

Horse Racing Alberta

2011 Annual Report





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Vision

**ALBERTA WILL
BE RECOGNIZED
INTERNATIONALLY FOR
PREMIER HORSE RACING,
BREEDING AND QUALITY
ENTERTAINMENT.**

MANDATE

- 1** To govern, direct, control, regulate, manage, market and promote horse racing in any or all of its forms.
- 2** To protect the health, safety and welfare of racehorses and, with respect to horse racing, the safety and welfare of racing participants and racing officials.
- 3** To safeguard the interests of the general public in horse racing.

MISSION

To be a government body whose role is to promote and facilitate the growth, integrity and economic contribution of the Alberta horse racing and breeding industry. This shall be done by providing quality entertainment, employment, economic and value-added agricultural opportunities within a unified, viable, progressive, accountable and self-regulated industry environment.

CORE BUSINESS

To stabilize, enhance and ensure the growth and integrity of the Alberta horse racing and breeding industry.

Chair's Message

HRA's efforts to stabilize the horse racing industry started to bear some fruit in 2011. Small but encouraging signs suggest Alberta's facility operators, breeders and owners can look to the future with valid optimism.

While handle revenue was down again, the percentage decrease was slight and less than expected. Slot revenue reductions were also less than predicted. Yearling sale prices were up for all three breeds.

The industry's health was helped with the certainty and stability that came with confirming blocks of racing dates much earlier than normal. Knowing when and where horses were to race at what venue months in advance enabled industry to better plan, coordinate and market its product. Horsemen and operators will have that same advantage again in 2012 as almost all contracts were signed before the year ended.

Stability and certainty was one of three top industry concerns expressed at a September industry planning session in Edmonton hosted by HRA. The other priorities identified by stakeholders from around the province were communications and the opening of a Calgary racetrack, which all agree is pivotal to full industry recovery.

Perhaps the greatest benefit from the industry planning session was a genuine commitment from stakeholders to work more cooperatively than they have in the past. One practical outcome of this is HRA and racetracks working together to develop short and long-term marketing plans and approaches that complement rather than conflict each other. A totally revamped, stand-alone website, better governance practices and other initiatives helped HRA become more transparent with its information and decisions.





The future of an 'A' racetrack just north of Calgary is still uncertain but 2011 saw new developments emerge that inspire renewed hope that the project will be completed. Off-track betting expanded in the Calgary market with the licensing of sites in Airdrie and Okotoks. Progress was also made on making changes to on-line betting. If introduced, these changes would provide an option for fans and accrue more revenue for the horseracing industry here.

The horse racing industry was again a net contributor to the Alberta government. Racing Entertainment Centres at local racetracks contributed \$14.7M to the Alberta Lottery Fund in 2011. This money supports community groups throughout the province. Bylaw changes passed by the HRA Board to improve governance created a clear separation between the CEO and Board Chair.

This year's horse racing experience had many highlights. Two of those are featured in this annual report. One is a story about Albertan Keith Clark, a Hall of Fame horseman who had another remarkable year. His year was filled

with hundreds of wins as a trainer and driver and topped by winning the prestigious 2011 O'Brien Award for Horsemanship.

The other is about Freedoms Traveller, the only Alberta-bred horse to run in the Canadian Derby. The gelding won it in thrilling fashion in front of more than 10,000 fans. Both the Standardbred Sires Stake Day at Northlands and the Quarterhorse Canada Cup at the Rocky Mountain Turf Club had tremendous turnouts.

Perhaps most satisfying of all are the individual stories of the hundreds of men and women who find happiness and fulfillment working in Alberta's horse racing industry. They are the everyday winners that drive us in our pursuit of a healthy, thriving and viable industry.

Shirley McClellan
HRA Board Chair (to June, 2011)

Peter Bidlock
Interim HRA Board Chair (July-December, 2011)

Governance

HRA is governed by 14 directors, one of whom is Chair.

An organizational review in 2011 helped better align HRA's administrative structure, processes and systems with the organization's mandate, strategic direction and business plan. A number of changes to bylaws, policies and procedures were made and approved by the Board as a result of the review.

The review reinforced the findings of a 2010 governance assessment which stressed the need to have clear separation between governance and administration. In June, Shirley McClellan resigned as Board Chair to take on the duties of CEO. Vice-chair Peter Bidlock assumed the role as interim Chair until the end of the year.

On December 8, 2011, Rick LeLacheur was appointed to head HRA as Chair for three years beginning January 1, 2012. Mr. LeLacheur has a wealth of business experience and community involvement in economic development, tourism and sports management. From 2003, Rick served as President, CEO and COO of the Edmonton Eskimos Football Club. His leadership roles in the community have included Managing Director of the 2002 Grey Cup, President and CEO of the Edmonton 2001 World Championships in Athletics and President and CEO of Economic Development Edmonton. His Board Director experience includes stints with TELUS, Prairie Land Corporation, WCB Alberta and Travel Alberta.

His ties to horse racing and breeding in Alberta are strong. His father Jim LeLacheur was a partner in Western Standard Bred Farms, sat on the board of the Canadian Trotting Association and served on the Alberta Racing Commission for many years.

The first organized horse race in Alberta took place more than 100 years ago in 1905.

2011 Board of Directors

(as at December 31, 2011)

Peter Bidlock	Interim Chair and public member
Bob Giffin	Vice-chair and Horsemen's Benevolent and Protective Association representative
Norm Kennedy	Alberta Standardbred Horse Association representative
Bill Andrew	(resigned December, 2011) Alberta Standardbred Horse Association representative
Howard Dixon	Other breeds representative
David Chalack	"A" track representative
Chris Roberts	"A" track representative
Max Gibb	"B" track representative
Dale Leschiutta	Public member
John Brennan	Public member
Gordon Wilson	Canadian Thoroughbred Horse Society representative
Gill Hermanns	Alberta Gaming and Liquor Control representative (non-voting)
Jamie Curran	Alberta Agriculture and Rural Development representative (non-voting)
Shirley McClellan	CEO (non-voting)

2011 Committee Chairs

David Chalack	Governance Committee
Gordon Wilson	Breed Improvement Committee
John Brennan	Audit and Finance Committee
Peter Bidlock	Sustainable Business Committee
Howard Dixon	Regulatory and Licensing Committee



Operations

As predicted, revenues declined again in 2011 but not as much as expected. There were other hopeful signs that the industry may be stabilizing.

