

HORSE RACING ALBERTA

# 2006 ANNUAL REPORT





HORSE RACING  
**'ROUND THE CLOCK**





# VISION

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

# MISSION

TO BE A GOVERNING BODY WHOSE ROLE IS TO PROMOTE AND FACILITATE THE GROWTH, INTEGRITY AND ECONOMIC CONTRIBUTION OF THE ALBERTA HORSE RACING AND BREEDING INDUSTRY. THIS SHALL BE DONE BY PROVIDING QUALITY ENTERTAINMENT, EMPLOYMENT, ECONOMIC AND VALUE-ADDED AGRICULTURAL OPPORTUNITIES WITHIN A UNIFIED, VIABLE, PROGRESSIVE, ACCOUNTABLE AND SELF-REGULATED INDUSTRY ENVIRONMENT.

# CORE BUSINESS

THE CORE BUSINESS OF HORSE RACING ALBERTA IS HORSE RACING, RACEHORSE BREEDING AND THE REGULATION OF HORSE RACING IN ALBERTA, WITH THE OVERARCHING GOAL BEING: TO STABILIZE, ENHANCE AND ENSURE THE GROWTH AND INTEGRITY OF THE ALBERTA HORSE RACING AND BREEDING INDUSTRY.

# TABLE OF CONTENTS

HORSE RACING ALBERTA HIGHLIGHTS	4
HORSE RACING ALBERTA YEAR IN REVIEW	7
HORSE RACING ALBERTA GOVERNANCE	16
ECONOMIC CONTRIBUTION OF HORSE RACING IN ALBERTA	18
BREEDING	24
RACETRACKS	28
PURSES	32
MARKETING	36
INDUSTRY AND GOVERNMENT RELATIONS	39
HUMAN RESOURCES	42
ANIMAL WELFARE	46
REGULATORY	48
APPEALS TRIBUNAL	51
ON THE HORIZON	52
APPENDIX	53
BREED IMPROVEMENT PROGRAM	54
2006 PERFORMANCE MEASURES	57
FINANCIAL REPORTING	61

# HIGHLIGHTS

## HORSE RACING ALBERTA HIGHLIGHTS DR. DAVID REID, CHAIRMAN AND CEO

Worldwide the Kentucky Derby is recognized as the most exciting two minutes in sport. In 2006, this exciting race held special interest for Albertans – the story of Brother Derek and his Alberta owner, Cecil Peacock. Thousands of Albertans watched and cheered for this talented horse and his ties to our province. However, the horse racing and breeding industry is so much more than those two minutes. We are a 24-hour a day, seven-day a week, year-round operation involving many racing breeds. Our industry spans agriculture, tourism, transportation, construction and human resources. It is a nonstop endeavour sustained by thousands of dedicated individuals who make it work seamlessly and effectively. As exciting as the two minutes of racing are, it is only the tip of the iceberg in the horse breeding and racing industry.

2006 was a pivotal year for the industry. Since Horse Racing Alberta's (HRA) inception in 2002, we have succeeded in aligning a previously fragmented industry that has come together to execute and implement the blueprint set out by the Working Committee in 2001. Through the efforts of our stakeholders and the Horse Racing Alberta Board, it is remarkable that we have also achieved steady growth throughout this period.

There are many factors which have an impact on our future growth and success. A long-term agreement with the Government of Alberta was the key to triggering significant long-term investment in infrastructure, farms, breeding stock and racehorses. We required confidence in the government's commitment to horse racing and breeding, going out into the future. After a year of challenging negotiations, HRA signed a 10-year agreement with the Alberta Government in 2006. We are grateful for this agreement, as it is the catalyst for future growth and success for our industry.

The role of Premier Klein and the provincial government was recognized by the unveiling of an equine work of art at Northlands Park and the naming of a Standardbred stakes race, the "Ralph Klein Pace". At the risk of singling out an individual, the industry recognizes the role of Shirley McClellan who, as Minister of Agriculture in 2001, set up the industry working committee and served as one of the architects of the renewal initiative.





A second important factor influencing our growth is the commitment of our industry partners to HRA's eight strategic areas. In September, HRA brought together key stakeholders to discuss current successes and the future direction of the industry. Horse Racing Alberta received a resounding endorsement from our stakeholders. When polled, over 80% responded that the industry is prepared to meet the challenges of the future; 97% felt that HRA was moving in the right direction; and 100% recognized the need and ability of HRA to continue to speak on behalf of the industry.

Our racetracks play a critical role in growing our industry. Northlands Park continues to provide a first-class environment for racing and have succeeded in reorganizing simulcasting under a new format, marketed as the "Horses Off Track". Our Community Circuit has traditionally hinged on the outstanding and ongoing success of Rocky Mountain Turf Club in Lethbridge. This year, we have witnessed the exciting growth of Evergreen Park in Grande Prairie as they completed their new Racing Entertainment Centre (REC), as the first phase of their grandstand renovations. Their planned support of the 2007 transitional racing season for Standardbreds is crucial for our horsemen.

2006 marked the last full year of racing at Stampede Park and we applaud their efforts to make the abbreviated 2007 season an outstanding success. As we recollect all of the great memories, great horses, great horsemen and great racing at Stampede Park, we also eagerly anticipate the opening of the new United Horsemen of Alberta (UHA) facility in the Calgary area.

The commitment of UHA to this project is remarkable. Their investment of time, money and resources in the face of rising costs and numerous obstacles reflects their determination to complete this project in a timely manner and bring new excitement to horse racing in Alberta.



Naturally this period will bring to the forefront all of the anxiety that uncertainty fosters. HRA has confidence in UHA and the tremendous opportunities that this project brings to our industry. We have planned for this transition period and we wish to stress that all of our programs remain intact in 2007. We ask for patience and tolerance as HRA, the racetracks and the horsemen's organizations work together to make this transition as seamless as possible as we create a world-class racing operation in Alberta that will move us all closer to our goals and vision for the future.

The successes and challenges of Horse Racing Alberta are displayed in this report as a series of tables, graphs and columns of figures. Numbers, however, do little to bring to life the efforts, frustrations, contributions, persistence and commitment of so many individuals and organizations within the industry. They certainly do not illustrate the full investment of time and resources by many of our partners. Nor do they adequately depict the sage, thorough and outstanding guidance of the industry by the Board of Horse Racing Alberta, our excellent staff and the horsemen's organizations. As Chairman, I am grateful to each and every individual for their contributions to our progress along the path to industry revitalization.

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



# 2006 IN REVIEW

## HORSE RACING ALBERTA BUSINESS REVIEW

ANDY BRYANT, PRESIDENT AND COO

Horse Racing Alberta has a unique responsibility compared to other racing jurisdictions in North America. We are not only responsible for the regulation of horse racing, but also for breeding, promotion, development and racing programs. This allows us to create stability and sustainability from the ground up and make decisions that will better the industry as a whole.

2006 was a very good year for Horse Racing Alberta. In our fifth year of operation, we have experienced growth in the provincial handle, increases in attendance, better purses for horsemen, the moving forward with impressive capital projects, and a continued increase in the economic contribution by the industry to the provincial economy. HRA revenues once again grew in 2006, allowing us greater flexibility in meeting our core strategy of managed growth for the industry.

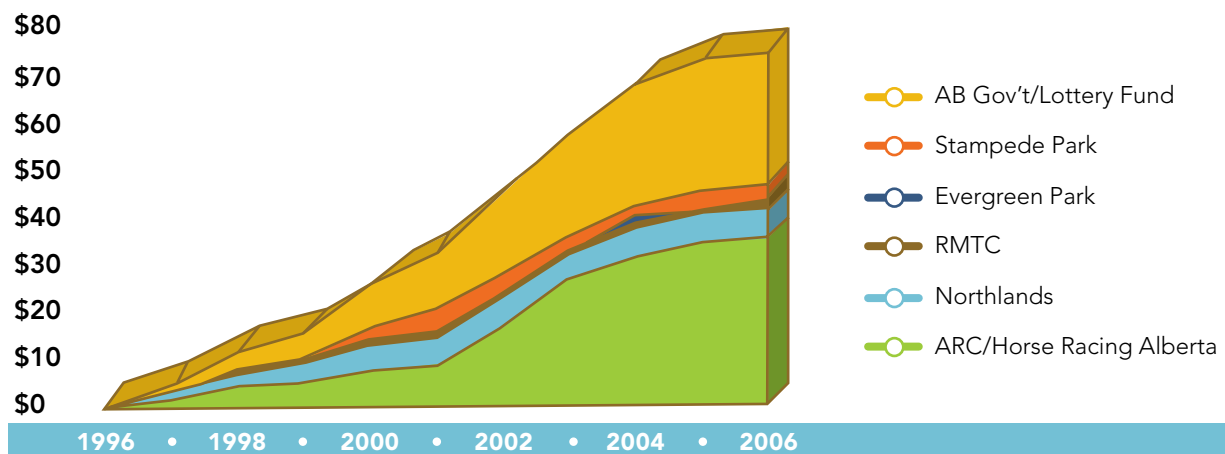
## RACING INDUSTRY RENEWAL INITIATIVE

Perhaps the most major accomplishment of 2006 was the signing of a 10-year extension to the Racing Industry Renewal agreement with the Government of Alberta. This agreement provides the stability that is critical for continued growth and investment in the Alberta horse racing and breeding industry.

