118)	(1,896)	(1,118)	(1,896)
Net Present Value		<u>13,882</u>	<u>28,104</u>	<u>13,882</u>	<u>28,104</u>

Impairment losses to the value of \$3k (2009: \$1k) were recognised in respect of receivables for which recovery is unlikely.

Other Receivables

Under the revised Land Facilitation Agreement with AV Jennings – Urban Pacific (AVJ-UP), the SAJC received a payment of \$15 million on 11 March 2011 and will receive two payments of \$15 million on 11 July 2012 and 11 July 2013 respectively. The SAJC will earn interest income at BBSY + 2.5% for the period of deferred settlement from the original payment terms. The payment of \$15 million due on 11 July 2013 has been discounted to a net present value of \$13.882 million.

Loan to TRSA

On 9 March 2011 the SAJC (lender) entered into a loan agreement with Thoroughbred Racing South Australia (TRSA) (borrower). Advances were made to TRSA totaling \$4 million during the year. Interest is paid monthly in advance and calculated at the higher of 7.1% or BBSY plus 2.0%. The outstanding balance of \$4 million is due and payable on 1 March 2012.

	NOTE	SAJC		Consolidated	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
3. PROPERTY PLANT & EQUIPMENT					
Freehold Land at cost					
Morphettville		357	357	357	357
Cheltenham		321	321	321	321
		678	678	678	678
Buildings & Improvements at cost					
Morphettville		52,757	50,610	52,757	50,610
Lucky Horse Shoe		1,722	1,697	1,722	1,697
Less: Accumulated Depreciation		(22,870)	(20,889)	(22,870)	(20,889)
		31,609	31,418	31,609	31,418
Plant & Equipment at cost					
Morphettville		11,839	10,739	11,839	10,739
Less: Accumulated Depreciation		(5,498)	(5,016)	(5,498)	(5,016)
		6,341	5,723	6,341	5,723
Capital Works in Progress		1,457	601	1,457	601
TOTAL PROPERTY PLANT & EQUIPMENT		40,085	38,420	40,085	38,420
Included in the above total of Property, Plant & Equipment are the written down values of assets funded by industry grants to the extent of	7	6,106	6,781	6,106	6,781
Reconciliations of the carrying amounts of each class of Property, Plant & Equipment					
Carrying Amount at the beginning of year		678	678	678	678
Additions		-	-	-	-
Disposals		-	-	-	-
Carrying Amount at the end of year		678	678	678	678

NOTE	SAJC		Consolidated	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Buildings & Improvements				
Carrying Amount at the beginning of year	31,418	30,579	31,418	30,579
Transfers from Capital Works in Progress	2,172	2,606	2,172	2,606
Internal Transfers	-	34	-	34
Disposals	-	-	-	-
Depreciation	(1,981)	(1,801)	(1,981)	(1,801)
Carrying Amount at the end of year	31,609	31,418	31,609	31,418
Plant & Equipment				
Carrying Amount at the beginning of year	5,723	5,124	5,723	5,124
Transfers from Capital Works in Progress	1,297	1,295	1,297	1,295
Internal Transfers	-	(34)	-	(34)
Disposals	(34)	(71)	(34)	(71)
Depreciation	(645)	(591)	(645)	(591)
Carrying Amount at the end of year	6,341	5,723	6,341	5,723
Capital works in progress				
Carrying Amount at the beginning of year	601	610	601	610
Additions	4,325	3,892	4,325	3,892
Transfer to Buildings & Improvements	(2,172)	(2,606)	(2,172)	(2,606)
Transfer to Property, Plant & Equipment	(1,297)	(1,295)	(1,297)	(1,295)
Carrying Amount at the end of year	1,457	601	1,457	601
TOTAL PROPERTY PLANT & EQUIPMENT	40,085	38,420	40,085	38,420

CHELTENHAM DISPOSAL

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

NOTE	SAJC		Consolidated	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
4. INTANGIBLE ASSETS				
Gaming Machine Entitlements				
Morphettville	1,500	1,500	1,500	1,500
Cheltenham	1,500	1,500	1,500	1,500
Norwood Community Club	-	-	975	975
Total Licences & Entitlements	3,000	3,000	3,975	3,975

The Club's Gaming Machine Entitlements and Gaming Licences are held in accordance with the Gaming Machine Act (1992). The State Government has the authority under this Act to revoke a gaming licence if the Club breaches a provision of the act. Legislative changes could also vary the terms of the current gaming licences. Fair value of these entitlements was based on the latest published valuations issued by the State Government.