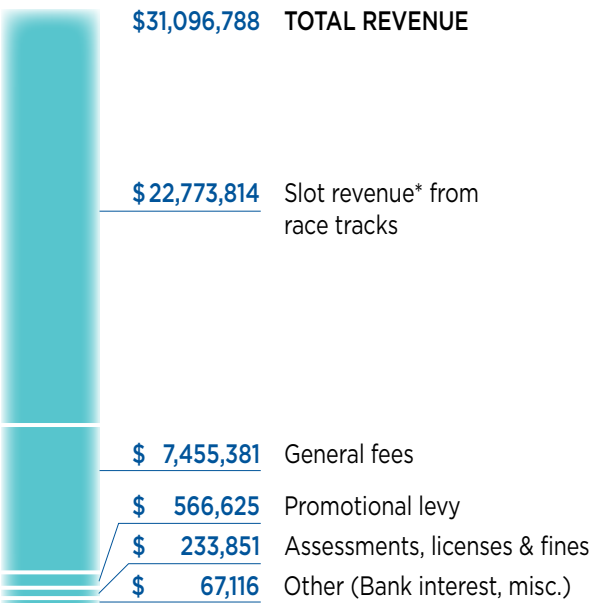
The Thoroughbred handle was up one percent to \$111.7M and slot revenue from Evergreen Park in Grande Prairie rose by 7.7% (\$335,000) from 2010. Foreign simulcast betting was also up slightly.

Overall, the year's \$149.4M handle declined by 1.5% over 2010. Both live and Alberta simulcast wagering were down again but HRA hopes to supplement these income sources with the addition of a new wagering tele and on-line option that would keep more local track betting revenue in Alberta. Negotiations were underway during the year with a consortium of organizations to put this in place in 2012.

Slots continue to be the main revenue driver for HRA, representing 73% of the organization's budget. HRA's portion of the slot revenue declined by 4.4% over 2010, resulting in an income drop of \$1.1M in 2011.

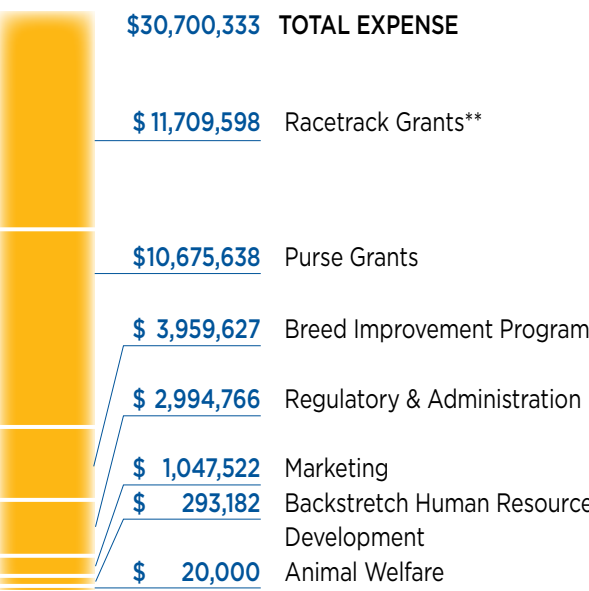
The reduced revenue had a significant impact on operations. Purse and racetracks grants were reduced by 2.6%. All departmental budgets were cut except the lifeblood of the racetrack: backstretch human resource development. HRA considers the development and retention of jockeys, grooms and other backstretch people to be a key to the industry's success. Marketing investment was redirected to a previously successful 'The Horses' branding strategy in an effort to help track operators recapture fans, and attract new ones.

Where the Money Came From 2011



* Represents 51.66% of total slot revenue. The remainder goes to Racing Entertainment Centres and the Government of Alberta.

Where the Money Went 2011

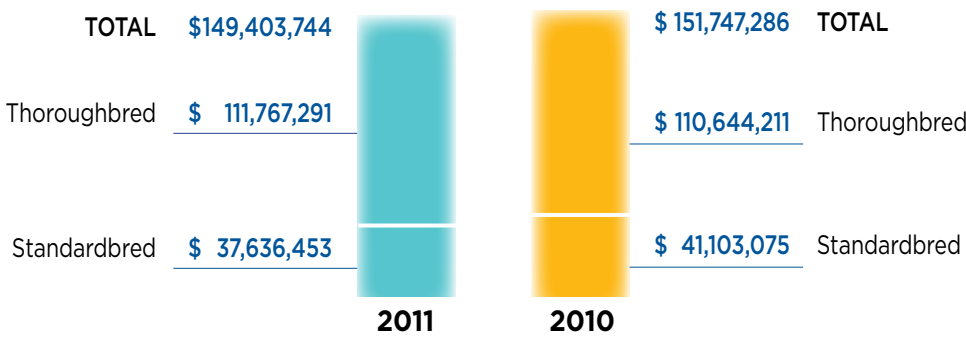


** Racetrack grants are comprised of a percentage of Racing Entertainment Centres revenue, pari-mutuel handle and additional industry support through emerging projects and programs.

