







HORSE RACING ALBERTA — 2005 ANNUAL REPORT FROM PASTURE TO POST





On 80 acres south of Calgary, an Alberta breeder eagerly anticipates the arrival of the foaling season. He has spent years poring over bloodlines, investing in breeding stock and tending the farm. The quest is simple - to breed a horse that has the strength, speed and innate desire of a champion.

Here on the farm the journey begins. In just a year these young horses will be sold to owners who share the dream of nurturing and defining a champion racehorse. Countless hours and dollars will be spent to hone and refine the horse's talent — all to see the horse burst out of the gate, fly down the home stretch and take its place in the winner's circle.

On this quiet March morning, there is barely a skiff of snow on the ground, but you can see your breath evaporating in the cool morning air.

Today, the hopes and dreams of a champion are born.

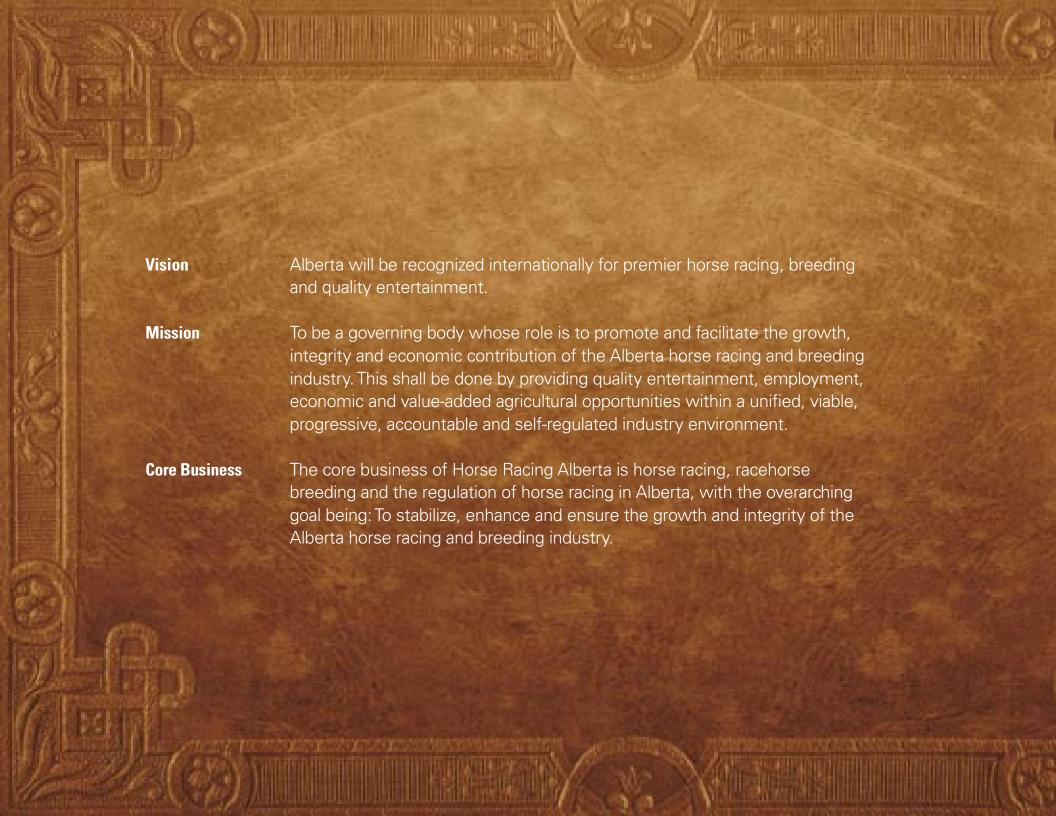




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Message from the Chairman & CEO Dr. David C. Reid

There are over 300,000 horses in Alberta, nearly 35% of all horses in Canada. While only a small percentage of these are racehorses, our industry is vibrant and growing and forms a major part of the provincial economy. Horse breeding and racing has deep roots in Alberta, spanning the agricultural, entertainment, tourism and gaming sectors. We touch every corner of the province, linking rural communities, small towns and major cities. Indeed, our economic impact is spread equally through rural Alberta and urban centres where our racetracks are located.

A successful horse racing industry depends on many inextricably linked factors. Our 2005 Annual Report examines these factors by focusing on the life of the racehorse, from pasture to post. It illustrates the jobs, the finances, the infrastructure and programs that support and enhance an industry that, for most horsemen, is built on hopes, prayers and dreams.

As John Gaines, the visionary founder of the Breeders' Cup would say, "You hope to get the mare pregnant. You hope she delivers a healthy foal. You pray the horse grows sound and makes it to the racetrack. You dream of winning and owning a champion. And, if you are a breeder, that the horse will return to your farm as a broodmare or stallion." It is Horse Racing Alberta's mandate that, whatever segment of our industry you belong to, we help create an environment that gives dreams the best chance of becoming reality.

With the help and support of the Government of Alberta we have seen, in succession, the acceptance of the Working Committee Report, the passing of the *Horse Racing Alberta Act* and the provision of the tools that enabled the industry to move along the path towards revitalization. The opportunity presented to us was timely and visionary.

The growth and development of the industry has gained momentum over the past three years and industry and government are now reaping the benefits of our collective hard work. To that extent, Albertans realize a nine-fold return from the government's financial commitment to the horse racing industry.

Our successes in 2005 are highlighted in the Message from the President and COO, and they are many and substantial. However, successes will not breed complacency. We have taken the lead on all matters and issues relating to horse racing in Alberta and have resolved a number of concerns in areas that include contracts, promotion and advocacy.

Our priority this past year was the negotiations with Alberta Gaming and our racetracks in reaching long-term agreements. These agreements foster an environment that supports investment and reinvestment in the industry.

The progress we have made, and continue to make, has established the horse racing industry in Alberta as one of the finest in the country. The improved handle, increased yearling sale prices, increased numbers of breeders and the purchasing of new farms are all evidence of successful revitalization. Our educational and backstretch programs are coming onstream and HRA's marketing efforts are recognized nationally and internationally.

From our regulatory perspective we consulted with the industry and revised our regulatory regime to continue to reflect transparency, consistency and fairness as we adapt to the changing competitive landscape. We're very proud of the development of a Code of Conduct that has been highly applauded and accepted by the horse racing

industry. The industry's blueprint is being scrutinized, praised and evaluated across North America.

In 2006 Horse Racing Alberta, with its partners, will continue to pursue the goal of creating a world class racing industry in Alberta. We will continue to focus on supporting breeding operations to create more Alberta-bred race horses. We will encourage quality over quantity, and the buying or breeding of horses that are competitive locally, provincially and nationally. We will ensure sustainable purse strategies and encourage further growth in industry and human resource programs, with an emphasis on the backstretch. We will continue to build on our partnerships with government and industry and aggressively promote and market the exciting sport of horse racing in Alberta within our borders and far beyond.

Above all, Horse Racing Alberta will strive to consult and strategize in such a way that we can continue to successfully act with one voice for the industry.

I wish to thank the Board of Directors, staff and committee members for their implementation of the plans and programs that led to a successful year, and to the whole industry for supporting our strategies and initiatives. Together we are revitalizing our industry.

Dr. David C. Reid, MD, FRCS(C), MCh Chairman & CEO Horse Racing Alberta

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Message from the President and COO Mr. Andy Bryant

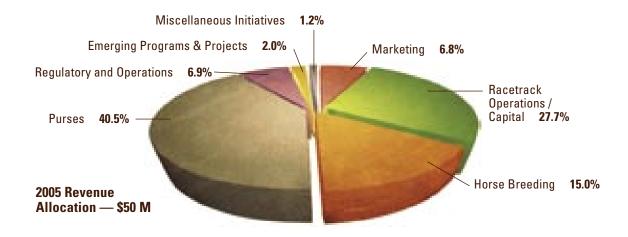
2005 was a tremendous year for horse racing in Alberta. When Horse Racing Alberta (HRA) was created in 2002, we set out a clear and consistent strategy to revitalize the industry. Over the past three years, we have focused relentlessly on implementing core strategies that support and enhance horse racing for owners, participants and fans. Our achievements this past year clearly demonstrate that these strategies are working.

In July 2005, HRA received the results of a 2004 analysis of the economic impacts of the horse racing industry in Alberta. This important analysis showed that, with more than \$355 million in

annual economic impact, horse racing is one of the most significant sources of economic benefits from horses in Alberta. These economic benefits ripple throughout Alberta communities with an economic impact of \$177.6 million allocated to the rural economy and a similar amount in urban communities.

These economic impacts reflect an increase of 21% from the preceding year and an overall increase of \$191 million from 1999. This demonstrates the strength and growth of our industry in Alberta and a positive trend for the future.

Horse Racing Alberta 2005 Allocated Expenditures



HRA implemented a number of key strategies in 2005. The success of these strategies have led to renewed confidence and commitment in the industry.

Purses

Purses ultimately determine the level of activity and the quality of the horses racing at Alberta tracks. HRA has guarded against the easy route of simply allowing the bulk of revenue to flow into purse structure in favour of a managed, sustainable approach. HRA purse grants increased \$1 million to \$20.4 million in 2005. Combined with the horsemen's contribution to purses, total purses were \$29.4 million in 2005.

This long-term commitment to sustainable purses, and their growth, encourages the Alberta horse racing industry to continue to invest and plan for the future.

Breeding

Breeding continues to be an integral strategy for HRA. As of the beginning of 2005, breeding and raising activities accounted for over \$68 million in economic impacts, a 15% increase from 2003. In the past year, HRA allocated \$7.5 million for the Breed Improvement Program to facilitate growth in the industry and increase the quality of racehorses bred in Alberta. Although it will take a few years to realize the total impacts, there are strong indicators of future success.

Average yearling sale prices showed good increases over the previous year with Thoroughbreds up 3% to \$8,621. The price for Standardbreds reached an average price of \$8,551. At the community levels, the increase in the average yearling sale price for Quarterhorses increased 125% from \$2,887 in 2004 to \$6,500 in 2005.

In 2005, the Thoroughbred Jockey Club passed a ruling that in order to retain catalogue "black type," the minimum required stake was \$50,000. HRA increased stake supplements to meet this obligation and ensure that horses racing in stakes races at Alberta racetracks received this recognition.

Marketing

In 2002 it was apparent that horse racing needed a makeover. Immediately following HRA's inception, the marketing, promotion and repositioning of horse racing became a critical component of the business model. HRA conducted extensive market research as the basis of a province-wide branding campaign. This campaign has allowed HRA to realize positive growth and awareness both with our existing client base, and more importantly with our targeted demographic of 18 to 34 year olds.

This campaign has been a tremendous success as seen in the results of our research, our attendance, positive handle performance, and provincial, national and international awards for our campaigns.

2005 saw a tremendous increase in viewers for live broadcast races. In our broadcast races, we achieved an average of 123,333 viewers – up from 98,500 viewers in 2004. The Nat Christie Memorial had a record number of viewers with over 213,000 people watching Alberta's premier harness racing event. Overall attendance at all Alberta racetracks held its own in 2005 – quite a feat considering severe weather and race day cancellations in southern Alberta and the introduction of a restrictive smoking bylaw in Edmonton.

Our partnership with Travel Alberta continued to be successful as seen in the sold-out tourism package, "Horsin' Around in Grande Prairie."

Racing Infrastructure and Physical Assets

Horse racing is responsible for a significant amount of physical assets. Horses need to be bred, raised, trained and raced in physical structures designed specifically for the equine industry. The 2004 economic impact report estimates that \$431 million in physical assets are dedicated to the industry.

HRA believes that the purse, breeding and marketing strategies have reversed the trend of diminishing assets associated with the breeding, raising and racing of horses. Unlike many other industries, horsemen reinvest a majority of earnings back into the industry. This reinvesment coupled with industry initiatives, resulted in a \$12.5 million increase in physical assets from 2003 to 2004 – for a total of nearly \$240 million dedicated to the horse racing industry.

It is estimated that there is an additional \$191 million currently invested in racetracks and their associated infrastructure. Over \$15.9 million in direct capital and operational funding was allocated to racetracks in 2005. This investment supports the development of entertainment, meeting, social and community facilities which will serve and benefit the citizens of these communities and our visitors for many years to come.

Long-term racing agreements are essential to the future growth and sustainability of the horse racing industry. In 2002 not one racetrack in Alberta had a license longer than a five year term and our "A" racetracks in Edmonton and Calgary were operating on a year to year basis. In 2005 racetracks at Northlands Park in Edmonton, Rocky Mountain Turf Club in Lethbridge, Evergreen Park in Grande Prairie and the new racetrack to be built in Calgary by the United Horsemen of Alberta have a minimum commitment of 10 years. This allows HRA and the racetracks to take a long term planning approach to racetrack operations.

Human Resources

Our people are integral to the success of horse racing. Over 7,800 people work in horse racing throughout the province. These personnel carry out demanding jobs for relatively low wages. It is incumbent upon us, and a priority for us, to enhance their quality of life through scholarships, educational opportunities, and the evolution of meaningful social programs and quality of life initiatives. The

introduction of a chaplaincy program, daycare program and enhanced living quarters has improved the quality of life for our backstretch workers.