NOTE	SAJC		Consolidated	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
5. EMPLOYEE BENEFITS				
Current Employee Provisions	537	456	537	456
Non-Current Employee Provisions	383	363	383	363
6. OTHER LIABILITIES				
Deferred Income	736	944	736	944
7. RESERVES & RETAINED EARNINGS				
Retained Earnings				
Balance Brought Forward	85,174	5,535	85,166	5,528
Add: Operating Surplus/(Deficit)	(1,406)	76,528	(1,411)	76,527
Add: Disposal of Industry Funded Assets	-	2,696	-	2,696
Less: Transfers to Reserves (net)	375	415	375	415
Balance at Year End	84,143	85,174	84,130	85,166
Industry Capital Grants Reserve				
Balance Brought Forward	6,781	9,892	6,781	9,892
Less: Depreciation of Industry Funded Assets	(375)	(415)	(375)	(415)
Less: Disposal of Industry Funded Assets	-	(2,696)	-	(2,696)
Balance at Year End	6,406	6,781	6,406	6,781
Asset Revaluation Reserve				
Balance Brought Forward	3,000	3,000	3,975	3,975
Add: Revaluation Increments	-	-	-	-
Less: Revaluation Decrements	-	-	-	-
Balance at Year End	3,000	3,000	3,975	3,975
Total Reserves	9,406	9,781	10,381	10,756

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 1.16.

8. SUPERANNUATION FUND

All employees may nominate their preferred fund for employer contributions.

The Club and Group contributed \$575k in the year ended 31/7/11 (2010: \$549k)

As at year end the number of full-time employees working for the Club was 57 (2010: 56).

9. RELATED PARTY TRANSACTIONS

Thoroughbred Racing SA

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

- The Club incurred a liability of \$1.8 million (2010: \$0.9 million) 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 amount of this Prizemoney Contribution outstanding as at balance date was \$1.35 million (2010: Nil) and is included in Trade and Other Payables in the Balance Sheet. The amount is non-interest bearing.
- The Club received \$1.269 million in industry payments from TRSA during the year being for marketing/promotion, training subsidies and capital grants.
- The Club entered into a loan agreement with and advanced \$4 million to TRSA to provide working capital. The agreement provides for the Club to earn interest at a rate higher than available commercially to it. The loan is secured against the TRSA's entitlement to receive further prizemoney contributions.

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 Chairman utilised \$2,974 of this allowance for the year. The remaining Board Members are entitled to a reimbursement of expenses not exceeding \$2,500 per annum for costs incurred in representing the Club. Reimbursement is only provided where the Board members have incurred expenses that are directly related to furthering the Group.
- Some members of the Board, either directly or through corporates in which they have a substantial financial interest, may provide certain goods or services in the normal course of the Club's activities.
- The terms and conditions of those transactions with Members of the Board were no more favourable than those available to other entities on an arm's length basis.
- There were no amounts receivable from or payable to members of the Board at reporting date arising from any such transactions.

- Members of the Board, or their relatives, may from time to time receive prizemoney from TRSA following the success of horses owned or trained by them. This prizemoney is paid by TRSA on the same terms and conditions as apply to any other owner or trainer.
- There were no transactions with the Norwood Community Club Inc.