The Racing Industry Renewal Initiative (RIRI) was introduced by the Government of Alberta in 1996 and reformatted in 2001. This program was put in place to address years of competition from other forms of gambling which were introduced and run by government and to recognize horse racing and breeding as an integral part of the new gaming landscape. Funding for the Racing Renewal Initiative is a performance based, flow through, grant from slot machines which are located at Alberta racetracks. The following chart shows the distribution of slot-machine net revenues from HRA licensed racetracks.



## DISTRIBUTION OF SLOT-MACHINE NET REVENUES FROM HRA LICENSED RACETRACKS 1996-2006 (IN MILLIONS OF DOLLARS)



The program is working. Alberta is becoming acknowledged as an international leader in horse racing and breeding activities. This sound investment by government returns more money to tax coffers than the industry receives from government. By extending our agreement, the government has acknowledged the importance of our industry and, more importantly, it has committed to work with us in taking the industry to new heights. It is now our obligation as the industry to continue to implement strategies for growth and expansion.

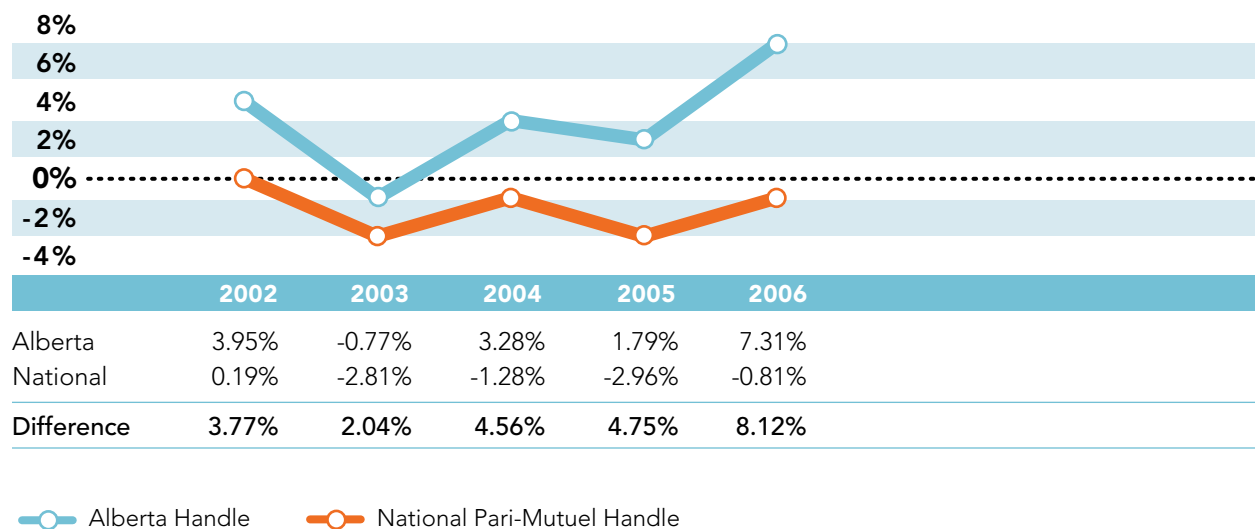
### PARI-MUTUEL HANDLE

Alberta continues to be the only racing jurisdiction in Canada that has experienced sustained growth in pari-mutuel handle.

The total amount wagered in 2006 was \$171,196,863, an increase of 7.31% or \$11.6 million over 2005. Alberta outperformed the rest of Canada on average by 8.12% in 2006 when compared to the national handle, which declined by 0.81%.



## NATIONAL VS ALBERTA PARI-MUTUEL % CHANGES 2002-2006



While this outstanding handle performance leads, and is the envy of, most North American racing provinces and states, Horse Racing Alberta must work with the industry in identifying areas for improvement and growth. A priority area is for the industry to address the \$3.5 million decline in wagering on Alberta races that was seen in 2006. To this end, HRA must continue with its marketing initiatives to attract new fans. It must develop a strategy with our racetracks and horsemen that make our export signal more marketable and we must continue to develop our facilities both on and off track.



## CONSTITUENCY MAP OF TOWNS/ CITIES WITH HOT LOCATIONS.



## SIMULCAST RACING AND OFF TRACK NETWORKS (HOT URBAN & RURAL)

Across Canada and North America, there is a growing trend towards in-region and foreign simulcast wagering. In 2006, Alberta experienced similar trends, with off-track wagers increasing by approximately 10% over 2005. HRA continues to work with our racetrack partners and the Alberta Hotel and Lodging Association in identifying and opening quality off track facilities across Alberta.

Although live racing remains the most engaging and entertaining prospect for racing fans, there is a need to make the Alberta racing product a more attractive commodity in order to export signals to other jurisdictions. Changes to our technology, production, federal regulatory approvals, and approach to selling the signal are being addressed to meet future needs.





## CANADIAN PARI-MUTUEL AGENCY REVIEW

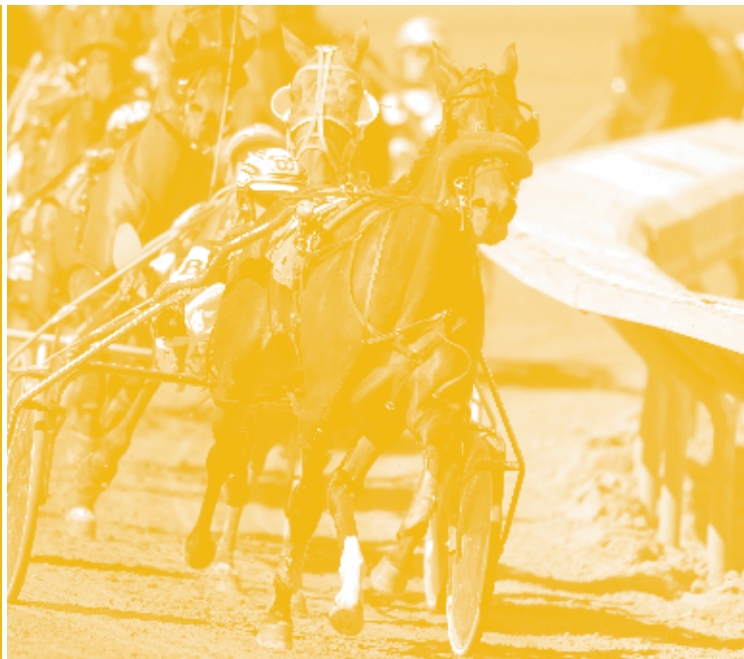
In 2006, the Canadian Pari-Mutuel Agency (CPMA) initiated a public consultation process to undergo a comprehensive review of the regulatory framework surrounding the regulation and supervision of betting on horse races. This review is timely given the changes in technology, particularly Internet gaming. This is the first time the regulations have been reviewed with the provinces and stakeholders in more than ten years. Horse Racing Alberta has taken the position, in responding to this review, that CPMA regulations should reflect the division of responsibility between the federal and provincial jurisdictions.

Horse Racing Alberta has advocated that the CPMA should focus on its principle role of ensuring the integrity of the national wagering systems and medication standards while allowing provincial regulators to determine how racing operates and evolves in their jurisdictions. It is expected that recommendations to the federal Minister of Agriculture will be ready by the end of 2007.

## INVESTING IN THE INDUSTRY

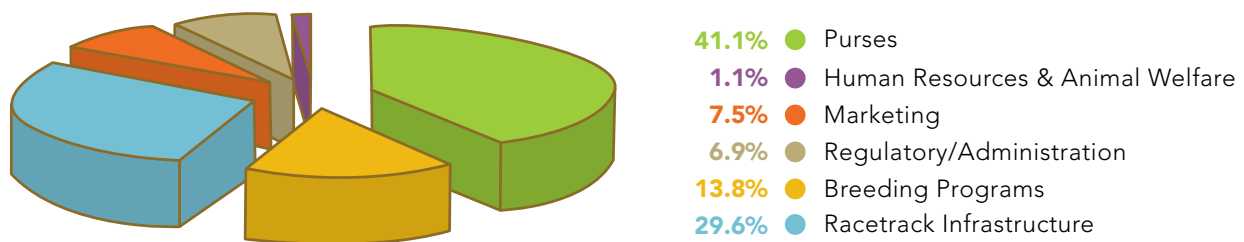
Horse racing and its associated programs have built on the foundations set out in our previous strategic plans and we have continued to show strong economic growth. As of the end of 2005, Horse Racing Alberta accounted for \$385 million in annual economic impact to the province's economy, shared almost equally between urban and rural Alberta<sup>1</sup>. This is an increase of over \$30 million between 2004 and 2005, with direct expenditures by the industry increasing by 9%. Clearly our business model, built on the concept of sustainable growth, has generated a spirit of confidence necessary for the continued growth and contribution of the industry.