Our partnership with Olds College continues to grow. The Groom School became a certified course in 2005, graduating 14 students, all of whom now work in the horse racing industry. A curriculum for an Exercise Rider/Jockey School was developed with the college, with the first year graduating in 2006.

HRA continues to work with Alberta Alcohol and Drug Abuse Commission (AADAC) and industry associations in developing programs to support and educate those suffering from addiction and substance abuse issues. On-site counseling is now provided on the backstretch to assist employees. To further highlight the importance of this issue, the AADAC helpline was placed on the back of pari-mutuel betting slips at every racetrack in Alberta.

Regulatory and Animal Welfare

The safety and welfare of racehorses is critical to the longevity of the horse racing industry. The "Vet On-call" program was implemented successfully which ensured a veterinary spokesperson was available at our major races. Northlands Park completed their new paddock development in the spring of 2005, complete with the state of the art Equine Emergency Care Facility.



There has not been a positive Thoroughbred drug test in the past seven years in Alberta. This is due to Alberta's strict penalties as well as horsemen's commitment to fair racing. The Horse Racing Code of Conduct was completed in 2005, providing a written reference for ethical racing conduct. This has been very well received by horsemen in Alberta as well as beyond our borders.

To encourage awareness and understanding of the horse racing industry, public service announcements (PSAs) were created in 2005. These PSAs have aired throughout 2005 during evening newscasts and have been well received by the public and industry.

HRA has mandated that completion of a Fire Safety Certificate will be a mandatory requirement for renewal of licenses beginning in 2007. During 2005, courses were held in Lethbridge and Calgary and will continue to be offered throughout the province in 2006. HRA also sponsored or co-sponsored nine educational seminars directly related to the health, care and maintenance of our equine athletes.

The blueprint Horse Racing Alberta has developed for the industry is clearly working. Our strategies are reinvigorating the horse racing industry and encouraging investment for the future. We owe our success to the many individuals and organizations that have supported us and worked with us. We look forward to another great year of racing in 2006.

Government and Industry

While the industry has faced significant challenges, HRA and all industry stakeholders have risen to the task and developed a clear plan that benefits the province at large and enhances the industry's role and contribution to the provincial economy. We spent considerable time working with the Alberta Government in 2005 to resolve concerns in a number of areas, including long-term license renewals, contracts, finances and advocacy.



Andy Bryant
President and COO



Dr. David Reid Receives Prestigious Cam Fella Award

Dr. David Reid, Chairman of Horse Racing Alberta, was presented the prestigious Cam Fella Award by Standardbred Canada in December 2005. Named in honor of the world class Standardbred horse, Cam Fella, the award recognizes preeminent, meritorious service to the Canadian harness racing industry.

Canadian-owned, trained and driven. Cam Fella was an outstanding racehorse in the early 1980s winning 56 races, over \$2 million in purse money and two consecutive "Horse Of The Year" titles in North America. As a stallion, Cam sired numerous world champions and horses with earnings in excess of \$106 million.

Standardbred Canada stated that Dr. Reid was chosen for this distinguished award for "his role as the driving force on the Horse Racing Alberta Board of Directors that transformed a once divided industry into a cohesive unit. Alberta's racing climate is strong, viable and growing due in large part to Dr. Reid's enthusiasm, vision and leadership."

In response to the great honour bestowed on him, Dr. Reid quickly acknowledged the contributions and commitment of the horse racing industry and the Horse Racing Alberta Board of Directors. "The Cam Fella Award truly is an award to be shared. It is easy to be recognized when you steer the ship, but the rest of the crew ensures a steady course."



prestigious Cam Fella Award by Standardbred Canada in December 2005.

Horse Racing Alberta Organizational Chart



- The Horse Racing Alberta Act created an independent Appeal Tribunal.
 Members of the tribunal are selected by the Alberta Government.
- The Horse Racing Alberta Board of Directors empower task forces to act upon single issues.

Governance

Horse Racing Alberta is a private, not-for-profit corporation that represents all segments of the horse racing industry. Under the *Horse Racing Alberta Act*, the corporation is mandated to govern, direct, control, regulate, manage, market and promote horse racing in all its forms. Working together with all provincial tracks, horse racing and breeding organizations, educational institutions and federal and provincial governments, we are driving continuous growth in the horse racing industry.

As an advocate, champion and voice of the industry, Horse Racing Alberta is committed to the safety and welfare of racehorses, a level playing field for racing participants and an entertaining and enjoyable experience for racing fans.

Horse Racing Alberta receives its direction from a board of 14 directors selected by industry stakeholders. This board has an independent chair, three public directors and two government-appointed, ex-officio (non-voting) members.



Dr. David Reid, Chairman and CEO

Honourable Don Getty, Public Member and Vice Chairman

Mr. Ernie Caron, Alberta Standardbred Horse Association

Mr. Neil Malloch, Alberta Standardbred Horse Association - Breeders

Mr. Mike Secker, Canadian Thoroughbred Horse Society

Mr. Brian Bygrave, Horsemen's Benevolent and Protective Association

Mr. John MacLeod, Other Breeds

Mr. Jerry Bouma, "A" Track, Northlands Park

Mr. George Brookman, "A" Track, Stampede Park –

(Term completed August 2005)

Mr. Fred Allen, "A" Track, Stampede Park (Appointed October 2005)

Mr. Max Gibb, "B" Tracks, Rocky Mountain Turf Club

Dr. Pat Brennan, Public Member

Mr. Gary Belecki, Q.C., Public Member

Ms. Ann Hammond, Ex-officio Member, Alberta Gaming

Mr. Gibson Hanna, Ex-officio Member, Alberta Agriculture,

Food and Rural Development





Economic Impacts of Horse Racing in Alberta

The horse racing industry in Alberta plays an important role in Alberta's overall economic prosperity. An economic impact study was completed in mid-2005 to analyze the direct and induced impacts of breeding, raising and racing activities. The results of the study indicate that horse racing in Alberta contributes over \$355 million to the provincial economy. This represents a \$191 million increase over the baseline study completed in 1999 and a 21% increase since 2003.

Of the \$355 million, the contributions are equally split between rural and urban communities. This accounts for the majority of breeding, raising and training operations in rural communities balanced by the infrastructure of racing facilities located in Edmonton, Calgary, Grande Prairie and Lethbridge.

In addition to the direct, indirect and induced economic impacts of horse racing, there are significant human resource benefits as well. Over 7,800 people are employed within the horse racing industry, providing a range of services from equine care to concession staff at racetracks.

Communities in which racetrack facilities are located derive significant economic impacts from physical racing infrastructure, racing activities and breeding activities. All communities with a racetrack facility experienced significant growth in economic impacts over 2003. Grande Prairie, in particular, has experienced tremendous growth in the past year, due to the energy of Evergreen Park's Board of Directors, in conjunction with Horse Racing Alberta, in planning projects and events to increase attendance and participants.

Total Direct Expenditures of the Horse Racing Industry



Horse racing spends over \$126 million annually on the conduct of horse racing and breeding in the province of Alberta.

Serecon Management Consulting Inc. prepared for Horse Racing Alberta "The Economic Impacts of Horse Racing and Breeding in Alberta." (July, 2005)

Total Economic Impacts of Horse Racing in Alberta by Geographic Location and Activity

	Infrastructure and Operating Expenditures		Racing Activities		Breeding and Raising Activities			Total
Market Area by Facility	2004	*% Change	2004	*% Change	2004	*% Change	2004	*% Change
Edmonton Calgary Lethbridge Grande Prairie	105,038,164 57,577,664 11,230,555 3,969,764	19% 10% 135% 137%	50,721,908 35,742,597 16,615,321 6,706,869	15% 36% 10% 126%	29,559,340 20,752,146 12,591,807 4,975,914	6% 25% 1% 112%	185,319,412 114,072,407 40,437,682 15,652,547	16% 20% 25% 124%
Provincial Total	177,816,147	21%	109,786,695	24%	67,879,207	15%	355,482,049	21%

^{*} Comparison between Economic Impacts of Horse Racing in 2003.

Horse Racing Alberta Revenue Streams

Pari-mutuel handle, Racing Entertainment Centre (REC) revenue and regulatory fees combined provided over \$50 million in revenue in 2005. This revenue is directly reinvested back into the industry through Horse Racing Alberta programs and initiatives.

Racing Entertainment Centres

Since 2002, Racing Entertainment Centres (REC) have averaged an annual growth rate of 23%. This increase has occurred despite increased competition from casinos as well as strict smoking bylaws passed in some Alberta jurisdictions.

The Racing Industry Renewal Initiative distributes a percentage of revenues generated at our racetracks' gaming centres through the Lottery Fund — Horse Racing Alberta (51.66%), Operators (15%) and Alberta Government (33.33%).

Of the approximate \$73 million generated at these facilities in 2005 the Alberta Government, through the Lottery Fund, retained over \$24 million for programs to support community and public projects such as libraries, recreational facilities, arts programs and programs for disadvantaged youth.

^{*} Serecon Management Consulting (Ibid)

Pari-Mutuel Handle

Pari-mutuel wagering is the form of betting used at racetracks throughout Canada. In this form of wagering, people bet against each other, with the odds set by the level of betting on each entry.

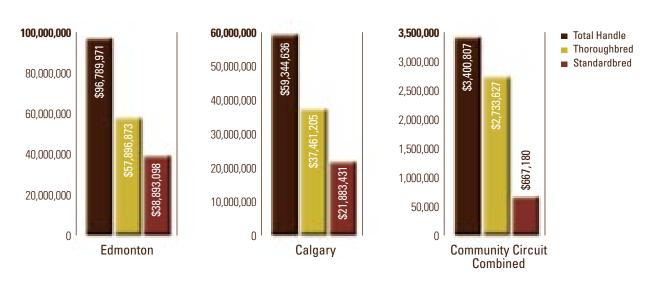
Alberta was the only major racing jurisdiction in Canada that saw growth in the pari-mutuel handle – outperforming the national handle trend by 4.5%. Canada's overall pari-mutuel handle declined by 2.99%, compared to Alberta's pari-mutuel handle which increased 1.66% to over \$159 million wagered at Alberta racetracks.

It is anticipated that the steps taken to enhance the quality of racehorses, increase purse size and improve racetrack facilities will continue to increase Alberta's pari-mutuel handle in the future.

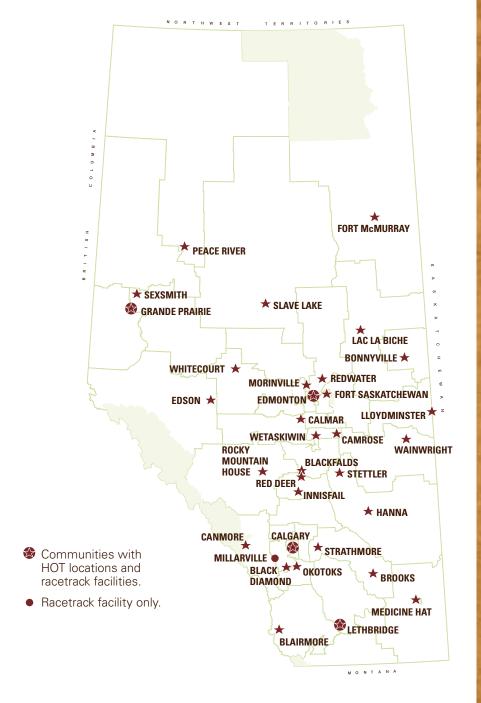
Pari-Mutuel Handle by Community/Breed

There are five racetracks in Alberta. The "A" tracks which run the majority of races are located at Northlands Park in Edmonton and Stampede Park in Calgary. "B" tracks, which comprise the Community Circuit, are located at Evergreen Park in Grande Prairie, Rocky Mountain Turf Club in Lethbridge and the Millarville racetrack. All tracks except Millarville offer both Thoroughbred and Standardbred racing.

Total Pari-Mutuel Handle by Racetrack and Breed



Horses Off-Track (HOT) Locations



Simulcast and Horses Off-Track

In 2005 the Alberta Teletheatre Network (ATN) and Off-Track Betting (OTBs) were consolidated to form Horses Off-Track (HOT). With over 40 locations in rural and urban Alberta, these locations continue to provide racing fans with year-round horse racing entertainment.

Wagers can be placed on televised live races from other locations through simulcast or off-track betting. Alberta offers this type of wagering at racetracks and off-track facilities. Simulcast betting continued to increase at HOT locations in 2005.

The economic impacts associated with the horse racing industry are considerable and highly diverse. The industry makes a significant contribution to, and investment in, the provincial economy. 2005 has demonstrated that the industry has the potential to make greater contribution and investment as it moves forward.





Breeding

Of 100 mares bred, 55 will have a foal. 75% of those 55 will get to the races. 60% will win one race. 50% will win two or more races. 1% will win a stakes race.