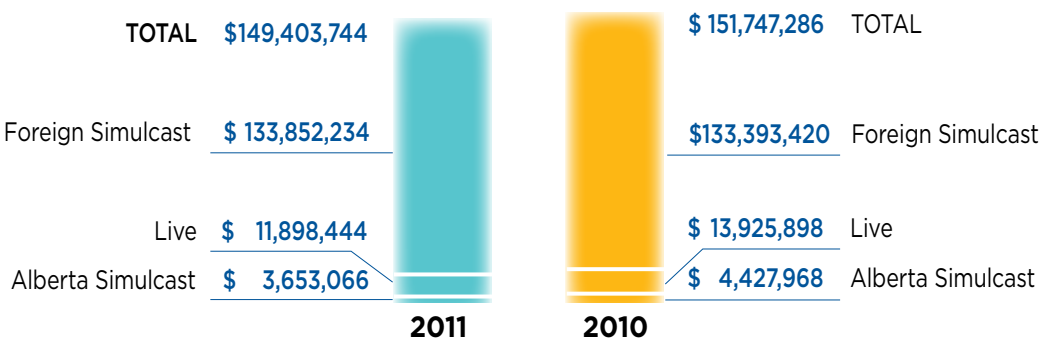


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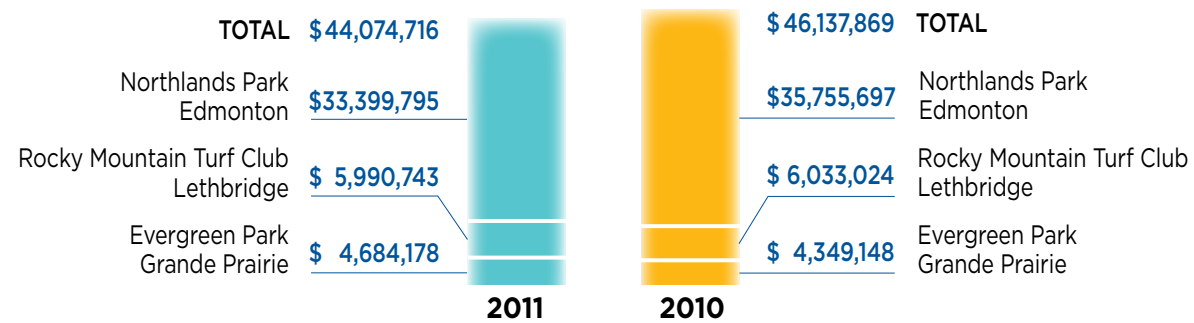
Handle (by breed)



Handle (by type)

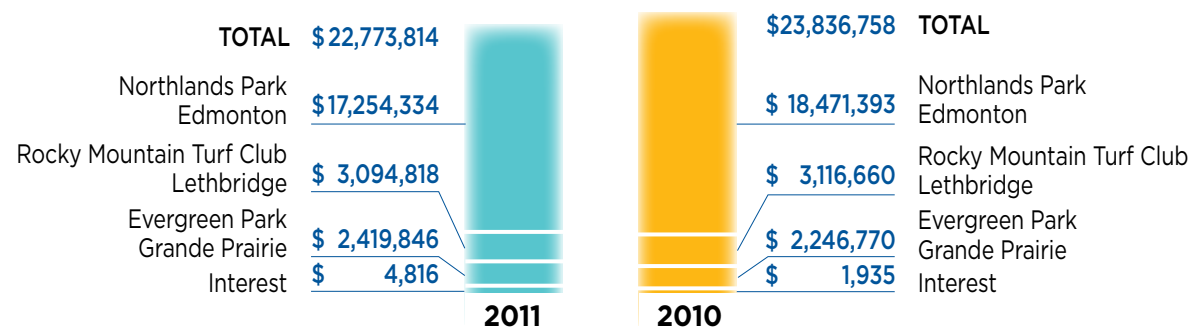


Slot Revenue: From Racing Entertainment Centres



Under a 2002 Government of Alberta agreement called the Racing Industry Renewal Initiative HRA receives 51.66% of all slot revenue. In 2011, this amounted to \$22.77 million. The Alberta Lottery Fund took in \$14.69 million (33.33%) while Racing Entertainment Centre operators retained 15% or \$6.61 million.

Slot Revenue: HRA's Portion



Regulatory and Appeals

The integrity and objectivity of judges and stewards at race tracks is encouraged and enhanced by the existence of the Appeals Tribunal.

Racing participants can appeal any decision of a judge or steward to the quasi-judicial Tribunal and know they will get an impartial, objective hearing. Its authority is entrenched in the Horse Racing Alberta Act and its members are appointed by Alberta's Solicitor General and Minister of Public Security. 2011 Appeals Tribunal members were Dr. Maggie Fulford (Chair), Gordon Graydon and Kelly Budge.

Judges and stewards made 165 rulings in 2011, 27% fewer than the year before. Only one was appealed.

HRA is a net contributor to the Alberta Government, contributing more than \$30 million in slot revenue to the Alberta Lottery Fund in the last two years.

Summary of 2011 Rulings

	Rulings	Race Day	% Per Day
Thoroughbred Stewards	73	71	1.0
Standardbred Judges	54	112	.48
Community Circuit Judges and Stewards	38	68	.56
TOTAL	165	251	.66

Appeals Heard in 2011

Thoroughbred:

Ruling # 6, May 8, 2011

Issue - appealed Stewards' decision of disqualification
Decision - decision upheld and appeal dismissed

Standardbred:

Appeal filed August 20, 2010

Issue - appealed exclusion from August 8, 2010 race
Decision - appeal dismissed

Community Circuit "B"

Appeal filed September 14, 2010

Issue - appealed eligibility of competing starters
Decision - appeal dismissed



Freedoms Traveller Becomes a Star

Freedoms Traveller, a three year old grey gelding bred in Alberta, has had a remarkable career so far. The Thoroughbred only once has finished worse than third on his way to \$238,100 in career earnings. After winning the Ky Alta in style, Freedoms Traveller was entered into the 2011 Canadian Derby.

It would turn out that he would be the lone Alberta-bred horse to run. Although not the favourite, Freedoms Traveller won the Derby too in convincing fashion, finishing an emotional chapter in the lives of owners Randy and Donna Feddema of Carstairs and trainer Lianne Knechtel. The following August 20, 2011 Edmonton Sun story by Terry Jones is reprinted with permission.

Grandstandin' at the Derby

by Terry Jones

They sat in the main grandstand with all the other regular folks. "The lady beside me was holding her ears, I was screaming so loud," said trainer Lianne Knechtel. "I just about jumped on her lap."

Freedoms Traveller won the Canadian Derby for her and owner Randy and Donna Feddema Saturday at Northlands Park. And they looked like three two-dollar bettors gone berserk.

"She sat two seats from me," said Donna. "She was grabbing me screaming 'We won! We won!' I don't know what happened after that."

Owners of a horse in a \$300,000 stakes race in the richest race west of Woodbine and sitting in the grandstands instead of the clubhouse with the other owners? "We're just common, ordinary working people," said Donna.

But there was nothing plain or ordinary about what happened to them Saturday. "This is heaven. This is unbelievable," she enthused. "To see that little guy as a baby ... when he's been sick. Now he's three-years-old and look what he did! And we bred him! He's our baby!"