## HORSE RACING ALBERTA 2006 PROGRAM EXPENDITURES

2006 REVENUE ALLOCATION \$51,834,697



Horse Racing Alberta programs are designed and mandated to improve all aspects of the horse racing industry – breeding, purses, infrastructure, human resources, animal welfare, marketing and regulatory functions. Although the breadth of these programs is vast, the combined impact of success is tangible and ripples throughout the industry. Horse Racing Alberta invests over \$51 million annually in these programs, with a focus of revitalizing and growing the horse racing industry.

In September of 2006 the industry met to discuss, brainstorm and expand upon the working committee's recommendations and HRA strategic business model. It was strongly endorsed that HRA's strategic plan and programs connect with our direction for the future.



### BREEDING PROGRAMS MAKING AN IMPACT

The growth of a successful industry is largely dependent upon Alberta's ability to create and market the Alberta-bred horse. Over the past five years, there have been tremendous inroads made in improving broodmare and stallion quality and the number of foals born in Alberta.

HRA continues to implement an aggressive Breed Improvement Program which enhances the quality of Alberta-bred racehorses, further increasing our economic contribution to the agricultural economy. This program has begun to revitalize the racehorse breeding industry and has received national acclaim by the Canadian Standardbred Industry as a program for other provinces to emulate. Sales for our three major breeds have remained strong and we are starting to see a significant investment of resources into improved breeding stock. The total impact for breeding and raising activities in 2005 was \$84 million, a 24% increase from 2004<sup>1</sup>. Clearly the strategy is working.

### SUSTAINABLE PURSES ESSENTIAL PART OF GROWTH PLAN

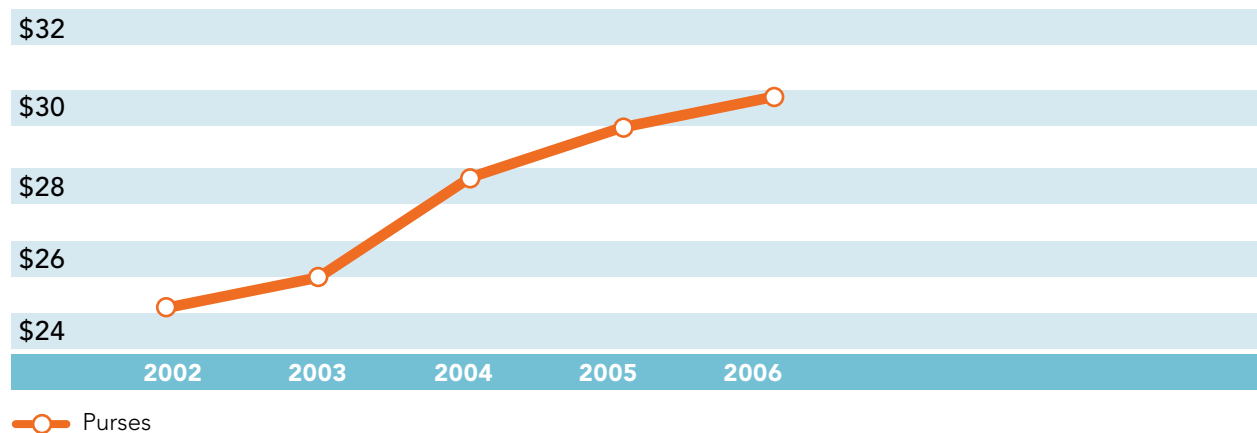
Purse structure forms the basis for all aspects of the participation and investment in live horse racing in Alberta. Purses ultimately determine the activity and quality of the horses racing at all Alberta tracks, which has direct impact on the revenues generated by all industry participants.

The establishment of an aggressive, sustainable purse structure with steady, significant, incremental increases has proven to be a successful strategy for the Alberta racing industry. It provides a fiscally viable, long-term commitment which allows horse racing participants to plan and invest for the future.

Since 2002, purses have increased an average of \$1 million per year, providing good returns to horsemen on a consistent basis. Purses hit an all-time high in 2006 with over \$30 million in purse money provided by HRA and the Standardbred and Thoroughbred horsemen's associations.



#### GROWTH IN ALBERTA PURSES SINCE 2002 (IN MILLIONS OF DOLLARS)



#### MARKETING MAKING AN IMPACT

The long-term success of horse racing in Alberta depends largely on drawing new fans to the racetrack. Over the past year, HRA has continued to target the 18-34 year old demographic as they are more likely to be drawn to the excitement and entertainment of the racetrack and have a greater interest in gaming activities.

HRA once again conducted extensive market research as the basis for our province-wide branding campaign, point-of-sale programs and TV show programming. This has allowed HRA to realize positive growth and awareness with our existing client base, and more importantly, with our targeted demographic.

The industry continues to build on the success of the marketing strategy and moves into its fourth year of a comprehensive multi-tiered strategic plan. Judging by our research, increased attendance, continued handle performance, and provincial, national and international awards for our annual campaign, HRA would view that we have, to date, been successful in:

- Raising the profile and awareness of horse racing;
- Repositioning horse racing as entertainment;
- Expanding our consumer base; and,
- Educating the public as to the contribution and value of horse racing and breeding in Alberta.





### PEOPLE MAKE THE DIFFERENCE

There are over 8,000 people involved in Alberta's horse breeding and racing industry. Many of these individuals work long and tireless hours to meet the continuous and ongoing needs of the horses. It is HRA's mandate and responsibility to ensure that the individuals who work at our racetracks are provided with innovative programs and opportunities to support them in their demanding roles and lifestyles.

Programs such as the non-denominational chaplaincy program, substance abuse counseling, daycare subsidies and scholarship opportunities are making a tremendous difference - particularly in the lives of grooms, exercise riders, hot walkers, jockeys and drivers.

Given the essential role our people play in the overall success of our industry, we have strengthened our partnership with Olds College in working towards developing the Canadian Equine Centre for Innovation (CECI) to demonstrate our support to the training and education of racing's most vital employees.

### FOCUSED ON THE HORSE

Without the equine athlete, there wouldn't be an industry at all. The care of the horses at the centre of our industry is our primary concern. In 2006, HRA began an analysis of the use of synthetic track surfaces in preventing disastrous injury to the equine athlete. We have been working closely with Keeneland Racetrack in Lexington, Kentucky to better understand the benefits and uses of the innovative Polytrack™ racing surface. We will continue to look at this issue throughout 2007.

As I indicated at the outset of this report, 2006 was a very good year for Alberta horse racing and breeding. Our programs are working and we have seen positive results in all facets of the industry. By remaining flexible, and with the continued support of government and industry participants, I am confident in the prosperity and continued growth of the horse racing and breeding industry in this province.



Andy Bryant  
President and COO

<sup>1</sup> Serecon Management Consulting Inc. prepared for Horse Racing Alberta "The Economic Impacts of Horse Racing and Breeding in Alberta". (2005)

# GOVERNANCE

Horse Racing Alberta is a private, not-for-profit corporation that represents all segments of the industry. Under the Horse Racing 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.