Facilitate the growth of the breeding industry and the quality of racehorses bred in Alberta.

The journey of a racehorse begins the day they are born. For the horse racing industry, breeding is an essential component of our success. High quality racehorses equal high quality races, resulting in a better sport for racing participants and fans.

Renewed confidence in the horse racing industry is driving greater investment in breeding. The total economic benefit from breeding and raising activities was \$68 million in 2004, an increase of 15% from 2003. A sustainable increase in the breeding sector reflects a growth trend for downstream racing activities, such as training and racing.

Four years of successful grants and initiatives implemented by Horse Racing Alberta have reversed the decline seen during the past decade. Although demonstrated success of these initiatives will take several years due to the nature of the breeding industry, we are already seeing several strong indicators of present and future success.

Alberta-bred Foals

Foal production improved over 2004, supporting the effectiveness of the breed improvement programs. Although there are existing factors affecting foal production, it is anticipated foal production will increase in the near future. The industry's commitment to improving

the quality of racehorses bred in the province can be seen through their confidence in the purchasing of higher quality breeding stock.

Yearling Sale Prices Continue to Rise

The average yearling sale prices continued to rise in 2005, showing steady growth over the past three years. Thoroughbred sale prices were up 3% to \$8,621, Standardbreds beat the target for an average price of \$8,551 and Quarterhorses rocketed 125% from \$2,887 in 2004 to \$6,500 in 2005.

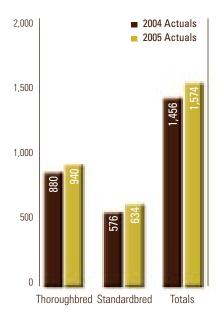
Breed Improvement Programs

Horse breeders make significant long-term investment and bear the highest risk than any other sector in the horse racing industry. The Breed Improvement Program was developed to be proactive in encouraging the breeding of quality racehorses in Alberta. This program provides financial incentive to encourage owners to buy from the Alberta market, to board and breed on Alberta farms and to race Alberta-bred horses in the province. This program has been recognized nationally as one of the most effective breeding programs in Canada. The Mare Acquisition Programs for both Thoroughbreds and Standardbreds have been hailed as national leaders in breeding programs by their respective organizations.

\$7.5 million was allocated in 2005 to support Breed Improvement Programs for Standardbreds, Thoroughbreds and other racing breeds. The positive impact of these programs is evident in many areas, such as the number of mares bred in 2005. The target numbers for mares bred was exceeded for both Thoroughbreds and Standardbreds.

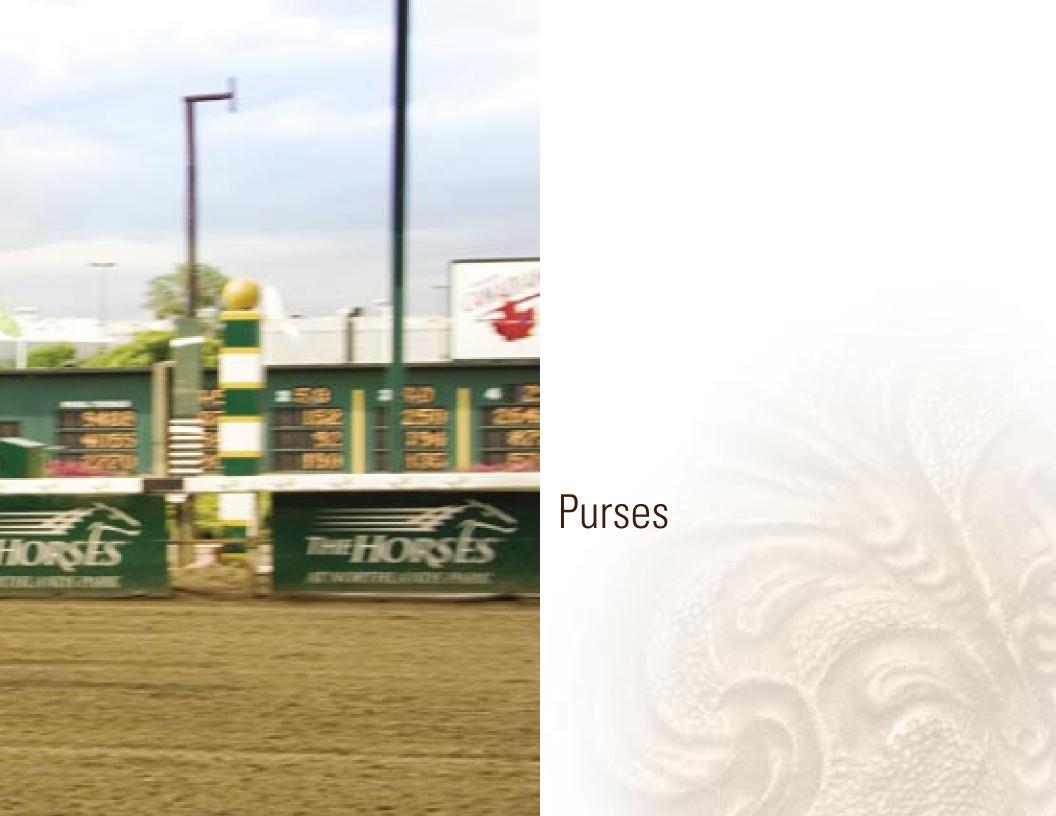
In 2005, 118 more mares were bred above our target number. This indicates the success of the breeding program and Horse Racing Alberta initiatives. The 8% increase in mares bred is the starting point for a positive growth trend for the future. Mares bred should have a direct and positive effect on the number of foals born in 2006, the number of yearlings in 2007 and the number of three year olds racing in 2009.

Total Number of Mares Bred in Alberta in 2005









Increase purses, based on revenues available, to stimulate the overall activity and investment in the industry.

It costs between \$15,000 and \$20,000 to raise and train a yearling. The upfront costs are balanced by the potential payout of a winning horse. Years of breeding and training all come down to the moment when the field of horses thunder down the track in pursuit of a win.

Purse structure forms the basis for successful horse racing and breeding in Alberta. Purses ultimately determine the activity and quality of the horses racing at all Alberta tracks. This then directly determines the revenues being generated by all industry participants. The end result is that higher purses attract higher quality competitors – leading to a more exciting sport for racing participants and fans and greater incentive to reinvest in the industry.

It is imperative that Alberta continues to offer competitive purses, particularly given the anticipated growth in British Columbia Bacino revenue.

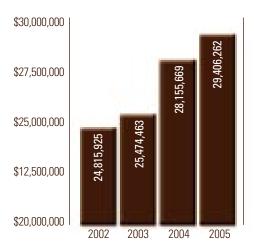
Horse Racing Alberta Purse Grants Increased by \$1 Million

Horse Racing Alberta continues to take a managed growth approach to purses. In 2005, HRA increased the total purse grant by over \$1 million from \$19.4 million in 2004 to \$20.4 million in 2005. This included \$8.64 million for Thoroughbred racing, \$8.31 million for Standardbred racing and \$3.53 million for community racetracks. Combined with the horsemen's contribution to purses, total purses were \$29.4 million in 2005.

Some of the premier races with significant purses included the Canadian Derby with a purse of \$300,000, the Nat Christie Memorial with a purse of \$250,000 and the Quarterhorse Futurity with a purse of \$100.000.

	HRA Grant	Industry Contribution	Total Purses
Thoroughbred Standardbred Community	8,639,148 8,306,934 3,535,100	4,700,603 3,839,863 384,614	13,339,751 12,146,797 3,919,714
Total Purses	20,481,182	8,925,080	29,406,262

Alberta Purses - 2002 to 2005





Sometimes it pays to bet on a long shot. At the Alberta Derby held on June 18, 2005 Knight's Covenant was most definitely a long shot with 24 to 1 odds. Flying over the finish line with barely a speck of mud compared to the muck-covered pack behind, Knight's Covenant conquered the rain and emerged as the victor of the \$125,000 purse.





Regulatory

Enhance and foster integrity and ethical conduct as a foundation for all aspects of the horse racing industry in Alberta.

Once a racehorse enters a race, the rules and regulations ensure a fair and level playing field for all participants.

In 2005, Horse Racing Alberta continued to enhance the regulatory and compliance framework to ensure the fairness and integrity of the sport.

Alberta prides itself on having the greatest incentives to race within the rules. The consequences for using performance enhancing drugs are strong enough to encourage everyone to compete fairly. These policies clearly work as demonstrated by the relatively low number of positive tests.

Thoroughbreds Racing Clean for Seventh Year

Even though the rate of testing has increased, there has not been a positive Thoroughbred drug test in over seven years in Alberta. This outstanding result is due in part to Alberta's strict penalties as well as participants' commitment to playing by the rules.

New Code of Conduct Booklet Introduced

The Horse Racing Alberta Code of Conduct booklet was developed in 2005. This comprehensive overview of horse racing conduct is

distributed to every person when they renew their license. This booklet has been received with a very positive response from racing participants and horse racing organizations in Alberta as well as other provinces.

Security a Priority

Horse Racing Alberta places a high priority on the security of human and equine participants. In 2005, a review was completed of security priorities at tracks in the province. A task force was struck to do a complete review of security procedures and policies. This review has led to the hiring of additional security personnel to check all licensees, complete background checks and regularly check barn areas.

Support for Participants

In the rare circumstance when a human drug test returns a positive result, rehabilitation and counseling are offered to support the individual. This program was fine tuned in 2005 to allow for a reduction in penalties if the individual agreed to participate in rehabilitation programs.

Summary Of Rulings And Tests

Rulings	2005	2004	2003
Thoroughbred Steward Rulings	142	121	93
Live Race Days	117	118	113
Rulings per Race Days	1.21	1.02	.82
Standardbred Judges Rulings	154	175	128
Live Race Days	150	150	141
Rulings per Race Days	1.02	1.16	.90
Mixed Meet			
Judges/Stewards Rulings	43	44	24
Live Race Days	68	82	59
Rulings per Race Days	.63	.54	.40

TCO ₂ Testing	2005	2004	2003
Thoroughbred			
Number of Tests	430	1165	861
Number of Positives	0	0	0
Percentage of Occurrence	0	0	0
Standardbred Number of Tests Number of Positives Percentage of Occurrence	1343	1399	1477
	1	1	0
	.07	.07	0
Mixed Meets Number of Tests Number of Positives Percentage of Occurrence	151	21	44
	0	0	0
	0	0	0

Medication Testing	2005	2004	2003
Thoroughbred			
Number of Tests Number of Positives Percentage of Occurrence	2010 0 0	2076 0 0	1960 0 0
Standardbred			
Number of Tests Number of Positives Percentage of Occurrence	3123 2 .06	3137 2 .06	2978 1 .03
Mixed Meets			
Number of Tests Number of Positive Percentage of Occurrence	853 0 0	947 0 0	694 0 0

EPO Testing	2005	2004	2003
Thoroughbred			
Number of Tests Number of Positives Percentage of Occurrence	430 0 0	420 0 0	0
Standardbred			
Number of Tests Number of Positives Percentage of Occurrence	1343 0 0	528 0 0	0
Mixed Meets			
Number of Tests Number of Positives Percentage of Occurrence	151 0 0	27 0 0	0

33

Summary of Rulings and Tests

Summary of Claims/inquiries	216	2005	100	2004	Sec. 13.	2003
Standardbred						
Total number of horses claimed Value Claims voided Judges inquiries Order of finish changes from judges inquiries Drivers objections Order of finish changes from driver objections	\$	302 4,486,750 35 45 15 41 24	\$	352 4,503,800 46 36 10 40	\$	271 3,214,375 38 59 25 38 23
Thoroughbred						
Total number of horses claimed Value Claims voided Stewards inquiries Order of finish changes Starting gate refunds Jockey claims of foul Order of finish changes from claim of foul	\$	263 3,754,500 15 30 5 2 36 13	\$	262 3,715,000 13 26 7 3 51	\$	254 2,990,500 24 19 10 1 77 15
Community Circuit						
Total number of horses claimed Value Claims voided Stewards inquiries Order of finish changes Jockey claims of foul Order of finish changes from claim of foul	\$	22 63,000 0 15 8 49 8	\$	20 56,000 0 21 9 60	\$	16 45,000 0 9 3 39



Appeals Tribunal

Established by the *Horse Racing Alberta Act*, the Appeals Tribunal hears appeals launched by racing participants who appeal decisions made by Judges and Stewards. The Appeals Tribunal is an independent body, with all members appointed by the Alberta Minister of Gaming. The Tribunal has the power to subpoena witnesses and otherwise conduct its affairs as outlined in the *Horse Racing Alberta Act*. The members of the Appeals Tribunal are: Mr. James Butlin, Q.C. (Chairman), Mr. William Elzinga and Mr. Morris Taylor.

Appeals Heard

1. Owner/Trainer - Thoroughbred

Thoroughbred Ruling No. 6, Stampede Park, April 2, 2005
Issue: Appellant was denied a license
Appeal Heard: June 22, 2005
Written Judgment: June 28, 2005
Decision: Appellant was granted a probationary "B" circuit license.