And that's the story here as Freedoms Traveller completed a third straight return to the way it used to be for the Canadian Derby, once again putting about 10,000 people into the place to once again bet more than a million dollars. This time \$1,064,438, \$254,419 on the Derby itself.

Freedoms Traveller won one for the industry in the province at a time when horse racing's future on any other day than Derby day looks bleak.

"This means everything for horse racing in Western Canada," said Knechtel. "This horse was bred right here. Randy and Donna are special owners and they've shown people it can be done," said the trainer of 20 years who used to be a jockey riding the B circuit and quarter horses in the Pacific Northwest of the US.

Randy and Donna met in a Calgary bar in 1978. "I was working as a waitress at the Beacon Hotel," she reported. Randy, who looked like he rode in off the range for the Derby Saturday, works as a supervisor for PCL and actually rode in from building the gas plant at Kearl Lake near Fort McMurray.

"My husband was an avid horse bettor," she said of how a woman who had never frequented a race track ended up in the winner's circle. "One day he thought maybe he'd like to buy a horse." That horse broke a leg on the final turn of its first race in Great Falls, Montana. Instead of quitting, he got the idea they needed to buy a three-year-old.

"He couldn't run because he had a foot injury," said Donna of Peacenfreedom. Again they didn't quit. "We decided to make him a sire. So we bought some mares." Peacenfreedom is Freedoms Travellers father. "He's a fabulous stallion," she said. "This stud produces good babies."

And Donna has been a fabulous partner in all this, said Randy. "She gave up so much to hang in there to let us give it a go, to at least give it a try," he said of his wife of 30 years.

"The money means a lot," said Donna of the first place \$180,000. "We've had to watch our pennies."

The win was for a lot of people, but two in particular. "I had an uncle who was a jockey from 1949 to 1960 named Jack Foiser. I'd talk horse racing with him for hours. He died three years ago," said Randy.

But most of all it was for Barry Brown, the head trainer who Knechtel worked with until he lost a battle with cancer last year. "They fit together," she said. "The horse knew him and he knew the horse."

"Barry and I always worked together," said Knechtel. "I did what he did." Knechtel is a pretty special woman herself, the kind of person everybody wanted to hug when it was over. "I've had so much support on the backstretch. This tops it all, without a doubt."

Keith Clark has Banner Year



Alberta's Keith Clark (left) winning Standardbred Canada's O'Brien Award for Horsemanship in 2011. Standardbred Canada director Richard Veilleux made the presentation.

Canadian Horse Racing Hall of Fame driver and trainer Keith Clark of De Winton was the winner of the prestigious 2011 O'Brien Award for Horsemanship. It marked the second time he has won the national award from Standardbred Canada.

The 2011 season marked the sixth consecutive year Clark surpassed the \$1 million mark in earnings as a trainer. A double threat, Clark sent out 177 winners but also drove for 167 wins and more than \$1 million. It was the seventh straight season he earned more than \$1 million as a driver.

Clark was both the leading trainer and leading driver at Alberta Downs and Northlands Park. He was the leading trainer at Fraser Downs in Surrey, BC. In addition to the O'Brien Award, Clark was named the 2011 Trainer and Driver of the Year by the Alberta Standardbred Horse Association (ASHA). Three of his stable - Prairie Illusion, Minettas Nightstar and Western Olympian - all won ASHA horse honors.

Industry and Government Relations

In September of 2011, HRA brought together a cross-section of owners, trainers, track managers, government officials and backstretch people to discuss the future of Alberta's horse racing and breeding industry.

In going forward, the nearly 90 people in attendance identified stability and certainty, transparency, and a Calgary racetrack as top priorities.

The HRA Board met soon after to review all input and take action. The implementation of a multi-year communications plan approved in 2011 has already paid dividends towards transparency, particularly with the creation of a distinct, regulatory-based website. A move to more stability and certainty was addressed in part by confirming blocks of racing dates for

It is estimated a new 'A' track in Calgary will create hundreds of jobs and generate hundreds of millions of dollars in economic benefits for Alberta.

2012 in 2011. The opening of a Calgary-based racetrack remained in limbo at the end of 2011 but there was some optimism that the project will be positively advanced in 2012.

The high priorities along with a call from stakeholders to address current realities and eliminate uncertainties were the focus of discussions in HRA's business planning sessions. The 2012-2014 plan, approved in the fall of 2011, responded to stakeholders by setting realistic expectations and making fact-based assumptions.

The HRA business plan predicts modest growth for the next three years with equally modest purse grant increases. A major end goal of the business plan is to sustain the infrastructure needed for economic growth, stability and a successful breeding and racing industry.

A huge crowd turned out for the 2011 Canadian Derby held at Northlands in Edmonton.



Race Track Licensing and Purses

Alberta Purses

	HRA Grant		Industry Contribution		Total Purses	
	2011	2010	2011	2010	2011	2010
Thoroughbred	\$4,769,317	\$4,653,750	\$3,354,762	\$4,584,759	\$8,124,079	\$9,238,509
Standardbred	3,551,783	3,967,700	1,880,886	2,060,200	5,432,669	6,027,900
Community Circuit	2,354,538	2,543,732	189,826	340,247	2,544,364	2,883,979
Totals	\$10,675,638	\$11,165,182	\$5,425,474	\$6,985,206	\$16,101,112	\$18,150,388
Breed Improvement Program contribution					3,348,378	3,861,940
Total Alberta Purses					\$19,449,490	\$22,012,328

Industry Contributions to Alberta Purses - 2011

	Northlands (Edmonton)	Rocky MountainTurf Club (Lethbridge)	Evergreen Park (Grande Prairie)	Totals
Thoroughbred	\$3,354,762			\$3,354,762
Standardbred	1,880,886			1,880,886
Community Circuit		153,326	36,500	189,826
Totals	\$5,217,179	\$153,326	\$36,500	\$5,425,474



Marketing

A third consecutive year of budget constraints forced the industry to make more tough decisions on where to allocate limited marketing dollars.

In 2010, dollar allocations were cut to the branding campaign to allow industry to execute some different initiatives in the marketplace. After a careful look at the end results, it was clear industry needed to return to the previous branding strategy in 2011.