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

Name	Business	Nature	2011	2010
			\$000	\$000
M Beviss	Bellevue Studios Pty Ltd	Website Services	5	8

Key Management Personnel Compensation

	SAJC		Consolidated	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Short-term employee benefits	657	631	657	631

Other Transactions with Key Management Personnel

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

10. CASH FLOW INFORMATION	SAJC		Consolidated	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
(i) RECONCILIATION OF CASH				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:-				
Cash and Cash Equivalents	1,694	3,198	1,694	3,202
(ii) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT FROM ORDINARY ACTIVITIES				
Surplus/(Deficit) from ordinary activities	(1,406)	76,528	(1,411)	76,527
Finance Income	(2,443)	(365)	(2,443)	(365)
Finance Expense	12	140	12	140
Less Capital Grants	(250)	(250)	(250)	(250)

	SAJC		Consolidated	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Depreciation	2,251	1,977	2,251	1,977
Depreciation of Funded Assets	375	415	375	415
(Profit)/Loss on sale of property, plant and equipment	9	(78,757)	9	(78,757)
Change in assets and liabilities				
Decrease in receivables	383	(1,366)	379	(1,354)
Increase in inventory	(6)	(5)	(6)	(5)
Decrease in prepayments	31	968	31	968
Increase in payables	579	222	584	211
Increase in employee benefits	101	29	101	29
Decrease in other liabilities	(208)	(81)	(208)	(81)
NET CASH PROVIDED (UTILISED) BY OPERATIONS	(572)	(545)	(576)	(545)

11. COMMITMENTS AND CONTINGENCIES

Contingent Revenue

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

Prizemoney Commitment

The prizemoney the SAJC has committed to TRSA totals \$6.55M as follows:

2011/12	\$2.40M
2012/13	\$2.50M
2013/14	\$1.65M

The payment of this prizemoney is based on the satisfaction of conditions by both the SAJC and TRSA and will be expensed when the liability is incurred.

Litigation

The SAJC is preparing to defend against a litigation claim being made by Mr Alistair McFarlane, an ex board member. Mr McFarlane has issued proceedings against the SAJC seeking an indemnity of his costs that became payable as part of a settlement in a defamation action. Counsel advice to the SAJC is that this action should be defended. The SAJC has not recognised a liability.

12. AUDITOR'S REMUNERATION

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

	SAJC		Consolidated	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Audit Services				
Audit or review of financial reports	43	42	43	42
Non-audit services	20	-	20	-
	63	42	63	42

**SOUTH AUSTRALIAN JOCKEY CLUB INC AND ITS CONTROLLED ENTITY
REPORT AND STATEMENT BY THE BOARD
FOR THE YEAR ENDED 31 JULY 2011**

REPORT BY BOARD

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

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

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

Dated at Adelaide this 10th day of November, 2011.

Signed in accordance with a resolution of the Board.

David Peacock

David Peacock
Chairman



Allan 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 21-38 for the year ended 31 July, 2011, are in our opinion properly drawn up:

- (a) so as to present fairly the financial position of the Club and its controlled entity as at 31 July, 2011 and the results and cash flows for the year then ended;
- (b) in accordance with the provisions of the Club Rules; and
- (c) in accordance with Australian Accounting Standards and the Associations Incorporation Act 1985.

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

Dated at Adelaide this 10th day of November, 2011.

Signed in accordance with a resolution of the Board.

David Peacock

David Peacock
Chairman



Allan Burchard
Chairman of Finance Committee



Independent auditor's report to the members of the South Australian Jockey Club Inc Report on the financial report

We have audited the accompanying financial report of the South Australian Jockey Club Inc (the Club), which comprises the balance sheets as at 31 July 2011, and income statements, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the report and statement by the board set out on page 39 of the Club and the Group comprising the Club and the entity it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Club are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Associations Incorporation Act 1985* and for such internal control as the directors determine 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 of the financial report that gives a true and fair view 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 directors, 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 Incorporations Act 1985* and Australian Accounting Standards – Reduced Disclosure Requirements, a true and fair view which is consistent with our understanding of the Club's and the Group's financial position and of their performance.

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



Independence

In conducting our audit, we have followed applicable independence requirements of Australian professional accounting bodies.

Auditor's opinion

In our opinion the financial report of the South Australian Jockey Club Inc is in accordance with the *Associations Incorporations Act 1985*, including:

- (a) giving a true and fair view of the Club's and the Group's financial position as at 31 July 2011 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Associations Incorporations Act 1985*.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of Neil T Faulkner, written in black ink.

Neil T Faulkner
Partner

Adelaide

10 November 2011