2. Driver/Trainer

Harness Ruling No. 111, Stampede Park, September 6, 2004
Issue: Appealing the driving penalty and the placement of the horse.
Appeal Heard:
August 30, 2005
Written Judgment:
September 26, 2005
<a href="Decision: The appeal was upheld and the horse was restored to second place, and the suspension imposed on the driver was removed from his record.

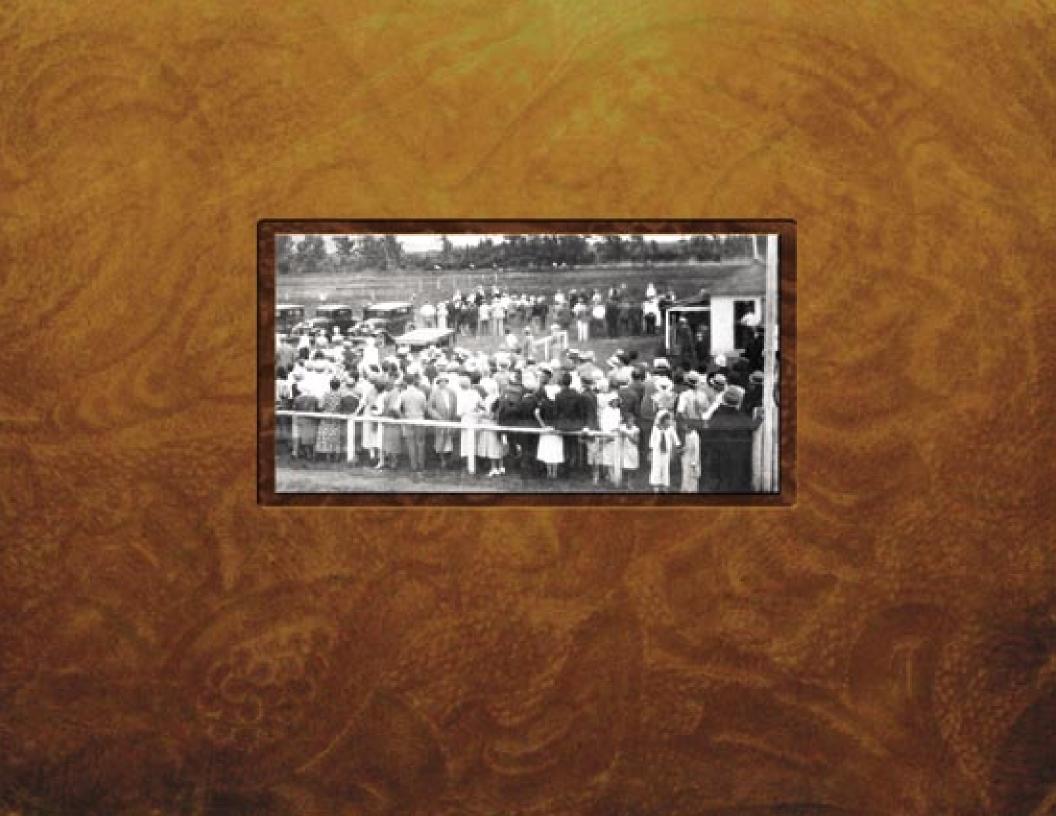
3. Owner/Trainer//A.A./Exercise Person/Feedman – Thoroughbred

Issue: Stewards decision on the claim of interference Appeal Heard: September 20, 2005
Written Judgment: October 14, 2005
Decision: Appeal is dismissed. Deposit remitted to appellant.

4. Owner/Trainer

Community 7th Race, Lethbridge, October 2, 2005
<u>Issue:</u> Placing the horse from second to seventh place finish.
<u>Appeal Heard:</u> November 8, 2005
<u>Written Judgment:</u> November 28, 2005
<u>Decision:</u> Appeal dismissed and the decision upheld.
Deposit remitted to appellant.





The Spirit of a Community – 100th Millarville Canada Day Races

In 1905, Millarville held its first horse race. Over the past 100 years, the Millarville Canada Day Races have been an integral part of the community. In celebration of its centennial, the community of Millarville planned a grand celebration for the 100th running of the Millarville Canada Day Races.

The rain in southern Alberta began in late June, swelling rivers and tributaries until the banks overflowed. The Millarville racetrack succumbed to the floodwaters twice in the month prior to July 1st. The community quickly came together, rebuilt the washed out road, hauled in dirt to resurface the washed away track and repaired the exhibition grounds. Hundreds of volunteers put their own losses aside to get the track ready for the July 1st races.

Unfortunately, Mother Nature had other ideas. The rain which fell the last week of June brought the total amount of rainfall to a staggering 247mm - once again flooding the racetrack and grounds. It was apparent that the Canada Day races were officially washed out.

Yet the spirit and determination of this close-knit community was undeterred. Plans quickly refocused on rescheduling the Millarville Races for September. Well over 5,000 volunteer hours were contributed to get the track, grandstand and paddocks back in shape for the rescheduled race.

On September 4th, 2005 the 100th Millarville Races were held with \$100,000 in purses offered for the anniversary celebration. It was a spectacular day for racing as well as a grand celebration of the community's tremendous determination and spirit.





Promote and encourage continuous improvement in the industry's animal welfare practices.

The welfare of the equine athlete in this amazing and demanding sport will always remain a top priority. No horse can run, let alone win, without the care and expertise of a farrier and veterinarian. Horse Racing Alberta continues to work with industry organizations, animal welfare agencies, racetrack facilities and government agencies to identify and address possible areas of concern.

Fire Education and Safety

As of 2007, a fire safety certificate will be a prerequisite for obtaining a license. Two fire safety seminars were held in Lethbridge and Calgary in 2005 to allow licensees to obtain important fire education and certification. This program will continue throughout 2006 to ensure all licensees have completed this mandatory program.

New Veterinary Facility at Northlands Park

In 2005, a new paddock development was constructed at Northlands Park in Edmonton. This state of the art facility includes a new walking ring and dedicated veterinary horse care facilities.

Vet On-Call

The "Vet On-Call" program was fully underway in 2005. This program ensures a qualified veterinary spokesperson is available at all major racing events.

Performance Standardbreds

Horse Racing Alberta continues to support the Alberta Performance Standardbred organization which provides an industry-wide placement program for retired horses or horses no longer able to race. Retired Standardbreds are enjoying success in areas such as pleasure riding, cattle penning, jumping, ranch work and competitive trail riding.

Education

To support animal welfare initiatives, funds were allocated to support breeder education and awareness seminars, reports and publications, grants and scholarships.

Seminars

Stallion Management Seminar featuring Dr. Janet F. Roser, University of Vermont and Mr. Ken Carson, Pilot, Texas

Fire Safety Seminars – Lethbridge and Calgary

Managing the Racehorse Foot Seminar

Representation from Kentucky featuring Dr. David Switzer and Mr. Chauncy Morris

Brochures

How to Become Involved in the Thoroughbred Industry in Alberta

Breed Improvement Program

Scholarships and Grants

Western Veterinary School of Medicine - \$25,000 research grant

Olds College – Jockey/Exercise Riders School

Alberta Agriculture – Research Proposal: Stallion Study – *Identification of fertile stallions and development of a screening test for fertility.*







Facilitate the education, training and well being of individuals involved in Alberta's horse racing industry.

The quality of entertainment at Alberta's racetracks is directly related to the passion and dedication of the people who work in every sector of the industry. Over 7,800 people work in the horse racing industry. From grooms, exercise riders and trainers to concession workers and servers, these individuals play an important role in the seamless operations of racetracks.

The industry has unique needs as the nature and hours of work differ from other industries. In 2005, programs were further developed to provide "racing industry" solutions for industry employees.

Supporting Backstretch Employees

The nondenominational Chaplaincy Program was established in 2005 to assist the physical, emotional and spiritual needs of people who live and work on the backstretch.

As the hours of work differ from those in most other sectors, specialized programs have been introduced to support individuals

who live and work at racetracks in the province. The Backstretch Daycare Subsidy is a valuable asset to families which helps to offset childcare costs of backstretch workers.

To enhance the living conditions on the backstretch, satellite television was installed in the dormitories through a joint initiative of Horse Racing Alberta, Horsemen's Benevolent and Protective Association (HBPA) and the Alberta Standardbred Horse Association (ASHA) and Northlands Park. There has been an overwhelming positive response to this initiative.

A learning centre was created on the backstretch to allow individuals to access the internet and a variety of programs to enhance computer skills. In the near future, literacy and GED (General Equivalency Diploma) programs will be introduced.

Horse Racing Alberta Backstretch Scholarships valued at \$2,000 each were awarded to nine students who met or exceeded the criteria and are an Alberta licensed horsemen or an immediate family member of one.

The Horse Racing Alberta Equine Studies Scholarships are awarded to help young Albertans become involved in the Alberta horse racing industry. Valued at \$2,000 each, seven scholarships were awarded in 2005 – two of whom will be pursuing equine studies and five students who will participate in the Groom School at Olds College.

Partnership with Olds College

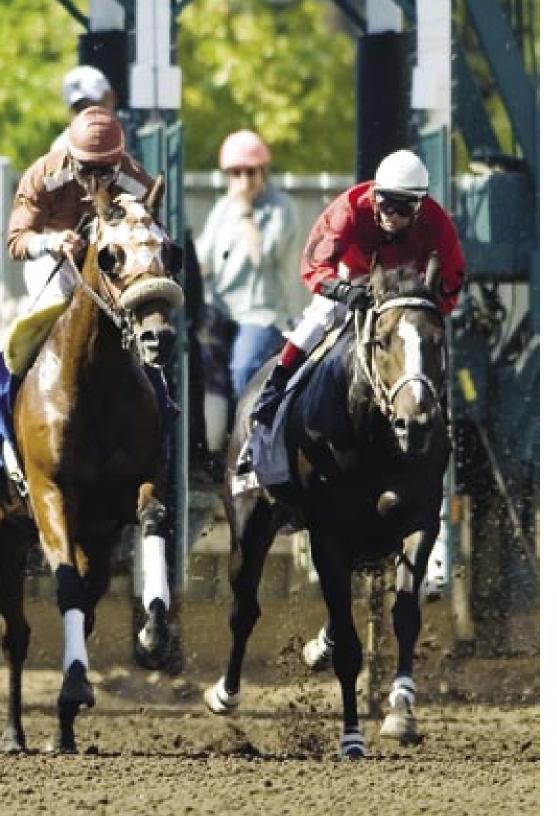
In partnership with Olds College, HBPA and HRA, an Exercise Rider/Jockey School has been developed. The program began in November 2005 and is the first of its kind in Canada. The Groom School at Olds College became a certified course in 2005 and graduated 14 students, the most successful year to date.

Addiction Support and Counseling

Addictions are as much a reality at racetracks as anywhere else in society. Initiatives and programs have been introduced to support industry employees, participants and spectators. As of October 2005, the AADAC helpline appears on the back of pari-mutuel betting slips at every racetrack in Alberta. In addition, on-site counseling is available to those in need 24 hours a day, seven days a week.







Marketing

"A thoroughbred racehorse goes from zero to 40 miles per hour in three strides. The average length of a regular stride is about 21 to 25 feet -- but the first three strides are very quick. It's a tremendous feeling of power and it's awesome."

- Chris McCarron, Hall of Fame jockey

Actively market and promote horse racing in Alberta.

Couch Won't Missya, Barsa Bore, Bye Bye Boredom, Beatsa Chickflick, Routine Buster, and No More Veggin' are just a few of the successful horses that can be found in Horse Racing Alberta's marketing stable.

2005 marked the third year of a comprehensive multi-tiered strategic plan to market and promote horse racing in the province in an effort to raise the profile and awareness of horse racing, reposition horse racing as entertainment and expand horse racing's consumer base.

Horse Racing Alberta provided partner racetracks over \$1 million in marketing support of live racing and special events in 2005. These efforts led to over 1.4 million people visiting Alberta racetracks in 2005.

The number of race days at racetracks in southern Alberta were hampered by the record breaking rainfall in June and July. Attendance at Northlands Park decreased as a consequence of Edmonton's new smoking bylaw passed in March 2005. Attendance at Northlands

Racetrack Attendance

Total	1,140,298	1,450,583	1,440,373
Millarville	5,000	6,000	5,000*
Grande Prairie	17,304	29,293	31,264*
Lethbridge	57,380	66,363	63,860*
Calgary	BMTBE*	184,040	160,928
Northlands	1,060,614	1,164,887	1,179,321
A STATE OF THE PARTY OF THE PAR	2003 Actual	2004 Actual	2005 Actual

^{*} Attendance counted for live race days only.

^{*} BMTBE - Benchmark to be established

Park was higher than anticipated in the first half of 2005. However, attendance dropped dramatically after a new smoking bylaw came into effect in July 2005.