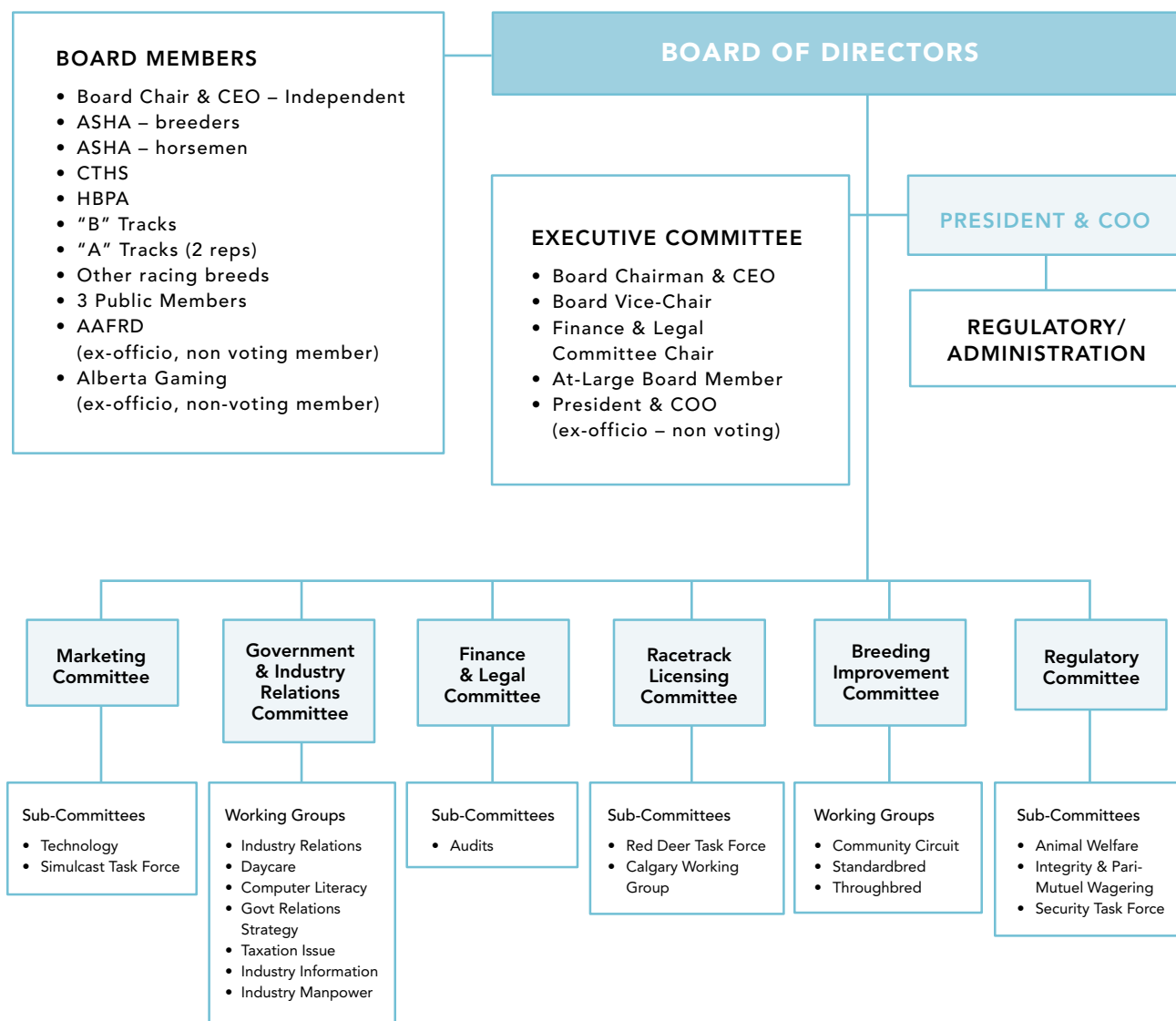
Horse Racing Alberta receives its direction from a board of 14 directors selected by industry stakeholders. This board has an independent chair, three public directors and two government-appointed ex-officio (non-voting) members.

## HORSE RACING ALBERTA BOARD OF DIRECTORS 2006

Dr. David Reid	Chairman and CEO
Mr. 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" Tracks, Northlands Park
Mr. Fred Allen	"A" Tracks, Stampede Park
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



## HORSE RACING ALBERTA ORGANIZATIONAL CHART



# ECONOMICS

## HORSE RACING'S CONTRIBUTION TO THE ALBERTA ECONOMY

The nature and distribution of economic impacts associated with the industry are considerable and diverse. The industry makes a significant economic contribution and investment to the provincial economy, providing a nine-fold return on the government's investment in the horse racing and breeding industry. From rural farming operations to racetrack activities, horse racing plays an important role in Alberta's overall economic prosperity.

In 2006, Serecon Management Consulting Inc. undertook an Economic Impact Study for 2005. This study revealed that the overall economic impacts of horse racing and breeding in 2005 grew by \$30 million to \$385 million, with direct expenditures increasing to \$138 million. The total employment associated with the horse racing industry was 8,125 people or 2,820 Full Time Equivalents (FTEs).

### ECONOMIC IMPACT OF THE HORSE RACING INDUSTRY BY MARKET AREA- 2005<sup>1</sup>

GROSS OUTPUT	OPERATING EXPENDITURES	RACING	BREEDING	TOTAL
Edmonton	\$ 106,888,946	\$ 54,378,676	\$ 37,855,327	\$ 198,109,351
Calgary	\$ 57,401,034	\$ 37,871,639	\$ 25,271,377	\$ 120,866,691
Lethbridge	\$ 13,043,643	\$ 18,265,612	\$ 15,176,799	\$ 47,336,744
Grande Prairie	\$ 5,821,184	\$ 6,763,371	\$ 5,965,642	\$ 18,390,464
Provincial Total	\$ 183,154,807	\$ 117,279,298	\$ 84,269,145	\$ 384,703,250



## RURAL IMPACTS

It is widely known that Alberta has 35% of all the horses in Canada. Of these, only 2.3% are racehorses, but is arguably the single largest source of economic benefits from horses in the province. While the impact of the industry is felt across Alberta, including both rural and urban communities, the connection between the horse racing industry and rural Alberta is often overlooked. It is in these rural areas where horses are bred, maintained, trained, and where an extensive array of equine related support services are located.

There are over 500 breeding and training operations involved in the development of the Thoroughbred, Standardbred and Quarter Horse breeds for the horse racing industry in Alberta. These operations are responsible for over \$266 million in primary production assets. Over 52% of the overall impact of horse racing is related to the basic agricultural economy in Alberta, representing approximately \$202 million in direct, indirect and induced spending in 2005.

### ECONOMIC IMPACT OF THE HORSE RACING INDUSTRY BY RURAL/URBAN AREA - 2005<sup>1</sup>

	RURAL ALBERTA		URBAN ALBERTA	
	2004	2005	2004	2005
Direct	\$ 68,071,227	\$ 77,221,626	\$ 56,665,835	\$ 60,856,035
Indirect and Induced	\$ 109,594,675	\$ 124,326,817	\$ 119,150,312	\$ 122,298,773
<b>Total Economic Impact</b>	<b>\$ 177,665,902</b>	<b>\$ 201,548,443</b>	<b>\$ 177,816,147</b>	<b>\$ 183,154,808</b>



## TAX CONTRIBUTIONS FROM HORSE RACING

When the \$266 million in primary production assets are combined with the \$365 million in estimated infrastructure assets, the horse racing and breeding sector is responsible for over \$631 million in physical assets dedicated to the industry.

Tax implications are difficult given the varying rates and conditions that taxation rules cover. The following analysis used a number of assumptions, but does provide a basic indication of the magnitude of the contribution of the industry back into the public purse. Overall, it is estimated that \$46 million is paid annually, an increase of 12.4% over 2004. The figure of \$46 million is conservative as it does not include many other taxes that are difficult to estimate in this analysis: fuel taxes and corporate income taxes, etc.

### ALLOCATION OF TAXES BY TYPE AND RESPONSIBILITY - 2005<sup>1</sup>

LEVEL OF GOVERNMENT	TAX	AMOUNT	TOTAL	DISTRIBUTION %
Municipal	Land	\$ 1,439,746	\$ 2,212,486	4.8%
	Buildings	\$ 772,740		
Provincial	Income	\$ 3,125,402	\$ 6,677,931	14.5%
	WCB	\$ 856,024		
	Liquor Markup	\$ 2,696,505		
Federal	Income	\$ 5,630,046	\$ 37,060,775	80.7%
	CPP	\$ 4,260,583		
	EI	\$ 2,189,175		
	GST	\$ 23,654,821		
	Liquor	\$ 1,326,150		
Total			\$ 45,951,192	100%



## ECONOMIC IMPACTS OF NEW PROJECTS - FORECAST

Alberta racetracks are planning for new and enhanced infrastructure activities in the future. Northlands Park is considering a \$25 million expansion of their racing surface to seven-furlongs in the near future. The United Horsemen of Alberta racetrack is underway which is the catalyst for an adjacent \$1 billion entertainment, retail, commercial and educational development.

The construction of the UHA racetrack development will have an estimated direct economic impact of \$170 million in land development, building materials, furniture, and interest payments. These represent one-time impacts to the economy which take place over multiple years of construction. These impacts are only calculated for racetrack expenditures and don't account for the retail complex and subsequent residual developments in the area.