Investment in promoting the brand “The Horses” performed well on behalf of the horse racing and breeding industry. Research showed the campaign is doing its primary job of increasing awareness, changing perceptions and getting people to see horse racing as a significant, entertainment option.

HRA increased its commitment to all Alberta racetracks and horsemen to help market live racing/special event programs in order to drive attendance and live handle. Additional funds were made available to tracks based on performance criteria such as brand management, customer service and innovative incentives. The co-op program will be increased again in 2012.

The prestigious Canadian Derby was showcased on CTV (Alberta, Saskatchewan, and British Columbia) in 2011. HRA believes

strongly that a prerequisite for increasing the awareness and popularity of horse racing, as both sport and entertainment, is to place horse racing prominently in the various media including television. A nationwide telephone betting incentive was tied to the television product.

HRA continued a Public Service Announcement (PSA) campaign to assist Albertans in understanding the contribution and economic impact of the industry across the province. The PSAs re-enforced that the industry primarily earns its money through slot machines and contributes significantly to the Alberta Lottery Fund.

At the 2011 World Trotting Conference the touching Gordon Rumpel television feature, *A Special Lady* was recognized for Best Television Program/ Documentary worldwide.

The 2011 Canadian Derby Telecast was a finalist in the Broadcasting Category for the annual Canadian Thoroughbred Sovereign Awards.

HRA and Northlands Park ended their joint industry website in 2011 in the best interests of all parties. HRA moved the tone and direction of the revamped site to a regulatory website that better reflects the roles and responsibilities HRA plays in the industry.

Human Resource Development and Welfare

In 2011, HRA continued to support many education and support programs for the hundreds of people employed as grooms, exercise riders, jockeys and others at racetracks. The Learning Centre on the backstretch at Northlands Park saw 2,887 visits with services ranging from language training to high school upgrading.

HRA acted as a third party representative for trainers and owners, submitting 40 applications for the 2012 racing season to Service Canada for 107 foreign workers. Thirteen people graduated from the racetrack education program co-sponsored by Olds College and HRA. Seven of the students completed groom school and six completed the exercise rider courses.

The unique program at Olds College provides 15 weeks of instruction to those wishing to make a career of working in the horse racing industry as grooms, exercise riders or jockeys. Graduates of the program have gone on to work at race tracks or at horse training and breeding facilities throughout North America.

The Backstretch Chaplaincy, led by Chaplain Jim Haggan, provides a variety of services to backstretch employees who are in need. This includes counseling those who suffer from substance abuse, spiritual support to the sick, injured and bereaved, and organizing social events to create a sense of community.

A highlight of the year was the first Canadian Derby gala for backstretch staff. The fundraising event's live and silent auction raised \$25,000 thanks in part to the special appearance of Hall of Fame jockey Mike Smith.

A fundraising event during the Canadian Derby in support of backstretch people in need raised \$25,000.



Animal Welfare

Regular testing of horses prior to or immediately after a race is one of the ways HRA ensures the health and welfare of animals used in competition. In 2011, 3,833 drug tests for medication abuse and 1,244 tests for Total Carbon Dioxide (TCO₂) were conducted. Almost all of the tests were negative, indicating the purity of the sport and the importance horsemen place on the welfare of animals in their care.

Following the success of its introduction in 2010, out-of-competition testing throughout Alberta's racetracks continued in 2011. The tests are aimed at detecting prohibited substances, mainly blood-doping agents that cannot be detected in post-race tests but can have a lengthy positive effect upon a horse's performance.

Animal Testing - 2011

	Medication		TCO ₂	
	Tests	Positives	Tests	Postitives
Thoroughbred	1,412	0	621	0
Standardbred	1,753	3	526	0
Community Circuit	668	2	97	0
Totals	3,833	5	1,244	0

Breeding

Average Yearling Sale Prices

	2011	2010
Thoroughbred	\$8,469	\$5,389
Standardbred	\$6,242	\$5,804
Quarter Horse	\$4,040	\$3,538

Breed Improvement Program
2011 Investments

	2011	2010
Thoroughbred	\$2,253,628	\$2,517,945
Standardbred	\$1,266,000	1,526,341
Quarter Horse	\$439,999	\$499,431
Total	\$3,959,627	\$4,543,717

2011 Award Winners

Sovereign Award Winners



Owner of the Year

Donna and Vern Dubinsky, owners of Donver Stables located in Strathcona County near Sherwood Park tied for the prestigious title of 2011 Sovereign Award Owner of the Year. David Willmot, Chairman of Woodbine Entertainment Group (left) presented the award to Mr. and Mrs. Dubinsky.



Champion Three-Year-Old Male

Pender Harbour, a gelding co-owned by Bob and Roberta Giffin, Sandra Lazaruk and Denny Andrews, won Champion Three-Year-Old honours at the 2011 Sovereign Awards. Frank Di Giulio, a steward with the Jockey Club of Canada (left), presented the award to Ms. Lazaruk (second from left), and Mr. and Mrs. Giffin.

Alberta Standardbred Association

Award Category	Sponsor/Trophy	Winner
Two Year Old Filly	Tru -West Company LTD	Prairie Illusion
Two Year Old Alberta Sired Filly	Form Vu Corporation	Blue Star Beauty
Two Year Old Alberta Sired Colt/Gelding	Skywest Farms	Wrangler Betonme
Three Year Old Filly	Olds Ag Society	Shoplifter Hanover
Three Year Old Alberta Sired Filly	Perky In Pink	Minettas Nightstar
Three Year Old Colt	Joe Tinelli-Mobile Insurance	Western Olympian
Three Year Old Alberta Sired Colt	Alfa Tec Products	Silver Eagle
Champion Aged Mare	Lacombe Fire Dept	With Bells On
Champion Aged Horse	Alberta Downs	All Canadian MJJZ
Champion Claimer-Mare	Schanks Athletic Clubs	Baby You Save Me
Champion Claimer-Horse	Boston Pizza	Greek Ruler
Groom of the Year	Raceway Tack	Todd Ducharme
Trainer of the Year -Under 200 Starts	Gunnholme Farms	Connie Kolthammer
Driver of the Year -Under 200 Starts	Tim Kane, Harvey & Ann Jaegar	Bobby Clark
Trainer of the Year	Univet Pharmaceuticals	Keith Clark
Driver of the Year	Rocky Mountain Turf Club	Keith Clark
Breeder of the Year	Bedrock Training Center	Meridian Farms
Owner of the Year	Standardbred Canada	Outlaw Stable
Horseman of the Year	Northlands Park	(Tie) Keith Clark & Connie Kolthammer
Breeders Award of Recognition	ASHA	William (Bill) Zaretsky
Ron McLeod Award of Achievement	ASHA	Norm Kennedy
Horse of the Year	Horse Racing Alberta	Silver Eagle