New Fans

Momentum continued for a third straight year in 2005 for the innovative marketing campaign. Ipsos-ASI research clearly indicated that the campaign continues to hit the specific demographic target of 18-34 year olds. Survey results showed that two out of three people could recall the advertising campaign – an achievement above the average.

According to Ipsos–ASI research the campaign continues to do its primary job of increasing awareness, repositioning horse racing as entertainment as well as shifting image and increasing awareness of horse racing in the province.



Live Television Show

In 2005, the industry expanded the live television schedule to broadcast ten premiere live racing events. Telecasts added include the prestigious Northlands Filly Pace, the celebration of Millarville's 100th Anniversary, the Canada Cup Futurity (Quarterhorse) and the Alberta Standardbred Horse Association Breeders' Stake.

The number of people watching horse racing broadcasts on the CTV Network increased for a third straight year. Viewership was up 24,833 for a total of 123,333 per show compared to statistics from 2004 (Nielsen National People Meter Services). Broadcast highlights included 213,000 viewers of the Nat Christie Memorial and 158,000 viewers for the Canada Cup Futurity.

In September, Horse Racing Alberta, in co-operation with Hastings Park in Vancouver, presented one of Western Canada's best days of Thoroughbred racing live on CTV (West). Two prestigious Fall Classic Races were shown live from Edmonton and then the telecast moved to Vancouver for two premiere races, including the BC Derby.

At the World Trotting Conference in France the broadcast of the Nat Christie Memorial Stakes received the Best Television Show/ Documentary Award. For a third straight year HRA was a Sovereign Award Finalist in the Outstanding Film/Video/Broadcast category for the Millarville 100th Anniversary broadcast.

Key Partnerships

Partnerships continued to play a key role in the promotion of horse racing in 2005. Horse Racing Alberta continued to work closely with Travel Alberta and other partners in the travel industry. Horse Racing Alberta was proud to be a sponsor of the Travel Alberta Conference and the sell-out tourism package "Horsin' Around in Grande Prairie."

In partnership with the Alberta Standardbred Horse Association, the industry held a five day Harness Youth Camp for children aged 10 to 14, which was a great success. Horse Racing Alberta, in cooperation with Stampede Park and Northlands Park, sent two teams of three people to the Daily Racing Form/National Thoroughbred Racing Association Handicapping Challenge in Las Vegas. Qualifying tournaments were hosted at Stampede Park and Northlands Park. At the challenge in Las Vegas a member of the Stampede Park team placed third overall winning a cool \$50,000 payout.

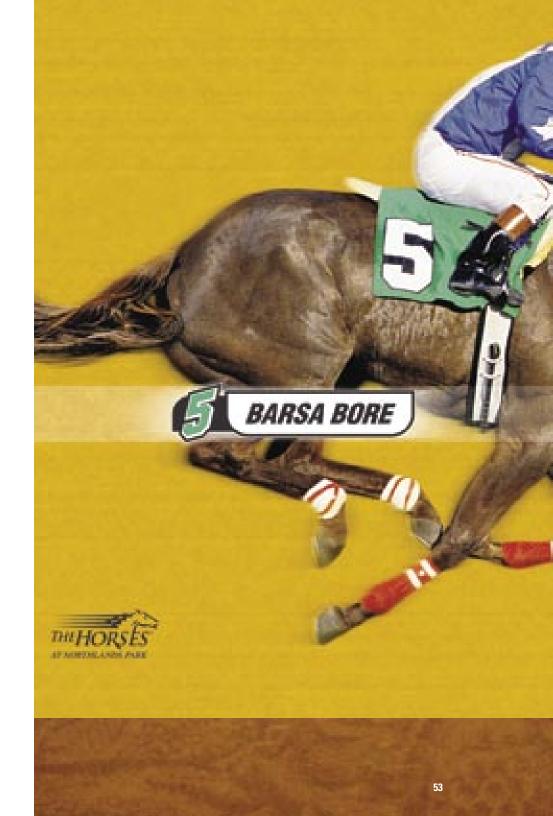
Our partnerships with major motion picture studios, NBC/Universal Studios and Dreamworks, continued to attract fans in our key demographic. Our partnership in the film "The Dreamer" tied the movie theme back into Alberta racing. Our partnership with NBC/Universal Studios with "King Kong" race day at Northlands Park parlayed into a 35% increase in handle on that day.

Award Winning Advertising

The horse racing industry in Alberta's campaigns received tremendous recognition nationally and internationally in 2005. The campaign *There's a Horse for Everyone* was one of three finalists for Marketing Campaign of the Year by the Tourism Industry Association of Canada. At the Canadian Agri-Marketing Association Awards the campaign received three awards, including Best of Show – Consumer Direct, for the second year in a row.

In the spring of 2005 Ogilvy & Mather and Horse Racing Alberta won Best of Show, Overall Art Direction, Outdoor Series and Point of Purchase at the Calgary Ad Rodeo.

The campaign was also recognized by the international advertising community by winning the 2005 Communication Arts Non-Traditional Category and an award at the 2005 Applied Arts and Design Advertising Awards.







Act as a single voice for the Alberta racing industry.

The passing of the *Horse Racing Alberta Act* in 2002 provided Horse Racing Alberta and its key stakeholders a timely opportunity to rebuild and rejuvenate the horse racing industry. Horse Racing Alberta has forged a strong and steady relationship with the Alberta Government, particularly with Alberta Gaming and Alberta Agriculture, Food and Rural Development.

2005 was a cornerstone year for horse racing. The steady growth seen within the horse racing industry needed long-term agreements to provide the framework and the incentive for future growth. Horse Racing Alberta spent a considerable amount of time in 2005 working to solidify these agreements.

Long-term Racing Agreements

In 2002, not once racetrack in Alberta had a license term longer than five years and our "A" racetracks in Edmonton and Calgary were operating on a year to year basis. In 2005, Horse Racing Alberta attained long-term racing agreements with racetrack operators resulting in new commitments of 10 years for all of Alberta's existing and new "A" and "B" racetracks. As a direct result of these

agreements, there is over \$1 billion in anticipated capital development expenditures slated to occur at our licensed facilities over the next three years.

Awareness

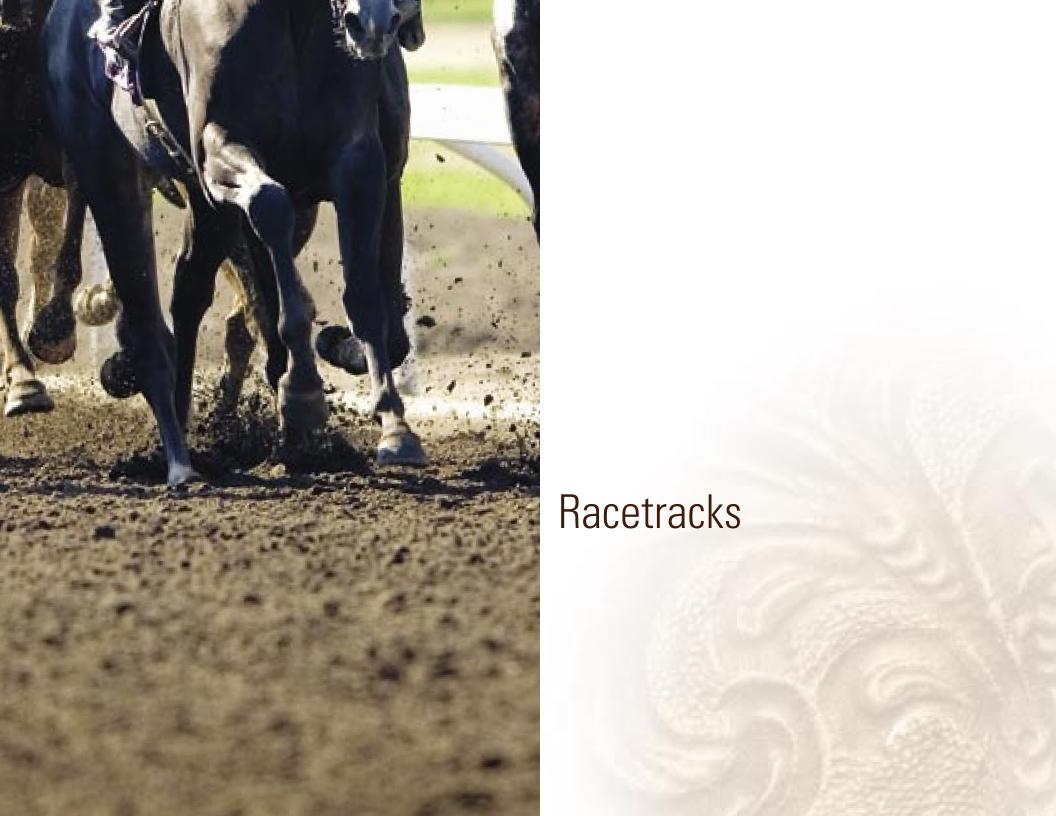
There is a continued need to increase awareness of the horse racing industry, its agricultural roots and its impact on the Alberta economy. To support this public education mandate, Horse Racing Alberta produced a series of Public Service Announcements (PSAs) in 2005. These PSAs ran during key broadcasting periods, such as during evening newcasts. They have been widely acclaimed for their messaging and production such as the Certificate of Merit awarded by the Canadian Agri-Marketing Association.

The "Alberta Horse Always" was a video completed by the Horse Industry section of Alberta Agriculture, Food and Rural Development to increase awareness of the horse breeding industry in Alberta. Horse Racing Alberta provided resources, footage and information in support of this project.



All Over The Place's 1:50.1 performance at Stampede Park in Calgary was the fastest-ever clocking over the five-eighths mile track. Over 213,000 people watched the live broadcast of Alberta's premier harness racing event.





To promote the development of high quality horse racetracks and off-track betting facilities.

To create a horse racing industry that offers the best racing for all participants and fans, it's essential to offer the best racehorses at the best facilities.

There were over 342 scheduled days of racing in 2005. With the related activities of Racing Entertainment Centres, racetracks operate nearly every day of the year.

As of mid-2005, all of Alberta's existing "A" and "B" racetracks (Northlands Park, Rocky Mountain Turf Club and Evergreen Park) and the new racetrack United Horsemen of Alberta in Calgary have a minimum commitment of 10 years from Horse Racing Alberta. With assurances of long-term licenses, Alberta racetracks are planning for additional infrastructure activities. The combined capital spending proposed at, or in association with, racetracks is a staggering \$1.14 billion.

Physical Infrastructure and Assets

There are over \$400 million in physical assets dedicated to the horse racing industry. Horse racing requires a significant amount of physical assets. Horses need to be bred, raised, trained and

raced in physical structures designed specifically for the equine industry. Of this, \$191 million is currently invested in racetracks and related infrastructure.

Over \$15.9 million in direct capital and operational funding was allocated by Horse Racing Alberta to racetracks in the province in 2005.

Northlands Park

Racing activities in Edmonton have an estimated annual economic impact of \$185 million (2004)*. In partnership with Northlands Park, Horse Racing Alberta has allocated \$11.7 million between 2005 and 2008 for facility improvements. A portion of this funding includes the new paddock development at the racetrack which was completed in 2005. This development includes an expanded grandstand, new paddock, new walking ring and dedicated veterinary horse care facilities.

In the fall of 2005, Northlands Park agreed to allow for a 7 Furlong racing surface on their site should the \$20-\$25 million in financing be available.

^{*} Based on "The 2004 Economic Impacts of Horse Racing and Breeding in Alberta," prepared by Serecon Management Consulting Inc. (July 2005).

Evergreen Park

Racing activities in Grande Prairie have an estimated annual economic impact of \$15.6 million (2004)*. HRA and the Grande Prairie Regional Agricultural and Exhibition Society have developed and approved a 10-year business and capital plan. This plan outlines new opportunities emerging for Evergreen Park as the city and county of Grande Prairie continues to grow and expand.

The 10 year license extension triggered a two phased expansion of their racing facilities. This equates to \$8-\$10 million in planned development at Evergreen Park.

Rocky Mountain Turf Club

Racing activities in Lethbridge have an estimated annual economic impact of \$40.4 million (2004)*. Rocky Mountain Turf Club is a great example of the rejuvenation seen on the community circuit. They continue to achieve increases in live racing days and handle in spite of aging infrastructure and equipment. The approval of a 10 year racetrack license extension was essential to propel their plans to invest \$3.5 million to upgrade the facility. This new facility will provide an enhanced racing experience for both participants and fans.



Red Deer Market Area

In the fall of 2005 Horse Racing Alberta put out a Request for Proposal for groups or individuals interested in developing a racetrack in the Red Deer market area. This process will continue through 2006.

Calgary Exhibition and Stampede – United Horsemen of Alberta

Horse Racing Alberta entered into a transitional agreement with Stampede Park in 2005. The endorsement and support of Stampede Park will ensure a smooth transition of racing until the United Horsemen of Alberta's new racing facility opens. The Calgary Exhibition and Stampede contributes \$114 million (2004)* to the local economy.