## ONE TIME ECONOMIC IMPACTS RESULTING FROM THE CONSTRUCTION OF THE RACETRACK IN CALGARY<sup>1</sup>

EXPENDITURE CATEGORY	DIRECT EXPENDITURE	DIRECT, INDIRECT AND INDUCED IMPACT	EMPLOYMENT
Non Residential	\$ 154,800,000	\$ 429,105,600	1,827
Construction Equipment	\$ 4,250,000	\$ 8,347,000	28
Furniture and Fixtures	\$ 4,250,000	\$ 9,609,250	48
Interest	\$ 6,400,000	\$ 16,076,800	69
<b>Total</b>	<b>\$ 169,700,000</b>	<b>\$ 463,138,650</b>	<b>1,972</b>

The construction will also provide an increase in taxes federally and provincially. It has been estimated that the construction project will result in \$36 million in taxes paid, not including corporate or fuel taxes.



# ECONOMICS CONTINUED...

## UHA CONSTRUCTION PHASE TAXES<sup>1</sup>

LEVEL OF GOVERNMENT	TAX PAID
Provincial	\$ 7,345,476
Federal	\$ 28,429,580
Total	\$ 35,775,056

In addition to the economic benefits of the construction phase, the UHA racetrack is expected to increase the annual economic benefit of horse racing in Alberta. It is anticipated that horse racing will see an additional \$80 million in annual economic increase from the UHA racetrack. Approximately \$30 million would be attributed to the increased number of live race days, increases in the number of horses racing, associated agricultural spending, and increases in track expenditures. Approximately \$50 million of this increase would be attributed to the physical racing infrastructure.

<sup>1</sup> Serecon Management Consulting Inc. prepared for Horse Racing Alberta "The Economic Impacts of Horse Racing and Breeding in Alberta". (2005)

2:00AM



# BREEDING

## **FACILITATE THE GROWTH OF THE BREEDING INDUSTRY AND THE QUALITY OF RACEHORSES BRED IN ALBERTA.**

Good breeding increases the odds of foaling a good racehorse, but it's the dream of a great racehorse that ignites the passion and drive of horsemen. The study of bloodlines and breeding for certain characteristics is the closest to a scientific way of planning a successful breeding operation. Breeding horses is a nonstop cycle. Even as a foal is born the breeder is thinking about next year's foaling season and the best combination of sire and dam to create a winning racehorse.

Horse Racing Alberta is one of only a handful of racing industry associations in North America that oversees breeding programs as well as racing activities. Within Alberta there are over 500 breeding and training operations involved in the development of Thoroughbred, Standardbred and Quarter Horse racehorses.

HRA recognizes that a strong and vibrant racing industry needs to be built from the ground up, within our borders. Over the past five years, HRA has seen the previous decline in racehorse breeding reversed, with steady increases in Alberta-bred racehorses. 2006 was a landmark year, with 1151 Alberta-bred foals registered. Breeders need a five to seven-year horizon from the time of making the decision to breed until the racehorse has the opportunity to reach its full potential on the racetrack. The next few years will demonstrate the positive results of HRA's breeding initiatives.



## BREED IMPROVEMENT PROGRAM

Alberta's Breed Improvement Program is the envy of other racing jurisdictions and has been held up as a template for success. This innovative program encourages owners to purchase quality breeding stock and rewards Alberta-bred horses for outstanding performance. HRA contributed over \$7.1 million in grants for the Breed Improvement Program in 2006.

There are five primary goals for the Breed Improvement Program:

1. Position the Alberta-Bred as a recognized and marketable product, able to compete at the national and international level.
2. Utilize innovative and progressive new ideas to make improvements to existing programs.
3. Strengthen the quality of broodmares and stallions in Alberta, and foster an environment where breeding farms may be commercially viable.
4. Ensure that the resources are available for future growth and development of Alberta's breeding industry.
5. Encourage all partners in the horse racing industry to work cooperatively to enhance and improve the breeding industry.

HRA's commitment to the Breed Improvement Program into the future will maintain and enhance existing programs as well as promote new initiatives.



# BREEDING CONTINUED...

## THOROUGHBRED PROGRAMS

Thoroughbreds had a very successful year in 2006, with a 26% increase in the average price at the Alberta Thoroughbred Yearling Sale, a jump from \$8,621 in 2005 to \$11,143 in 2006. The Mare Incentive Purchase Program was a contributing factor to this success, as yearlings from high quality mares were up for purchase at the 2006 sale. An additional 26 quality mares were purchased in 2006 through this program, which is a strong indicator for sustained yearling prices for 2007. The overall number of Thoroughbred mares bred 2006 decreased by 56 horses, which is a trend indicator of breeders being more selective about the quality of mares they breed.

A \$20,000 Owner's of Alberta Bred Supplement was introduced for six open stake races. Purse supplements to breeders of 2, 3, 4, and 5-year old Alberta-breds were increased based on dollars earned for finishing win, place, or show in all races from \$10,000 claiming and up. The Alberta Fall Classic, which is the September day of stakes races that showcases the Alberta-bred to the rest of the country, provided \$350,000 in purses for seven stake races.

## STANDARD BRED PROGRAMS

The number of Standardbred foals born in 2006 has increased by nearly 20% over the past five years, with 353 foals registered. This corresponds to the increased number of mares bred, up from 576 in 2004 to 634 in 2005. Over the past three years, the Mare Incentive Purchase program has brought many quality broodmares into Alberta and their offspring are starting to show their influence at the racetrack.

The Standardbred Yearling sale prices decreased from \$8,500 to \$6,692 due to the cautious attitude of many horsemen about the timing of the 2008 racing season and the opening of the new UHA racetrack.

2006 saw increased bonuses for owners of 2, 3, 4, and 5-year old Alberta-sired horses earning money in all non-stakes races, not just win-place-show. Bonuses were also increased for owners of mares and stallions registered for Alberta Sires Stakes for 2, 3 and 4-year olds earning money in all races, including stakes races.

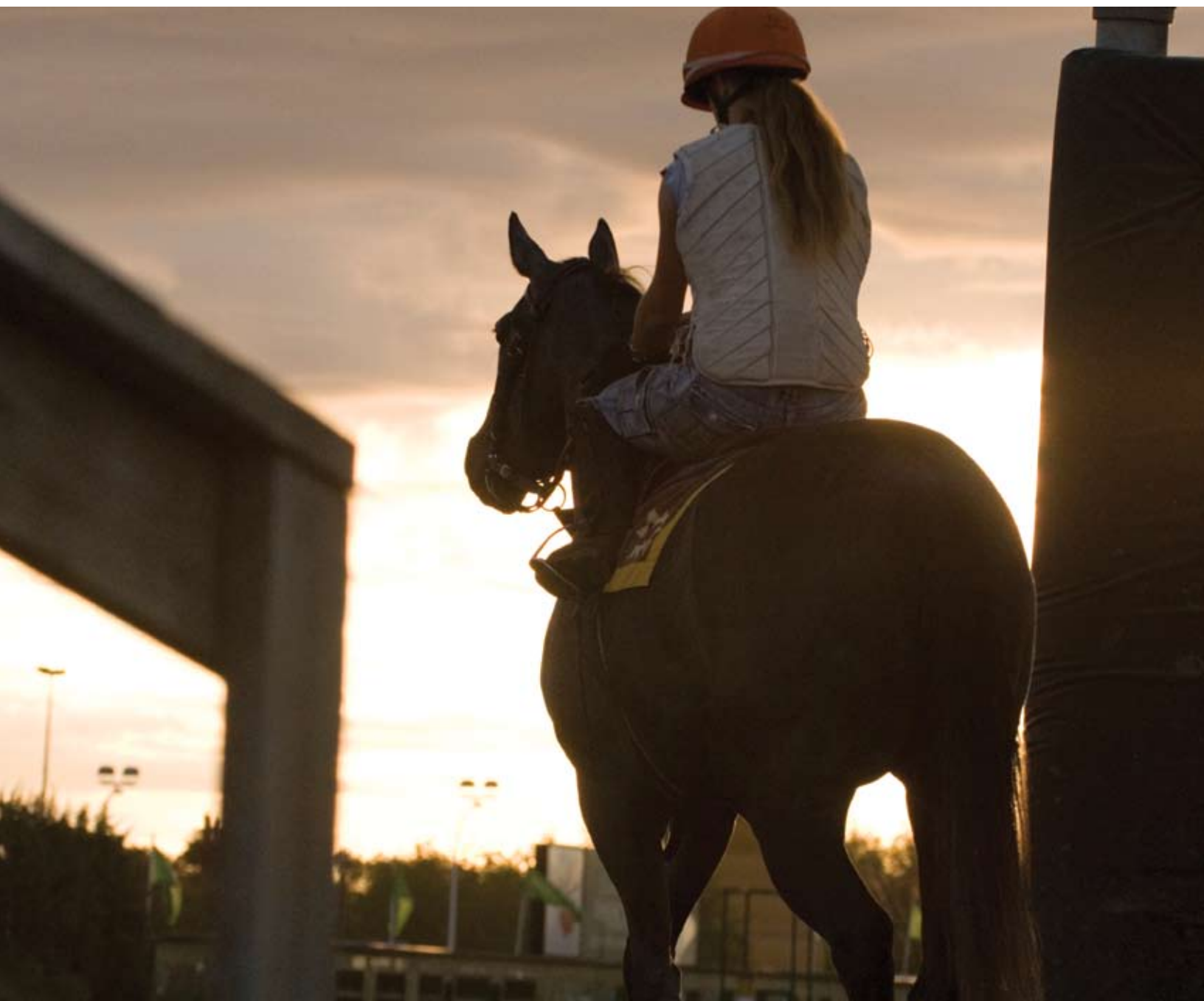
## QUARTER HORSES/COMMUNITY CIRCUIT PROGRAMS

Horse Racing Alberta continues to provide resources and work with community racetracks and horse associations to help them better serve the interest of their communities and horse racing in Alberta. The Quarter Horse is the most popular horse breed in Alberta and has gained popularity on the community racing circuit. Racing Quarter Horse sale prices continued to be higher than estimated, with an average price of \$5,484. This sale also had the highest number of yearlings sold to date.