2011 Award Winners

continued

Alberta Thoroughbred Association

Category	Sponsor/Trophy	Winner
Champion Claimer	H.B.P.A. Trophy	Inca Beauty
Champion Sprinter	Schanks International Trophy	Salt Flat Speed
Champion Two Year Old Filly	Roy McLellan Trophy	Claresmiezie
Champion Two Year Old Colt	Rocky Mountain Turf Club Trophy	Dougs Buddy
Champion Three Year Old Filly	Paddockhurst Stables Trophy	Embellished
Champion Three Year Old Colt	Galileo Equine Insurance Trophy	Freedoms Traveller
Champion Older Mare	Moore And Company Trophy	Notoriously
Champion Older Horse	Northlands Park Trophy	Footprint
Horse Of The Year	Horse Racing Alberta Trophy	Freedoms Traveller
Leading Jockey	Lou Davies Memorial Trophy	Rico Walcott
Leading Breeder	C.T.H.S. Trophy	Bar None Ranches Ltd.
Leading Trainer	H.B.P.A. Trophy	Joan Petrowski
Champion Alberta-Bred	Ted Connor Trophy	Hollywood Dreams
Horse Person Of The Year	Ken Cohoe Trophy	Bob Giffin
Leading Owner	Jockey Club Of Canada Trophy	Bar None Ranches Ltd.

Alberta Community Thoroughbred Racing Association

Category	Winner
Alberta Bred 2 Year Old Filly	Dippers Appeal
Alberta Bred 2 Year Old Male	Wisewood Bobbie
Alberta Bred 3 Year Old Filly and Champion Female	Laine and Chase
Alberta Bred 3 Year Old Male and Champion Male	Coast To Coast Bob
Alberta Bred Older Female	Mistress Bell
Alberta Bred Older Male	Nomanisanisland
Alberta Bred Aged Mare and ACTRA Older Female	Lot A Smoke
Alberta Bred Aged Male	Blazshotthebutler
Alberta Breeder	Bar None Ranches Ltd.
RMTC Spring Meet Leading Trainer	Lyle Magnuson
RMTC Spring Meet Leading Jockey	Nate Smith
Grande Prairie Leading Trainer	Tom Rycroft
Grande Prairie Leading Jockey	Larris Allen
Lethbridge Fall Meet Leading Trainer	Pete Dubois
Lethbridge Fall Meet Leading Jockey	Scott Sterr
Trainer Of The Year	Lyle Magnuson
Jockey Of The Year	Nate Smith
Apprentice Jockey Of The Year	Amie Pooli
ACTRA Champion Horse Of The Year	Chick Power
Outstanding Horse Person	Scott Sterr

Horse Racing Alberta Financial Statements

Year ended December 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Members of Horse Racing Alberta

We have audited the accompanying financial statements of Horse Racing Alberta, which comprise the statement of financial position as at December 31, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Horse Racing Alberta as at December 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

April 26, 2012

Edmonton, Canada

STATEMENT OF FINANCIAL POSITION

December 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 168,134	\$ 264,326
Accounts receivable	1,024,790	1,223,271
Receivable from the Province of Alberta (note 3)	1,858,386	1,686,372
Prepaid expenses and deposits	56,051	47,897
Current portion of loan receivable (note 4)	104,810	102,087
	3,212,171	3,323,953
Loan receivable (note 4)	460,068	496,819
Capital assets (note 5)	30,549	44,977
	\$3,702,788	\$3,865,749

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 505,340	\$ 586,406
Racetrack grants payable	2,377,265	2,855,615
	2,882,605	3,442,021
Net assets:		
Invested in capital assets	30,549	44,977
Unrestricted	789,634	378,751
	820,183	423,728
Commitments (note 8)		
	\$3,702,788	\$3,865,749

See accompanying notes to financial statements.

On behalf of the Board:

Chair of the Board

Chair of the Audit and Finance Committee

STATEMENT OF OPERATIONS

Year ended December 31, 2011, with comparative figures for 2010

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue:			
General fees	\$ 7,941,290	\$ 8,022,006	\$ 8,163,335
Racing Industry Renewal Initiative revenues (note 3)	23,718,198	22,773,814	23,836,758
Other racing revenues	266,755	233,851	250,724
Interest and other revenues	55,000	67,117	141,298
	31,981,243	31,096,788	32,392,115
Expenses:			
Purse Support Grants:			
Thoroughbred	4,769,317	4,769,317	4,653,750
Standardbred	3,551,783	3,551,783	3,967,700
Community	2,396,466	2,354,538	2,543,732
	10,717,566	10,675,638	11,165,182
Breed Improvement Program:			
Thoroughbred	2,294,000	2,253,628	2,517,945
Standardbred	1,266,000	1,266,000	1,526,431
Community	440,000	439,999	499,341
	4,000,000	3,959,627	4,543,717
	14,717,566	14,635,265	15,708,899
Racetrack Grants (Schedule A)	11,914,580	11,484,598	11,823,389
Marketing and Promotion (Schedule B)	1,350,000	1,047,522	1,148,234
Regulatory and Administration (Schedule C)	3,179,855	2,994,766	3,309,160
Human resource development	300,000	293,182	259,182
Animal welfare	33,400	20,000	20,122
Emerging projects and programs	318,812	225,000	7,180
	17,096,647	16,065,068	16,567,267
	31,814,213	30,700,333	32,276,166
Excess of revenue over expenses	\$ 167,030	\$ 396,455	\$ 115,949

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2011, with comparative figures for 2010

	2011		2010	
	Invested in capital assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 44,977	\$ 378,751	\$ 423,728	\$ 307,779
Excess (deficiency) of revenue over expenses	(14,428)	410,883	396,455	115,949
Balance, end of year	\$30,549	\$789,634	\$820,183	\$423,728