This new racing facility in Calgary will be the first "A" class racetrack to be built in Alberta in 70 years and is pivotal to the growth of the Alberta horse racing industry. It is located on 640 acres of land, 1.5 km north of Calgary at Balzac East in the Municipal District of Rocky View. Once completed, the racetrack alone will employ 600 people on-site, house 1,200 horses, attract millions of visitors a year and is estimated to generate more than \$200 million in economic benefits annually.

Directly linked to the development of this racetrack is the construction and integration of a major entertainment, retail and education destination on the United Horsemen of Alberta lands. The racetrack development has been the catalyst for these major concurrent investments. The direct capital expenditures for this entire project are estimated to be \$1.075 billion with construction beginning in 2006.

Forecast Capital Spending and Resulting Economic Impacts

Location	Cost (direct spending)	Estimated Impact	Jobs
Edmonton	\$20 – 25 M	\$44 – 55 M	208
Lethbridge	\$4 M	\$9 M	33
Grande Prairie	\$8 – \$10 M	\$17.6 – \$22 M	78
Calgary	\$1.075 B	\$2.365 B	8,960
Total	\$1.14 B	\$2.451 B	9,279







Moving Forward

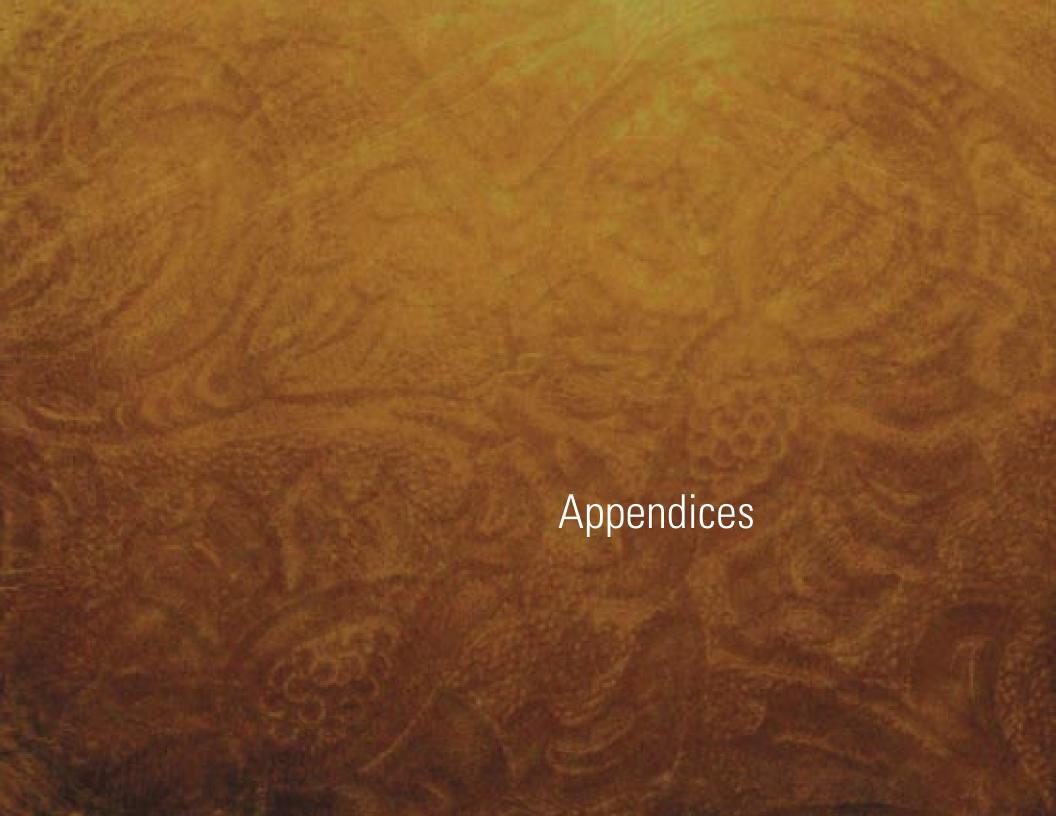
2005 was a great year for horse racing in Alberta. The horse racing business model puts forward a planned and logical sequence for unfolding our initiatives. Each component of our plan is vital for progress and we are beginning to see all the pieces of the horse racing puzzle fall into place.

In 2005, we worked diligently with the industry to encourage the breeding of the highest quality racehorses and the best racetracks for them to race on. We created programs that support horse racing's employees who are so essential to the success of the industry. We worked with our partners in government and industry in developing long-term agreements to ensure future investment and reinvestment. Together we have laid the foundation for the long-term stability and prosperity of the industry.

Horse racing in Alberta has seen a tremendous turnaround. For racing to realize its full potential, the evolution of change must be kept in motion. Standing still is not an option. In 2006 Horse Racing Alberta will be conducting a series of industry-wide consultations on the future direction of the industry. The result of these consultations will continue to evolve the blueprint that sets the strategic direction of the industry going into the future.

The horse racing industry, Horse Racing Alberta and the Alberta Government have been successful in accomplishing much in a short time. Like a racehorse we have gone from zero to 40 in three steps and have seen success, have proven ourselves, have turned around a dying industry and are on the cusp of something truly special. Although it would be easy to rest on our laurels, we will not be satisfied with "good enough." We have left the gate, but now the race begins and we will continue to move the industry forward and be "recognized internationally for premier horse racing, breeding and quality entertainment."





2005-2007 Performance Measures

Breeding

Measure	2002 Actual	2003 Actual	2004 Actual	2005 Target	2005 Actual	2006 Target	2007 Target
Number of Mares Bred in Alberta							
Thoroughbred Standardbred Total	862 480 1,342	910 547 1,457	880 576 1,456	900 575 1,475	940 634 1,574	925 575 1,500	950 600 1,550
Alberta Foal Production	,-	, -	,	,	,-	,,,,,,	,
Registered Thoroughbred Foals — Alberta-bred Registered Standardbred Foals — Alberta-sired Quarter Horses	478 272 120	498 298 130	490 315 226	500 330 210	498 331 230	510 345 220	520 360 230
Alberta Yearling Prices							
Average Price at the Alberta Thoroughbred Yearling Sale Average Price at the Alberta	\$ 7,126	\$ 8,112	\$ 8,401	\$ 8,600	\$ 8,621	\$ 8,800	\$ 9,000
Standardbred Yearling Sale Average Price at the Alberta Quarter	\$ 5,319	\$ 7,294	\$ 11,157	\$ 7,500	\$ 8,551	\$ 8,500	\$ 9,500
Horse Racing Yearling Sale	\$ 2,745	\$ 2,744	\$ 2,887	\$ 3,100	\$ 6,500	\$ 3,200	\$ 3,300
Representation of Alberta Bred/Sired Horses at Alberta Race Tracks							
Thoroughbreds							
% of Purses at Alberta A Tracks Earned by Alberta-breds % of Starters of at Least One Race at an	n/a	65%	59%	70%	56%	72%	72%
Alberta A Track that were Alberta-breds	n/a	61%	58%	64%	56 %	65%	66%
Standardbreds ³ % of Purses Earned by Alberta-sired % of Starters of at Least One Race	58%	62%	58%	62%	59%	63%	64%
that were Alberta-sired	59%	59%	56%	61%	61%	61%	62%
Quarter Horse % of Starters of at Least One Race that were Alberta-foaled	27%	65%	58%	63%	53%	64%	65%

n/a – data not available

Some of the 2004 Targets for continuing Performance Measures have been revised from those presented previously. Current uncertainties facing the breeding industry suggest that it is appropriate to be slightly more conservative in some areas than was previously estimated.
 Quarter Horse has been able to capture data on the number of starters and it is higher than originally estimated.
 These percentages were previously reported as running at Alberta A Tracks when the actual measurements for 2002 – 2004 were on Alberta-sired racing anywhere.

Racing Entertainment

Measure	2002 Actual	2003 Actual	2004 Actual	2005 Target	2005 Actual	2006 Target	2007 Target
Number of Scheduled Live Race Days							
"A" Circuit Thoroughbred Standardbred	110 126	117 132	119 135	119 135	119 135	119 135	120 140
Community	69	80	90	88-91	88	88-91	78-81
Total	305	329	344	342-345	342	342-345	338-341
Racetrack Attendance	n/a						
Northlands Calgary Lethbridge Grande Prairie Millarville		1,022,796 BMTBE 57,380 17,304 5,000	1,164,887 184,040 66,363 29,293 6,000	1,127,633 180,000 63,261 19,078 5,000	1,179,321 160,928 63,860 31,264 5,000	1,184,014 200,000 66,425 20,032 5,000	1,243,214 973,600 69,746 21,033 5,000
Total		1,102,480	1,450,583	1,394,972	1,440,373	1,475,471	2,312,593
Pari-mutuel Handle Alberta Racing Handle	\$ 50,781,787	48,740,510	46,853,212	\$ 47,768,064	¢ 44.757.606	\$ 49,269,324	¢ 52.162.762
Total Handle	\$ 152,927,729	151,751,913	156,725,839	\$ 158,653,940	\$ 159,535,414	\$ 162,681,116	\$ 175,660,644
Number of Licensed Racehorse Owners "A" Circuit							
Thoroughbred Standardbred Community	1369 753 307	1349 729 390	1322 721 404	1350 721 410	1234 794 420	1360 735 450	1370 750 450
Total	2429	2468	2447	2470	2448	2530	2550
Average # of Starters Per Race							
"A" Circuit Thoroughbred Standardbred Community	7.81 8.19 6.99	7.62 8.18 7.26	7.81 8.35 7.14	8.00 8.10 7.30	7.74 8.22 7.04	8.00 8.10 7.30	8.00 8.10 7.30
Provincial Average	7.83	7.79	7.91	7.90	7.81	7.90	7.90

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Other Measures

Measure	2002 Actual	2003 Actual	2004 Actual	2005 Target	2005 Actual	2006 Target	2007 Target
Industry Relations	n/a						
Confidence in the industry that HRA helps stabilize, enhance and ensure the growth and integrity of the Alberta horse racing and breeding industry							
Strongly & Somewhat Agree Somewhat and Strongly Disagree		81% 10.8%	84.1% 7.6%	80% 8%	85.4% 8.5%	80% 8%	80% 8%
The industry's perception of HRA as leaders in promoting and facilitating the growth, integrity and economic contribution of the Alberta horse racing and breeding industry.							
Strongly & Somewhat Agree Somewhat and Strongly Disagree		77.2% 13%	81.5% 8.1%	80% 10%	83% 8.7%	80% 10%	80% 9%
The public's satisfaction with the conduct of Alberta's racing and breeding industry.							
Strongly & Somewhat Satisfied Somewhat and Strongly Dissatisfied		45.5% 4%	55% 5.3%	55% 4%	42.9% 3.8%	60% 4%	65% 4%
Regulatory	n/a						
Satisfaction of Alberta licensees that Alberta's rules are appropriate rules for governing and regulating Alberta's horse racing industry.							
Strongly & Somewhat Agree Somewhat and Strongly Disagree		87.5% 6.7%	86% 7.7%	80 % 7 %	88.8% 7.5%	80% 7%	80% 7%
Satisfaction of Alberta licensees that Horse Racing Alberta applies and adjudicates on the rules of racing in a fair and timely manner.							
Strongly & Somewhat Agree Somewhat and Strongly Disagree		80.6% 10.3%	79.6% 10.5%	80% 8%	78.6% 12.2%	80% 7%	80% 7%

Other Measures

Measure	2002 Actual	2003 Actual	2004 Actual	2005 Target	2005 Actual	2006 Target	2007 Target
Human Resources & Development	n/a						
The extent to which the industry agrees there is sufficient education and training programs available for backstretch personnel.							
Strongly & Somewhat Agree Somewhat and Strongly Disagree		31.3% 41.1%	44.7% 38.7%	45% 35%	47.9% 38.5%	50% 32%	55% 29%
The extent to which the industry agrees there is a sufficient number of qualified employees in Alberta horse racing industry.							
Strongly & Somewhat Agree Somewhat and Strongly Disagree		42.9% 38.1%	43.8% 44.5%	48% 40%	37.1% 49.6%	53% 35%	58% 30%
Animal Welfare	n/a						
Industry perception that HRA promotes and encourages continuous improvement in the industries animal health safety and welfare practices.	,						
Strongly & Somewhat Agree Somewhat and Strongly Disagree		79.3% 9.9%	83.1% 6.8%	80% 8%	81% 8.7%	80% 7%	80% 7%
Albertans perception that in Alberta's horse racing and breeding industry, animals are raised and handled in a humane manner.							
Strongly & Somewhat Agree Somewhat and Strongly Disagree		76.6% 4%	82.7% 5.5%	79% 5%	75.5% 8.6%	80% 5%	81% 5%

Breed Improvement Program

Breed Improvement Program - Thoroughbred

Owners Supplement:

The Breed Improvement Program is contributing \$850,000 towards supporting the owners who race in Alberta. The funds are to be shared among owners of Alberta Breds finishing win, place and show in all races above the \$7,500 claiming level, excluding stakes races.