Among the annual Quarter Horse events are the Canada Quarter Horse Cup Futurity which boasts an estimated gross purse of \$100,000 and the Alberta Bred Futurity which featured a \$75,000 purse. In 2006 the Alberta-bred bonuses were increased which are shared equally by owners and breeders for win-place-show in non-stakes races on the community circuit.



# 5:00AM



# RACETRACKS

## TO PROMOTE THE DEVELOPMENT OF HIGH QUALITY HORSE RACE TRACKS.

It is estimated that there is currently \$365 million invested in existing racetracks and their associated infrastructure. To maintain and expand upon this investment, significant capital dollars are required in order to facilitate the building, renovation and expansion projects at all of our racetrack facilities. The completion of these projects goes a long way in addressing horse racing competition from outside our borders.

Horse racing and its related activities are a 365-day operation at our "A" and "B" facilities. These activities create an exciting and entertaining atmosphere for patrons and provide a revenue flow that is a vital component for future growth and expansion. In 2006, over \$15 million was provided to our racetrack facilities, with the intention of growing racetrack revenues and providing our visitors with an enjoyable experience.

### "A" TRACKS

#### CALGARY EXHIBITION & STAMPEDE

2006 saw HRA come to an agreement with the Calgary Exhibition & Stampede (CE&S) which will see CE&S conduct live racing until June 30, 2007, with simulcast and off-track wagering continuing there until December 31, 2007. HRA will continue to work with CE&S and the United Horsemen of Alberta (UHA) to ensure a smooth transition.



## UNITED HORSEMEN OF ALBERTA

The United Horsemen of Alberta (UHA) racetrack is the first "A" Class racetrack to be built in Alberta in the last 70 years. This project is pivotal to the growth of the horse racing industry in Alberta. It is the single best vehicle of achieving many of HRA's goals and will take horse racing into the future. It is located 1.5 kilometres north of Calgary at Balzac East in the Municipal District of Rocky View. Once completed, the racetrack will employ 600 people onsite, house 1200 horses and attract over one million visitors per year. This exciting new racetrack is estimated to generate over \$200 million in annual economic benefit. The racetrack construction phase alone is estimated to have a total economic impact of \$436 million and create 1,972 jobs.

Directly linked to the development of this racetrack is the construction and integration of major entertainment, retail and education zones on and around the UHA lands. The racetrack development has been the catalyst for these major concurrent developments.

The direct capital expenditures for the entire UHA project, including the adjoining retail development, are estimated to be over \$1.0 billion.

## EDMONTON

### NORTHLANDS PARK

In 2004 Northlands Park and HRA identified critical capital improvements to the Northlands Park racing facility, as well as the need to pursue the feasibility of a 7-furlong racing surface. The estimated capital requirement for these two initiatives is \$34 to \$40 million dollars. Northlands Park and HRA have allocated \$11.7 million through 2008 for facility improvements, which includes \$5 million already invested in the retrofitted paddock. The Northlands Park Board of Directors agreed to allow a 7-furlong racing surface on their site depending on the availability of financing for the \$20 - \$25 million project.

Northlands Park is also faced with the challenge of a new casino, which opened one mile from their facility in late 2006. The immediate effect of this opening was approximately a 25% decline in revenues generated at Northlands Park REC for November and December. It is expected that, like the effect from the smoking bylaw, this will correct itself over time.

Racing activities in Edmonton have an estimated annual economic impact of \$198 million.

# RACETRACKS CONTINUED...

## COMMUNITY CIRCUIT

### LETHBRIDGE – ROCKY MOUNTAIN TURF CLUB

The recent relocation and expansion of Casino Lethbridge to a site close to Rocky Mountain Turf Club (RMTC) has created a very significant competitive challenge for RMTC's Racing Entertainment Centre. This facility includes over 300 slot machines, significantly more than their prior location, along with table games and a poker room in a very upscale and similarly themed old-west environment.

RMTC aged infrastructure and equipment needed to be revitalized in order to continue to provide its patrons and users with a suitable environment in which to gather and work. 2006 saw RMTC complete work on \$3.5 million in capital and equipment reinvestment at their facility, including a new sports room upstairs at Bully's.

These capital improvements represent only those projects required to begin to refresh and rejuvenate the racetrack facility and its equipment. RMTC intends to continue to modernize its grandstand, REC and track amenities as needed.

Racing activities in Lethbridge have an estimated annual economic impact of \$47.3 million.

### GRANDE PRAIRIE – EVERGREEN PARK

Over the past year, Grande Prairie Regional and Agricultural Exhibition Association and HRA have completed Phase One of the planned grandstand renovations, including the kitchen and Racing Entertainment Centre enhancements. The new REC at Evergreen Park features a vibrant atmosphere in an exquisitely designed facility which is truly one of the finest entertainment centres in Canada.

The issues of management, professionalism, contribution to the community and province, marketing, impact on horse racing, economic sustainability and profitability have been examined and articulated within Evergreen Park's recent business plan. The plan also addresses Evergreen Park's synergy with the growth and expansion of their community, within both county and city limits.

Racing activities in Grande Prairie have an annual economic impact of \$18.3 million. This is expected to rise to over \$40 million with the completion of phase one of their project.

### CENTRAL ALBERTA

HRA is in the process of reviewing a racetrack license application for this market area.

### MILLARVILLE

2006 was the 101st running of the Millarville Canada Day races and as always fans flocked to enjoy the day. However inclement weather and a serious tote malfunction made for a lower handle than generated in previous years.

The growth and solidification of horse racing's principle venues, in particular the new Calgary facility, is of foremost importance to the future of racing in Alberta. This was the direction given to HRA at the industry's strategic planning session in September. HRA stakeholders also overwhelmingly emphasized the importance of high-quality racetracks and endorsed the continuation of the strategy to evolve racetracks into exciting multi-entertainment destinations. As a reflection of this mandate, 2006 was a very active year for licensing activities.



# 9:00AM





# PURSES

## **INCREASE PURSES, BASED ON REVENUES AVAILABLE, TO STIMULATE THE OVERALL ACTIVITY AND INVESTMENT IN THE INDUSTRY.**

Purse structure forms the basis for all aspects of participation and investment in live horse racing in Alberta. Purses ultimately determine the activity and quality of the horses and horse racing being provided at all Alberta horse racing venues, which then directly determines the revenues being generated by all industry participants.