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash flows from operating activities:		
Cash received:		
General fees	\$ 8,220,487	\$ 9,155,043
Racing Industry Renewal Initiative	22,601,800	23,745,140
Other racing revenue	233,851	250,724
Other revenue	21,567	93,232
ASHA and HBPA Simulcast - Calgary Area	-	293,410
Cash paid:		
Purse support grants	(10,675,638)	(11,165,182)
Breed improvement program	(3,959,627)	(4,543,717)
Racetrack grants	(11,962,948)	(14,592,915)
Marketing and promotion	(1,047,522)	(1,148,234)
Regulatory and administration	(3,039,980)	(3,857,942)
Other operating expenses	(538,182)	(286,484)
Contributions to ASHA and HBPA Purse	-	(866,820)
	(146,192)	(2,923,745)
Cash flows from investing activities:		
Repayment of loans receivable	50,000	2,550,000
Purchase of capital assets	-	(7,154)
	50,000	2,542,846
Net decrease in cash	(96,192)	(380,899)
Cash, beginning of year	264,326	645,225
Cash, end of year	\$ 168,134	\$ 264,326

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2011

1. Authority and purpose of the Corporation:

Horse Racing Alberta (the "Corporation") was created as a Provincial Corporation on June 25, 2002 by the Horse Racing Alberta Act, Chapter H-11.3, Revised Statutes of Alberta, 2000. The Corporation is a non-profit organization as defined in Section 149(1)(l) of the Income Tax Act and is exempt from income taxes. The Corporation is responsible for the regulation of the horse racing industry in the Province in any or all of its forms, and for the facilitation of long-term racing industry renewal.

2. Significant accounting policies:*(a) Capital assets:*

Capital assets are recorded at cost. Capital assets are amortized on the straight-line basis over their estimated useful lives as follows:

Asset	Rate
Office equipment and furniture	3-10 years
Computer hardware and software	3 years
Leasehold improvements	Term of lease

(b) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions. Unrestricted contributions are recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions and interest earned thereon are recognized as revenue in the year in which the related expenses are incurred.

General fees, other interest on unrestricted funds and other revenue are recognized as revenue when earned and collection is reasonably assured.

(c) Financial instruments:

Financial instruments are initially recorded at fair value.

The Corporation has designated cash as a held-for-trading financial asset. All other financial assets are classified as loans and receivables. All liabilities are classified as other financial liabilities.

Transaction costs are recognized immediately in the statement of operations. Financial instruments are recorded on a trade date basis. The Corporation has elected to exclude the application of Section 3855 of the CICA Handbook for contracts to buy or sell non-financial items and embedded derivatives within these contracts and for embedded derivatives within lease and insurance contracts.

The fair values of the Corporation's financial instruments do not differ significantly from their carrying values unless otherwise noted.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended December 31, 2011

(d) Risk management and fair value:

The risks that arise from transacting financial instruments include credit risk, liquidity risk, and price risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices. The Corporation does not use derivative financial instruments to alter the effects of these risks. The Corporation manages these risks through the use of prudent risk management policies and practices.

Changes in interest rates and credit ratings are the main cause of change in the fair value of Corporation's loans and receivables resulting in a favourable or unfavourable variance compared to book value. Credit risk is mitigated by dealing with counterparties that it believes are creditworthy. Accounts receivable are concentrated with parties in the horse racing industry. Interest rate risk effecting cash flow is mitigated by using fixed rates and payment frequency.

(e) Capital management:

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide service to stakeholders, including its members, to continue to promote and assist in the development of horse racing in Alberta.

The Corporation sets out the sufficiency of capital to maintain the service needs of the stakeholders and makes adjustments to its budget to respond to potential changes in economic conditions. In order to maintain a sufficient capital structure, management looks forward to future needs and will recommend increased fees or decrease in program and grant expenditures.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended December 31, 2011

3. Receivable from the Province of Alberta and deferred revenue:

Flow-through amounts represent resources received and receivable from the Province of Alberta which are subject to external restrictions as follows:

	2011	2010
Deferred revenue, beginning of year	\$ -	\$ -
Flow-through amounts from the Province of Alberta during the year	22,768,998	23,834,823
Interest received on deferred revenue	4,816	1,935
Amount recognized as Racing Industry Renewal Initiative revenues in the year	(22,773,814)	(23,836,758)
Deferred revenue, end of year	\$ -	\$ -

The Corporation has an agreement with the Province of Alberta, as represented by the Minister of Finance, to assist in long-term industry renewal with monies derived from the flow-through portion of net revenue from electronic gaming terminals at licensed horse racing tracks. This agreement expires March 31, 2016.

The receivable from the Province of Alberta at December 31, 2011 is \$1,858,386 (2010 - \$1,686,372).

4. Loan receivable:

	2011	2010
Grande Prairie Regional Agricultural & Exhibition Society, non-interest bearing, unsecured, maturing December 31, 2016 (face value of \$700,000 less \$135,122 discount using an 8% interest rate) (2010 - face value of \$750,000 less \$151,094 discount using an 8% interest rate)	\$ 564,878	\$ 598,906
Less current portion	104,810	102,087
	\$ 460,068	\$ 496,819

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended December 31, 2011

4. Loan receivable (continued):

The Corporation approved an amendment to the loan agreement regarding repayments based on a sliding scale contingent on Evergreen Park slot revenue performance in 2011. The 2011 principal repayment of \$150,000 was reduced to \$50,000 based on this sliding scale. Due to the change, the fair value of the loan decreased by \$29,576 which was recognized as a fair value remeasurement expense. Interest revenue includes \$45,550 (2010 - \$48,066) related to the amortization of the fair value discount.

The principal receivable less fair value discount for each of the next five years is as follows:

	Total receivable	Unamortized discount	Principal due
2012	\$ 150,000	\$ 45,190	\$104,810
2013	150,000	36,805	113,195
2014	150,000	27,750	122,250
2015	150,000	17,970	132,030
2016	100,000	7,407	92,593
	\$700,000	\$135,122	\$564,878

The Corporation has committed to advance \$500,000 for Phase 2 of Grande Prairie's grandstand project.