Breeders Bonus

\$1.1 million was contributed toward breeders' bonuses in Alberta. The bonuses are based on dollars earned for placing win, place or show in all races from the \$10,000 claiming level and up, including maiden races.

Stallion Bonuses

\$225,000 was contributed to support stallion owners whose 2, 3, 4 and 5 year old progeny wins, places or shows in all races from the \$10,000 claiming level and up, including maiden races.

Mare Incentive Purchase Program

A supplement of 25% to a maximum of \$5,000 for any out of province in-foal broodmare purchases of \$10,000 (CDN) or more. Amongst the program criteria is the purchaser must be an Alberta resident, the broodmare must be purchased at a recognized public

auction and the mare must foal in Alberta and be bred back to an Alberta stallion. The funds are provided to improve the number of quality mares and foals in the province.

Sales Stakes

The Breed Improvement Program is providing \$250,000 toward sponsoring the Yearling Sales Stakes for 2 year olds, 3 year olds, 4 year olds and up. The purpose of the races is to stimulate the breeding industry; to create a strong Alberta yearling market; to attract new owners and to improve the quality of racing in the province.

Stakes Program

The Breed Improvement Program is supporting the industry by contributing a total of \$250,000 toward the stakes program for Alberta registered breeders and resident stallion owners of Alberta Breds finishing win, place or show in an open stakes race carrying a purse of \$40,000 or more in Alberta and in a Canadian graded stakes race throughout Canada. The bonus to breeders will be \$3,000 for first, \$2,000 for second and \$1,500 for third. The resident stallion bonus will be \$2,500 for first, \$1,500 for second and \$1,000 for third.

These funds award excellence. We need to encourage breeders and stallion owners to improve the quality of their stock to ensure that our industry is competitive with other jurisdictions.

Breed Improvement Program - Standardbred

Alberta Sires Stakes Program

This program showcases provincially sired horses and provides good purses for these stakes programs. This program increases the purses for the finals of these stakes races as well as the Sales Stakes. In 2005, there was \$630,000 available to Alberta breds in additional stake purses through this program.

Mare Bonus

This bonus goes to the owner of the mare, bred to stallions registered in Alberta Sires Stakes, whose offspring ages 2, 3, 4 or 5 years has earned money in any race, including stake races. There is \$720,000 available in this program. This program rewards excellence, promotes the acquisition of new and better quality broodmares and helps offset operational costs.

Stallion Bonus

The stallion bonus goes to the owner of the stallion registered in the Alberta Sires Stakes, whose offspring ages 2, 3, 4 and 5 years has earned money in any race, including stake races. \$200,000 was allocated to this program in 2005.

Owner Bonus

This program rewards the owner of an Alberta sired horse, ages 2 to 5 years of age, earning money in all races excluding stakes races. This supplement of \$730,000 encourages ownership and breeding of Alberta sired horses.

Alberta Breeders Stake Races for 3 Year Old Fillies

This is for 3-year-old fillies which are either Alberta sired or 100% Alberta owned at the time of nomination and declaration. The \$150,000 budgeted for this program in 2005 xhelped promote the acquisition of good quality fillies that may become broodmares in the future.

Sales Credit for Winners of Specified Stakes Races

The owners of horses winning the Northlands Filly Pace, Western Canada Pacing Derby, Breeders Filly Stake, Nat Christie Memorial and four ASHA Sales Stakes will receive a \$2,500 credit note for the 2005 ASHA Yearling Sale.

Breed Improvement Program - Community Circuit

There was \$625,000 allocated to support breeding initiatives on the community circuit. Alberta bred Thoroughbreds, Quarterhorse, Paints, Arabians and Appaloosas were eligible for these initiatives.

Marketing - Recognized for Excellence

Quarterhorses

The Quarterhorse Alberta Stallion Program was also introduced in 2005 to support the efforts of the Alberta Quarter Horse Racing Association in breeding higher quality horses in the province. The yearling sale kicks off the \$100,000 Canadian Quarter Horse Cup Futurity. Each horse that goes through the sale is eligible for the Futurity, providing an additional berth for each buyer and seller. Each horse that goes through the auction ring actually represents up to three horses which are eligible to race – bringing new and old owners back into the industry. Quarterhorses were allocated grants of \$296,000 which promoted sales stakes races and Alberta Quarterhorse breeding.

Community-Track Owner Bonus

This program rewards the owners of Alberta sired horses racing on the community circuit during the summer meet, ages 2 to 5 years, earning money in all races excluding stakes. There was \$40,000 available in this program and \$30,000 in a supplementary stake support program for the community circuit in 2005.

Horse Racing Alberta's award winning campaigns have received accolades throughout Canada and the United States, including:

2005 World Trotting Conference, Best Television Show

2005 North American Applied Arts Design and Advertising Awards

2005 Finalist Marketing Campaign of the Year Award, Tourism Industry Association of Canada

2005 Canadian Agri-Marketing Association

Best of Show - Consumer Direct

Sales Support Materials - Consumer Direct

Certification of Merit - Television Public Service Announcements

2005 Sovereign Award Nominee - Best TV Show, Millarville

2005 Alberta Film & Television Awards, Best Canadian Promo Series

2005 Calgary Ad Rodeo

Best of Show

Overall Art Direction

Outdoor Series

Point of Purchase

Provincial Handle – 2004 to 2005 Comparison

Alberta Total

STATE OF LET	Thoroughbred 2005 % Change 2004				Standardbred			Total		
Charles of the latest	2005	% Change	2004	2005 %	6 Change	2004	2005 %	Change	2004	
Number of Race Days	186	-3.6%	193	148	0.0%	148	334	-2.1%	341	
Live Handle Alberta Simulcast	16,778,459 9,456,789	-1.1% -10.9%	16,971,278 10,615,746	10,522,818 7,999,630	-1.4% -5.7%	10,677,021 8,479,094	27,301,277 17,456,419	-1.3% -8.6%	27,648,299 19,094,840	
Foreign Simulcast	71,856,457	0.7%	71,321,838	42,921,261	11.0%	38,660,862	114,777,718	4.4%	109,982,700	
Total Handle	98,091,705	-0.8%	98,908,862	61,443,709	6.3%	57,816,977	159,535,414	1.8%	156,725,839	

Northlands Park

	Thoroughbred				Standardbred			Total			
St. 10 . 1 . 1 . 1 . 1	2005	% Change	2004	2005 %	6 Change	2004	2005 %	Change	2004		
Number of Race Days	72	0.0%	72	74	4.2%	71	146	2.1%	143		
Live Handle Alberta Simulcast	10,889,103 2,759,433	-0.6% -15.6%	10,959,989 3,271,334	7,057,953 2,748,796	-0.7% -0.6%	7,109,864 2,765,670	17,947,056 5,508,229	-0.7% -8.8%	18,069,853 6,037,004		
Foreign Simulcast	35,004,952	-5.7%	37,125,411	20,788,254	21.7%	17,079,415	55,793,206	2.9%	54,204,826		
Total Handle	48,653,488	-5.3%	51,356,734	30,595,003	13.5%	26,954,949	79,248,491	1.2%	78,311,683		

North HOT

SE 100 (2)		Thoroughbred			Standardbred			Total			
STATE OF	2005	% Change	2004	2005 9	% Change	2004	2005 %	6 Change	2004		
Alberta Simulcast	1,803,282	-6.1%	1,921,021	1,807,407	-10.1%	2,010,159	3,610,689	-8.2%	3,931,180		
Foreign Simulcast	7,440,103	28.1%	5,809,893	6,490,688	10.7%	5,861,310	13,930,791	19.4%	11,671,203		
Total Handle	9,243,385	19.6%	7,730,914	8,298,095	5.4%	7,871,469	17,541,480	12.4%	15,602,383		

Stampede Park

3 10 13	Thoroughbred 2005 % Change 2004				Standardbred			Total		
CONTRACTOR OF THE PARTY.	2005	% Change	2004	2005 %	Change	2004	2005 %	Change	2004	
Number of Race Days	45	-2.2%	46	59	-4.8%	62	104	-3.7%	108	
Live Handle	5,111,160	-1.2%	5,171,728	3,434,974	-3.1%	3,543,610	8,546,134	-1.9%	8,715,338	
Alberta Simulcast	3,146,571	-10.3%	3,507,184	2,432,305	-4.5%	2,546,753	5,578,876	-7.8%	6,053,937	
Foreign Simulcast	24,356,503	2.9%	23,661,102	12,205,595	-2.9%	12,568,821	36,562,098	0.9%	36,229,923	
Total Handle	32,614,234	0.8%	32,340,014	18,072,874	-3.1%	18,659,184	50,687,108	-0.6%	50,999,198	

South HOT

	AL PROPERTY.	Thoroughbred			Standardbred			Total			
	2005	% Change	2004	2005 %	% Change	2004	2005 %	Change	2004		
Alberta Simulcast	1,338,854	-3.8%	1,391,660	834,747	-12.0%	948,738	2,173,601	-7.1%	2,340,398		
Foreign Simulcast	3,508,117	3.1%	3,401,184	2,975,810	8.3%	2,747,890	6,483,927	5.4%	6,149,074		
Total Handle	4,846,971	1.1%	4,792,844	3,810,557	3.1%	3,696,628	8,657,528	2.0%	8,489,472		

Lethbridge

	2005	Thoroughbr % Change	ed 2004		andardbred % Change	2004	2005 %	Total % Change	2004
Number of Race Days	47	-9.6%	52	0	n/a	0	47	-9.6%	52
Live Handle Alberta Simulcast Foreign Simulcast	453,300 261,622 1,351,984	-12.9% -29.7% 13.4%	520,209 372,050 1,192,580	130,719 384,673	n/a -23.4% 14.5%	170,751 336,052	453,300 392,341 1,736,657	-12.9% -27.7% 13.6%	520,209 542,801 1,528,632
Total Handle	2,066,906	-0.9%	2,084,839	515,392	1.7%	506,803	2,582,298	-0.4%	2,591,642

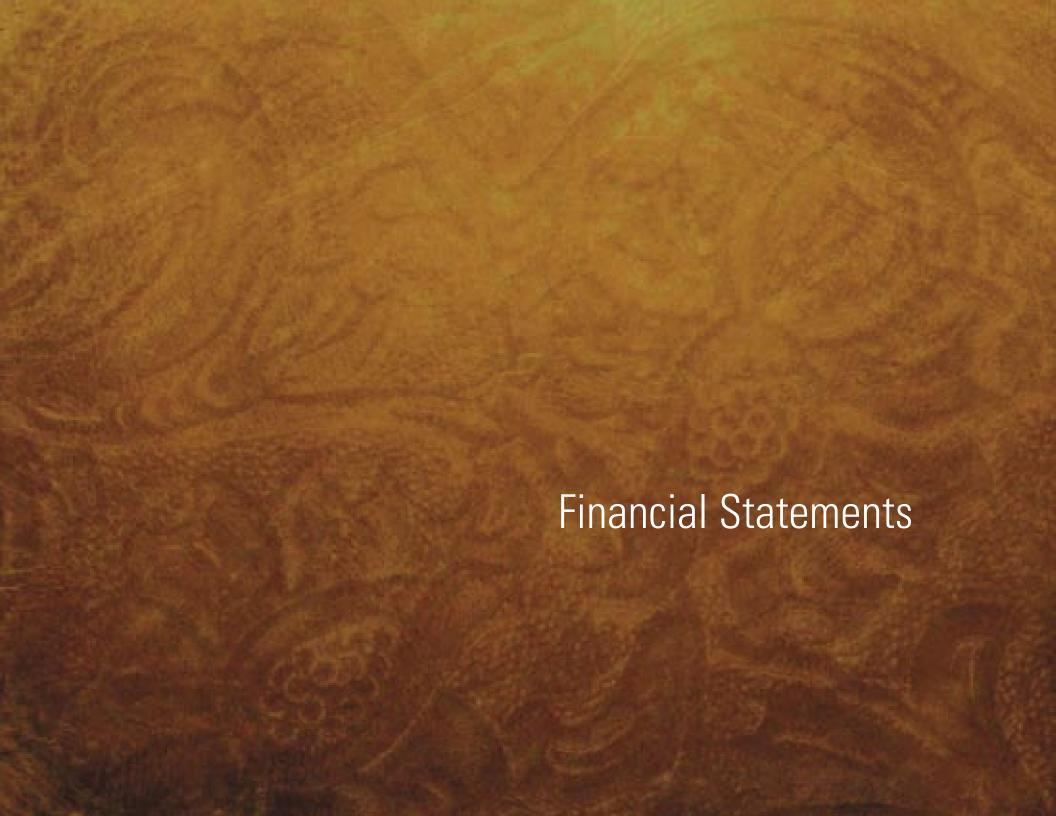
Grande Prairie

100 100 100 100 100 100 100 100 100 100	Runner/Sta 2005 % C	ndardbred Total hange 2004
Number of Race Days	36	0.0% 36
Live Handle Alberta Simulcast Foreign Simulcast	284,444 192,683 271,039	4.5% 272,121 1.7% 189,520 36.2% 199,042
Total Handle	748,166	13.2% 660,683