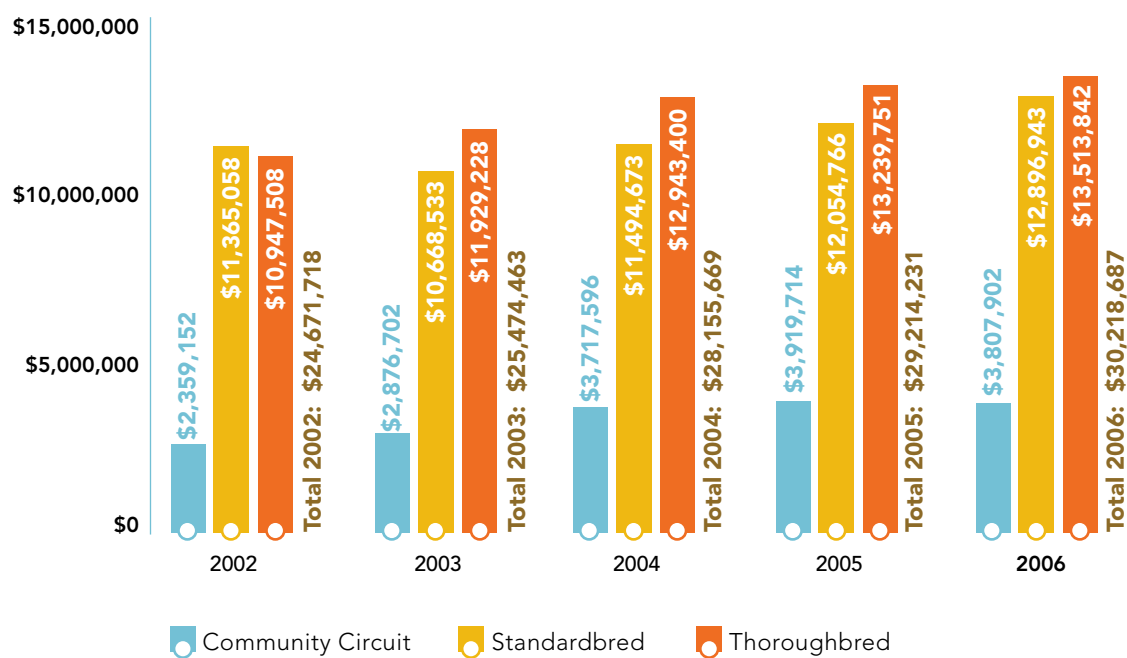
The purse structure in Alberta must be aggressive, significant and sustainable. This provides a long term commitment to the fiscal viability for those investing and participating in horse racing , and allows these industry participants to plan for the long term. The results of increased purses should be:

- a more vibrant horse breeding and racing industry in Alberta
- a higher quality of racing for racing fans (improved quality of horses; larger and more competitive fields) and an increased handle
- an increased number of race horses and race horse owners in Alberta (stop owners from leaving the industry, encourage new owners, prevent the erosion of the average number of starters, stop owners from sending horses to other jurisdictions, attract horses from other jurisdictions)
- attain the working committee target for optimal race days by facility in 2008
- a greater possibility of race horse owners and breeders making a positive return on their investment
- a positive environment to foster continued investment in race horse ownership in Alberta
- attract appropriate numbers and sufficiently skilled jockeys and drivers
- that Alberta remains competitive in this area, especially as it relates to British Columbia

In 2006, HRA grants for purses were \$21.26 million. When combined with industry contributions for purses, Standardbred purses were \$12.8 million, Thoroughbred purses were over \$13.5 million and Community purses just under \$4 million, for a total of \$30.2 million.



## PURSES 2003 - 2006



Horse Racing Alberta has taken a managed growth approach to our purse strategy. As a result, the past three years have seen a positive reversal to the participation and investment in the industry. With the knowledge that there will be sustained and constant growth, a confidence has been established within the racing and breeding sectors. Industry renewal is clearly occurring and HRA will remain diligent in ensuring that the economic and growth framework now in place remains sustainable and constant.



# 12:00PM





# MARKETING

## ACTIVELY MARKET AND PROMOTE HORSE RACING IN ALBERTA.

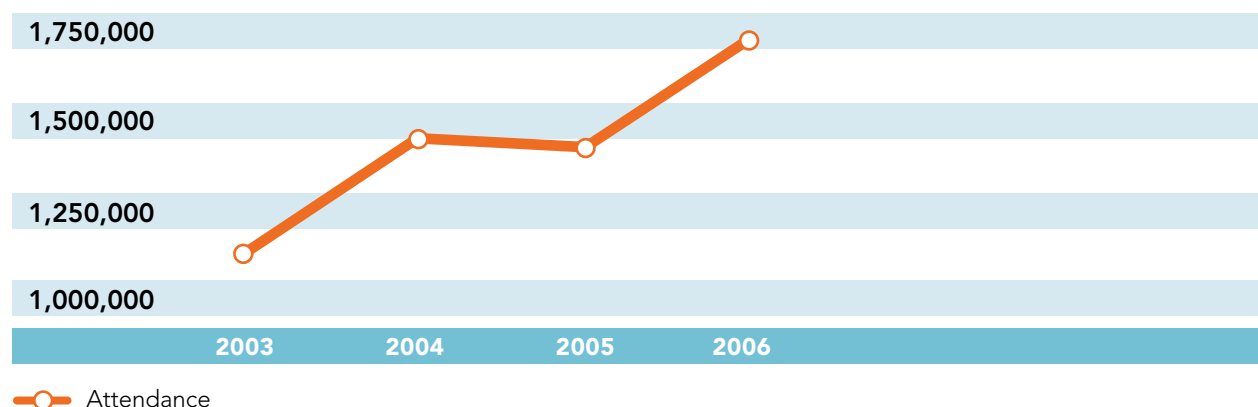
New horses starting in HRA's marketing barn in 2006 included JussXpensit, Bustoutawork, WineNDine, Dirty Thoughts, Bob's Girlfriend, Great First Date and Takya Chance. These horses were featured in our fourth year of a comprehensive, multi-tiered strategic plan to market and promote horse racing in the province. This program is raising the profile and awareness of Alberta horse racing. For the fourth consecutive year Ipsos ASI research clearly showed the campaign continues to register with the target demographic of 18-34 year olds.

### MARKETING HORSE RACING AT THE TRACKS

In 2006 over 1.7 million Albertans took part in racing events at tracks throughout the province. This is an overall increase of nearly 20% over 2005, due mainly to the increase in attendance at Northlands Park.

HRA's marketing efforts focus on drawing patrons to racetracks. HRA provided over \$1 million in marketing support to racetracks to promote local events, provide special promotions and ensure fans have a high quality experience at the track.

### ATTENDANCE AT ALBERTA RACETRACKS 2002 - 2006





L to R: Brother Derek, Owner Cecil Peacock, Trainer Dan Hendricks at the Kentucky Derby.

### **BROTHER DEREK BRINGS HOME THE PRIZE**

Horse Racing Alberta received the 2006 Sovereign Award for Outstanding Broadcast in Canadian Thoroughbred Racing for its spectacular documentary on Brother Derek and his efforts in the “Run for the Roses”. This documentary was a true highlight for the horse racing industry in 2006. Calgarian Cecil Peacock lived every Alberta horseman’s dream – to send a horse to the Kentucky Derby. Mr. Peacock started racing horses at Northlands in 1971. His trainer Dan Hendricks, who is confined to a wheelchair, oversaw every aspect of the horse’s training. Jockey Alex Solis came back to racing through amazing odds, after breaking his back nearly two years prior to the Kentucky Derby. This fantastic racehorse with deep Alberta ties offered a unique opportunity for Horse Racing Alberta.

Horse Racing Alberta followed Brother Derek on his incredible journey, filming a documentary of this amazing story. We began to capture Brother Derek’s story early in 2006 and followed him right to the big day in Kentucky when he was one of the morning line favorites. Brother Derek’s story touched many people across Alberta and throughout North America. The documentary aired on CTV Alberta first in the summer, then, due to an over-whelming public response, the award-winning documentary aired on two other occasions.

In addition to the Sovereign Award, HRA also received an Eclipse honorable mention from the National Thoroughbred Racing Association in the United States, and four Alberta Film and Television Award nominations.

### **LIVE TELEVISION SHOW**

In 2006, “The Horses” expanded the live television schedule to broadcast 10 premier live racing events. The number of people watching horse racing broadcasts on the CTV network increased for a fourth straight year. According to the Nielsen National People Meter Service, the average program audience increased by 45% in 2006; and the two hour Fall Classic show was seen by 324,000 viewers.



### PROUD TO PARTNER

Partnerships continued to play a key role in the promotion of horse racing in 2006. Horse Racing Alberta remained active with our partners at Travel Alberta. Two teams consisting of three people proudly represented Alberta at the Daily Racing Form/National Thoroughbred racing Association Handicapping Challenge in Las Vegas. We were especially proud to partner with the TELUS World of Science in the sponsorship of "Whales, the Unforgettable Journey". Other partnerships included the Canadian Finals Pro- Rodeo, the International Children's Festival, Universal Studios' "Fast and the Furious Tokyo Drift", Farm Fair International and many others.

### AWARD WINNING ADVERTISING

Once again Alberta's horse racing marketing campaign received national and international recognition. For the third consecutive year horse racing Alberta captured the Best of Show at the Canadian Agriculture Marketing Association awards, the campaign also won in the television / radio, educational materials, sales support materials and total campaign categories.

Other awards of recognition included: Television Video Bureau Silver Entertainment and Sports category Loose Bolts, Marketing Magazine award for Out of Home Advertising, Calgary Ad Rodeo Best television series campaign, and 2006 American Quarter Horse Association Marketing and Media Award.