The principal amount of a secured note from United Horsemen of Alberta Inc. was repaid during 2010. Accrued interest of \$316,667 was not collected and was recorded as a loss on settlement of loan receivable in 2010.

5. Capital assets:

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Office equipment and furniture	\$188,977	\$162,995	\$25,982	\$35,826
Computer hardware and software	76,308	74,769	1,539	4,317
Leasehold improvements	18,058	15,030	3,028	4,834
	\$283,343	\$252,794	\$30,549	\$44,977

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended December 31, 2011

6. Licensing:

A ten year provisional license was issued to United Horseman of Alberta Inc. for the Calgary area which expires on December 31, 2016.

A one year conditional race track license was granted to Alberta Downs Horse Racing for the Lacombe area effective March 1, 2011 and in November, 2011 a further six month extension was granted.

7. Compensation:

	Positions	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3)	2011 Total	2010 Total
Chair	0.4	\$ 87,500	\$23,423	\$ 8,167	\$ 119,090	\$ 226,197
Acting Chair (4)	0.6	-	18,400	-	18,400	-
CEO (5)	0.6	122,500	-	12,588	135,088	-
COO (6)	-	-	-	708	708	172,032
CFO	1.0	150,041	-	14,487	164,528	137,030
Board of Directors	7.4	-	40,600	-	40,600	53,120
Managers:						
Racetrack and administration	3.0	259,613	16,073	16,938	292,624	304,477
Non-managers:						
Racetrack	15.0	626,357	-	76,943	703,300	710,816
Administration	3.0	95,508	-	23,551	119,059	151,062
	31.0	\$1,341,519	\$ 98,496	\$ 153,382	\$ 1,593,397	\$ 1,754,734

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses, vacation payments, honoraria, overtime and lump sum payments including severance.

(3) Other non-cash benefits include the Corporation's share of all employee benefits and contributions made on behalf of the employees including health and dental, life, accidental death & dismemberment, weekly indemnity and long term disability insurances, CPP and EI contributions, WCB, car allowances and RRSP contributions.

(4) An Acting Chair was appointed by the Board effective June 1, 2011. A new, permanent Chair was elected by the Board on November 26, 2011, effective January 1, 2012.

(5) Effective June 1, 2011 the position of Chief Executive Officer was filled by the former Chair.

(6) The Chief Operating Officer ceased employment December 31, 2010, with health benefits continued until January 31, 2011. The Chair was Acting COO from January 1, 2011 to May 31, 2011 however no additional compensation was paid.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended December 31, 2011

8. Commitments:

The Corporation rents office premises in Edmonton, expiring March 31, 2013 and in Calgary, expiring December 31, 2012. The Corporation is responsible for its proportionate share of property taxes and building operating costs for the leased premises. The Corporation also has automotive and office equipment under operating leases through to 2014 as well as a regulatory contract with Teleview Racing Patrol of Canada through to March 2016.

Annual payments are as follows:

2012	\$ 463,368
2013	295,102
2014	237,202
2015	233,397
2016	13,981
	\$ 1,243,050

9. Trust funds:

The Corporation collects and disburses trust funds related to the simulcast handle in the Calgary market area on behalf of Alberta Standardbred Horse Association (ASHA) and Horsemen's Benevolent Protective Association of Alberta (HBPA).

At December 31, 2011 the Corporation held \$110,916 (2010 - \$90,049) of cash in trust for ASHA under a one year agreement effective January 1, 2010 between Rocky Mountain Turf Club (RMTC), ASHA and the Corporation. The funds are disbursed at the sole discretion of ASHA. The agreement was renewed in 2011 and can be renewed for 2012 on the same terms.

An agreement effective May 1, 2010 between RMTC, HBPA and the Corporation directed that funds previously remitted by RMTC to the Corporation now be remitted directly to HBPA. The agreement was renewed in 2011 and can be renewed for 2012 on the same terms.

10. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.

SCHEDULE A - RACETRACK GRANTS

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010
Northlands Park	\$ 9,186,594	\$ 8,600,447	\$ 9,296,481
Rocky Mountain Turf Club	1,114,611	1,098,103	1,155,057
Lacombe	1,040,000	1,040,000	503,117
Grande Prairie Regional Agricultural & Exhibition Society	553,375	726,048	798,734
Millarville	20,000	20,000	20,000
Alberta racetrack capital fund grants	-	-	50,000
	\$11,914,580	\$11,484,598	\$11,823,389

SCHEDULE B - MARKETING AND PROMOTION

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010
Direct marketing and promotion	\$ 500,000	\$ 519,945	\$ 281,509
Internal and other marketing initiatives	710,000	386,175	467,856
Live race broadcasting	140,000	141,402	398,869
	\$ 1,350,000	\$ 1,047,522	\$ 1,148,234

SCHEDULE C – REGULATORY AND ADMINISTRATIVE

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010
Compensation (note 7)	\$ 1,758,638	\$ 1,593,397	\$ 1,754,734
Contractors	258,655	229,562	241,937
Photo finish and video patrol	250,000	219,416	-
Office rent and operating costs	211,635	204,027	205,471
Travel	214,400	200,187	252,712
Legal, consulting and audit fees	153,775	181,261	193,254
Office and administration	145,961	139,880	145,334
Telephone	35,300	42,351	39,485
Other	25,761	33,827	36,026
Insurance	33,960	31,534	32,966
Appeal tribunal	18,810	30,550	16,690
Fair value remeasurement on loan receivable (note 4)	-	29,576	-
Memberships	18,000	19,739	19,981
Amortization	12,625	14,428	14,302
Toxicology	11,185	14,416	10,091
Meetings and seminars	17,100	5,514	20,629
Committee expenses	7,750	5,000	3,209
Racetrack licensing expense	6,300	101	5,672
Loss on settlement of loan receivable (note 4)	-	-	316,667
	\$ 3,179,855	\$ 2,994,766	\$ 3,309,160

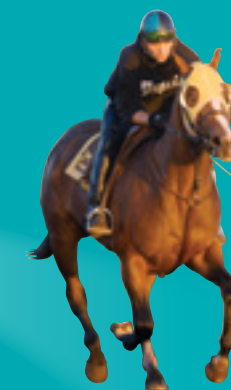


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