Millarville

	2005 %	Flat Total & Change	2004
Number of Race Days	1	-50.0%	2
Live Handle	70,343	-0.6%	70,778
Total Handle	70,343	-0.6%	70,778





AUDITORS' REPORT

To the Members of Horse Racing Alberta

We have audited the statement of financial position of Horse Racing Alberta as at December 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

KPMGLLP

Edmonton, Canada February 15, 2006

Financial Statements Year ended December 31, 2005

Financial Statements

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Statement of Financial Position
December 31, 2005, with comparative figures for 2004

		2005		2004
Assets				
Current assets:				
Cash	\$	4,462,354	\$	3,602,837
Accounts receivable		1,652,892		1,188,181
Contributions receivable from Alberta Gaming		8,790,154		8,693,826
Current portion of loan receivable		50,000		_
Prepaid expenses and deposits		37,715		59,951
<u> </u>		14,993,115		13,544,795
Capital assets (note 3)		198,956		135,425
Loan receivable (note 4)		150,000		-
	\$	15,342,071	\$	13,680,220
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$	1,961,947	\$	932.007
Racetrack grants payable	Ψ	2,378,476	Ψ	2,157,926
Current portion of obligation under capital lease		25,330		2,107,020
Deferred contributions from Alberta Gaming (note 6)		20,000		836,051
Belefied contributions from Alberta daming (note of		4,365,753		3,925,984
Obligation under capital leases (note 5)		53,636		0,020,004
obligation and outstandard (note of		00,000		
Net assets				
Investment in capital assets		198,956		135,425
Unrestricted		10,723,726		9,618,811
o modificación		10,922,682		9,754,236
Commitments (note 8)		. 0,0,00_		0,.0.,200
Contingency (note 9)				
Serving (1999 0)	\$	15,342,071	\$	13,680,220

See accompanying notes to financial statements.

On behalf of the Board:

Chairman of the Board

Chairman of the Audit Committee

Statement of Operations Year ended December 31, 2005, with comparative figures for 2004

	2005	2005	2004
	Budget	Actual	Actual
	(Unaudited)		
Revenue:			
General fees	\$ 7,932,697	\$ 7,966,488	\$ 7,820,025
Racing Industry Renewal Initiative revenues (note 6)	38,082,349	42,211,552	49,347,968
Other racing revenues	966,900	881,665	1,010,385
Interest and other revenues	83,000	66,350	112,956
	47,064,946	51,126,055	58,291,334
Expenses:			
Purse Support Grants:			
Thoroughbred	8,249,148	8,639,148	8,087,400
Standardbred	7,916,934	8,306,934	7,951,673
Community	3,535,100	3,535,100	3,371,596
	19,701,182	20,481,182	19,410,669
Breed Improvement Program			
Thoroughbred	3,863,950	3,421,688	3,612,868
Standardbred	2,939,756	2,771,642	2,828,135
Community	768,060	661,593	662,007
	7,571,766	6,854,923	7,103,010
	27,272,948	27,336,105	26,513,679
Schedule A Racetrack Grants	13,996,488	14,947,249	16,712,299
Schedule B Marketing and Promotion	3,417,000	3,353,773	3,295,259
Schedule C Regulatory and Administration	3,461,964	3,251,848	3,316,396
Human resource development	500,000	376,000	189,909
Animal welfare	100,000	52,832	50,705
Emerging projects and programs	1,000,000	639,802	_
	22,475,452	22,621,504	23,564,568
	49,748,400	49,957,609	50,078,247
Excess revenue (expenses)	\$ (2,683,454)	\$ 1,168,446	\$ 8,213,087

See accompanying notes to financial statements.

Statement of Changes in Net Assets Year ended December 31, 2005, with comparative figures for 2004

		nvestment in		2005	2004
	-	apital assets	Unrestricted	Total	Total
Balance, beginning of year	\$	135,425	\$ 9,618,811	\$ 9,754,236	\$ 1,541,149
Excess revenue (expenses)		(39,710)	1,208,156	1,168,446	8,213,087
Acquisition of capital assets		103,241	(103,241)	-	-
Balance, end of year	\$	198,956	\$ 10,723,726	\$ 10,922,682	\$ 9,754,236

See accompanying notes to financial statements.

Statement of Cash Flows Year ended December 31, 2005, with comparative figures for 2004

	2005	20
Cash provided by (used in):		
Cash received:		
Items not involving cash:		
Racing operations	\$ 8,383,442	\$ 8,829,9
Racing Industry Renewal Initiative program	41,279,173	34,693,6
Other interest received	31,798	29,2
Other receipts	34,552	83,7
Cash paid:		
Purse support	(20,481,182)	(19,410,6
Breed improvement	(6,854,923)	(7,292,0
Racetrack grants	(14,726,699)	(16,615,3
Marketing and promotion	(3,353,773)	(3,295,2
Other operating expenses	(428,832)	(240,6
Administrative expenses	(2,159,964)	(3,321,4
Emerging programs and projects	(639,802)	•
	1,083,790	(6,538,8
Cash flow from financing activities:		
Repayment of obligation under capital lease	(2,032)	
Cash flows from investing activities:		
Loan receivable advanced	(200,000)	
Repayment of advances from industry partners	-	2,006,4
Purchase of capital assets	(22,241)	(58,9)
	(222,241)	1,947,5
Increase (decrease) in cash	859,517	(4,591,2
Cash, beginning of year	3,602,837	8,194,1
Cash, end of year	\$ 4,462,354	\$ 3,602,8

See accompanying notes to financial statements.

Notes to Financial Statements Year ended December 31, 2005

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 H11.3, Revised Statutes of Alberta, 2000. The Corporation is a nonprofit organization as defined in Section 149(1)(I) 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 longterm racing industry renewal.

2. Significant accounting policies:

(a) Capital assets:

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

Asset	Basis	Rate
Office equipment and furniture	Straight line	20%
Computer hardware and software	Straight line	30%
Leasehold improvements	Straight line	Term of lease
Computer hardware and software under capital lease	Declining balance	30%

Notes to Financial Statements Year ended December 31, 2005

2. Significant accounting policies (continued):

(b) Revenue recognition:

The Corporation follows the deferral method of accounting. 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.

Assessments, fines, levies and interest on unrestricted funds are recognized as revenue when earned and collection is reasonably assured.

(c) 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 Year ended December 31, 2005

3. Capital assets:

			2005	2004
		Accumulated	Net book	Net book
	Cost	amortization	value	value
Office equipment and furniture	\$ 107,325	\$ 52,978	\$ 54,347	\$ 63,970
Computer hardware and software	226,769	164,646	62,123	58,941
Leasehold improvements	16,384	12,873	3,511	12,514
	350,478	230,497	119,981	135,425
Computer hardware and software				
under capital lease	81,000	2,025	78,975	-
	\$ 431,478	\$ 232,522	\$ 198,956	\$ 135,425

4. Loan receivable:

	2005	2004
Grande Prairie Regional Agricultural and Exhibition Society,		
non-interest bearing, unsecured, maturing 2010	\$ 200,000	\$ -
	200,000	_
Less current portion	50,000	-
	\$ 150,000	\$ -

Notes to Financial Statements Year ended December 31, 2005

4. Loan receivable (continued):

Subsequent to year end, the Corporation will advance \$800,000 to Grande Prairie Regional Agricultural and Exhibition Society ("Grande Prairie"). In addition, the Corporation has committed to advance \$500,000 in 2008 for Phase 2 of Grande Prairie's grandstand project. Grande Prairie has agreed to repayments terms of \$50,000 in 2006 and 2007, \$100,000 in 2008, \$150,000 in 2009 and 2010, \$200,000 in 2011 to 2015.

5. Obligation under capital leases:

	2005	2004
2006	\$ 29,920	\$ _
2007	29,920	-
2008	27,427	-
Total minimum lease payments	87,267	-
Less amount representing interest at 6.5%	8,301	-
Present value of net minimum capital lease payments	78,966	-
Current portion of obligations under capital lease	25,330	-
	\$ 53,636	\$ -

Notes to Financial Statements Year ended December 31, 2005

6. Deferred contributions from Alberta Gaming:

Deferred contributions represent unspent resources received and receivable from Alberta Gaming which are externally restricted. Changes in the deferred contributions balance are as follows:

	2005	2004
Balance, beginning of year	\$ 836,051	\$ 14,966,136
Contributions during the year	41,217,812	35,076,149
Interest received on deferred contributions	157,689	141,734
Amount recognized as revenue in the year	(42,211,552)	(49,347,968)
Balance, end of year	\$ -	\$ 836,051

The current Grant Agreement with Alberta Gaming expires March 31, 2006. Management is currently in discussion with Alberta Gaming regarding a new Grant Agreement.

Notes to Financial Statements Year ended December 31, 2005

7. Compensation:

Pc	sitions	Co	ompensation	Benefits	2005	2004
Chairman	1.0	\$	193,501	\$ -	\$ 193,501	\$ 141,758
Board of Directors	13.0		83,900	2,849	86,749	106,868
President and Chief Operating Officer Managers:	1.0		180,000	31,304	211,304	190,531
Racetrack and administration	3.0		227,312	28,570	255,882	281,700
Nonmanagement staff:						
Racetrack	19.0		688,624	94,479	783,103	676,033
Administration	5.0		129,445	26,684	156,129	181,687
	24.0		818,069	121,163	939,232	857,720
	42.0	\$	1,502,782	\$ 183,886	\$ 1,686,668	\$ 1,578,577

Notes to Financial Statements Year ended December 31, 2005

8. Commitments:

The Corporation rents office premises in Edmonton, expiring March 2008 and in Calgary, expiring December 2007. The Corporation also has office equipment under operating leases through to 2010. Annual payments are as follows:

2006	\$ 84,075
2007	80,341
2008	31,500
2009	2,719
2010	1,360
	\$ 199,995

The Corporation is also responsible for its proportionate share of property taxes and building operating costs for the leased premises.

Notes to Financial Statements Year ended December 31, 2005

9. Contingency:

The Corporation is one of several defendants in a lawsuit alleging a breach of agreement for the building and operations of a new racetrack, interference with the economic interests of the Plaintiff, and wrongfully revoking the racing license.

Management is of the opinion that this claim is without merit, and accordingly, no provision has been recorded in the financial statements. The litigation is in its discovery stages and the outcome is not currently determinable.

10. Fair value of financial assets and financial liabilities:

The carrying values of cash, accounts receivable, contributions receivable from Alberta Gaming, accounts payable and accrued liabilities and racetrack grants payable approximate their fair values due to the relatively short periods to maturity of these items.

The carrying value of loan receivable approximates its fair value as it is regular practice of the Corporation to loan funds on an interest free basis for facility improvements.

Schedule A Racetrack Grants Year ended December 31, 2005, with comparative figures for 2004

	Budget	2005	2004
	(Unaudited)		
Northlands Park	\$ 6,112,757	\$ 6,588,651	\$ 8,285,398
Calgary Exhibition and Stampede	4,260,586	4,502,407	4,313,268
Rocky Mountain Turf Club	1,048,974	1,050,413	1,421,507
Grande Prairie Regional Agricultural and Exhibition Society	173,379	195,213	685,686
Millarville	-	20,000	-
Alberta racetrack capital fund grants	2,400,792	2,590,565	2,006,440
	\$ 13,996,488	\$ 14,947,249	\$ 16,712,299

Schedule B Marketing and Promotion

	Budget	2005	2004
	(Unaudited)		
Branding	\$ 1,099,000	\$ 1,108,579	\$ 1,357,014
Marketing grants to racetracks	993,000	975,669	836,051
Live race broadcasting	850,000	846,631	571,597
Internal and other marketing initiatives	475,000	422,894	530,597
	\$ 3,417,000	\$ 3,353,773	\$ 3,295,259

Schedule C Regulatory and Administration Year ended December 31, 2005, with comparative figures for 2004

	Budget	2005	2004
	(Unaudited)		
Compensation (note 6)	\$ 1,531,257	\$ 1,686,668	\$ 1,578,577
Travel	220,000	292,455	244,793
Legal, consulting and audit fees	395,000	285,602	480,283
Contractors	323,707	210,889	212,800
Office and administration	240,000	198,298	207,212
Racetrack licensing expense	180,000	116,495	176,236
Office rent and operating costs	125,000	116,332	113,552
Committee expenses	227,000	83,065	77,267
Other	35,000	58,030	47,556
Telephone	52,000	55,963	50,562
Insurance	56,000	40,598	50,755
Amortization	22,000	39,710	23,773
Toxicology	15,000	31,193	22,615
Memberships	15,000	15,713	15,641
Appeal tribunal	15,000	13,594	5,197
Meetings and seminars	10,000	6,784	9,577
Interest on capital lease obligation	-	459	-
	\$ 3,461,964	\$ 3,251,848	\$ 3,316,396

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