# INDUSTRY & GOVERNMENT RELATIONS

## ACT AS A SINGLE VOICE FOR THE ALBERTA RACING INDUSTRY.

### STAKEHOLDER SYMPOSIUM

In September, Horse Racing Alberta brought together over 40 stakeholders, representing all organizations and sectors of Alberta's horse racing and breeding industry, to discuss the past, present and future goals of the horse racing industry. This two-day session provided the opportunity to review HRA's eight strategic areas and determine appropriate goals for the future. The industry indicated that the Working Committee's blueprint for the industry and HRA's strategic plan continues to reflect the needs of the horse racing and breeding industry in the province.

A survey was conducted to further gauge HRA's success in some key areas:

- 80% felt that the industry is prepared to meet the challenges of the future;
- 97% felt that HRA was moving in the right direction;
- 97% felt that HRA strategies adequately connect with future direction; and
- 100% saw the need and ability of HRA to speak on behalf of the industry.

### 10-YEAR AGREEMENT REACHED

Horse Racing Alberta's successful negotiation of a 10-year gaming agreement with the Government of Alberta was a keystone for the longevity and success of horse racing in Alberta. This agreement included the preservation of the current slot arrangement and increased the previous additional slot machine allocation for both "A" and "B" racetrack facilities.



# INDUSTRY & GOVERNMENT RELATIONS CONTINUED...

## CHANGE IN LEADERSHIP

In December, the Alberta Progressive Conservative Party chose Ed Stelmach as leader of the party and Premier of Alberta. This transition in government resulted in changes for the horse racing industry as well. The Ministry of Gaming was dissolved, creating new reporting structures for HRA. The Honourable Hector Goudreau, Minister of Tourism, Parks, Recreation and Culture, assumes responsibility for our agreement with government. The Honourable Fred Lindsay, Solicitor General and Minister of Public Security, assumes responsibility for the Horse Racing Alberta Act. The Honourable George Groeneveld is the new Minister of Agriculture and Food. In our initial meetings with the new Ministers and their staff, we were greatly encouraged by their interest and understanding of the horse racing and breeding industry. We look forward to working with Premier Stelmach and his new Cabinet in showcasing horse racing's achievements and contributions to the Alberta economy.

## INCOME TAX CHANGES FOR BREEDERS AND OWNERS

On a national level, Horse Racing Alberta has been working with the Horse Racing Alliance of Canada to encourage the Government of Canada to revise the income tax arrangement for part-time horse owners. Currently Canadian racehorse owners and breeders are subject to special tax rules which severely restrict the deduction of losses against other sources of income.

# 3:00 PM



# HUMAN RESOURCES

## **FACILITATE THE EDUCATION, TRAINING AND WELL-BEING OF INDIVIDUALS INVOLVED IN ALBERTA'S HORSE RACING INDUSTRY.**

Life on the backstretch is a community within a community – working where they live and living where they work. These dedicated individuals spend countless hours from sunrise to sundown caring, grooming and exercising the horses that are the core of the horse racing industry.

### **PEOPLE PROGRAMS AT THE RACETRACK**

There have been a number of programs introduced since 2002 that improve and enhance life on the backstretch. More than 90 people completed computer literacy courses, which are offered on-site at flexible times, as many workers don't have the availability during normal classroom hours. Daycare programs are essential as many employees don't have regular business hours, with many beginning their day at 4:30 a.m. Daycare subsidy ensures that employees with families have adequate funding and options for childcare. The non-denominational chaplaincy program provides emotional, spiritual and social needs of the vast horse racing workforce. Through this program, Horse Racing Alberta is enhancing the sense of community on the backstretch with dinners, family events and educational programs. A key component of HRA's Human Resources program is counseling for alcohol and drug abuse issues, which are as prevalent on the backstretch as other areas of society. Through the efforts of Jim Haggan, Human Resources Program Coordinator for HRA, a number of individuals have sought help and gained valuable assistance to conquer these devastating addictions.

### **LOOKING OUTSIDE OUR BORDERS**

Alberta's booming economy is creating similar issues at the racetrack to those that are evident in other sectors – a lack of qualified and skilled jockeys, grooms and exercise riders. In 2006, HRA established an immigration process to find and recruit qualified grooms and exercise riders from other countries. HRA was successful in recruiting 14 grooms from Mexico, one groom from England and one from Japan. These highly skilled workers are ensuring the continuity of qualified workers on the backstretch.



### OLDS COLLEGE SUCCESS

The Olds College equine curriculum continues to grow in demand and is providing much needed resources for the horse racing industry in Alberta. Of the six colleges and technical institutes offering equine certification across Canada, Olds College is one of only two institutes that offer comprehensive diploma programming.

The fourth graduating class of grooms graduated in the spring of 2006, with the inaugural class of exercise riders graduating in the spring of 2007. These graduates must complete rigorous training and practical testing to reach this goal. The Exercise Rider school continues to experience tremendous success, with a waiting list for applicants. This three-month program is the only one of its kind in Canada and has recently been recognized as an accredited course by Alberta Education. There continues to be a shortage of qualified grooms in Canada and the Groom School at Olds College is working on new strategies to enhance enrolment in the program. Fire safety, CPR and First Aid were added into the Groom School curriculum in 2006. These courses, as well as computer literacy courses, will be added to both the Groom School and Exercise Rider programs in 2007.

### CANADIAN EQUINE CENTRE FOR INNOVATION

Building on the success and demand for its unique equine programs, Olds College will expand programming and facilities through the Canadian Equine Centre for Innovation (CECI) on the Olds College campus and at the new United Horsemen of Alberta site in Balzac. This will be a national centre for innovation incorporating leading-edge expertise, facilities, technology and applied research to provide unique solutions to enhance human resource development in the equine industry.





# 6:00PM



# ANIMAL WELFARE

## PROMOTE AND ENCOURAGE CONTINUOUS IMPROVEMENT IN THE INDUSTRY'S ANIMAL WELFARE PRACTICES.

The care and well-being of the equine athlete is of greatest importance to all those involved in the horse racing industry. Within the horse's graceful stature and drive is an animal that is as prone to injury as any other professional athlete. Horse Racing Alberta continues to develop new programs and initiatives to ensure our horses' safety, health and well-being.

### HORSE BREEDERS AND OWNERS CONFERENCE

Horse Racing Alberta was proud to once again sponsor the Horse Breeders and Owners Conference, held in Red Deer in January, 2006. This exciting conference offers practical information ranging from feed and nutrition, to health concerns and training techniques.

### ANIMAL WELFARE SEMINARS

Over 50 horsemen attended a seminar in Grande Prairie featuring Dr. Michael Scott who spoke about "21st Century Equine Medicine - Ten Topics You Need To Know". Dr. Scott is an equine surgical specialist who focuses on equine sports medicine, lameness diagnosis and treatment, and equine surgery.

Other seminars held in 2006 featured Roger Bailey, a horseman from Texas, who spoke to over 100 breeders on how to successfully prepare horses for sales. Ron Waples, an Ontario driver, trainer and exercise physiology expert spoke to 70 people in Edmonton. Mr. Waples topic focused on specific training and driving activities and their impact on Standardbred health and safety.

### SYNTHETIC TRACK SURFACES

Horse Racing Alberta began a preliminary analysis of the use of synthetic racing surface at Alberta racetracks. The primary benefit of this innovative, synthetic surface is the reduction of disastrous injury for racehorses. Because of its unique cushioning effect, synthetic surfaces reduce back and leg injuries, while providing a stable and secure footing allowing the horse to perform well. HRA has been working closely with Keeneland Racetrack in Lexington, Kentucky to better understand the benefits and uses of the innovative Polytrack™ racing surface and will continue to review racetrack surfaces in 2007.

### FIRE SAFETY SEMINARS

Fire safety procedures are a critical aspect of barn and backstretch safety. Fire safety seminars became a compulsory program for trainers, grooms, and other backstretch personnel to qualify for licensing in 2007. In 2006 over 570 people attended nine fire safety seminars throughout Alberta. The mandatory requirement and substantial increase in participation ensures that fire safety plans are being developed and followed throughout the province.



8:00PM





# REGULATORY

## **ENHANCE AND FOSTER INTEGRITY AND ETHICAL CONDUCT AS A FOUNDATION FOR ALL ASPECTS OF THE HORSE RACING INDUSTRY IN ALBERTA.**

Racing integrity and the protection of the public interest are essential to the further development of the industry and central to the mission of HRA. HRA is continuing to enhance a regulatory and compliance framework that is just, reasonable, efficient and consistent.

In horse racing the equine athlete is subject to rigorous testing to ensure that performance is based solely on ability and training. This testing ensures a level playing field for competitors, the health and safety of the horses and equal advantages for those who are betting on the sport.

### **CPMA REGULATORY REVIEW**

The Canadian Pari-Mutuel Agency (CPMA) began a review in 2006 to ensure that the regulatory framework keeps pace with the changing landscape of the horse racing industry. Stakeholders, such as HRA, were asked to provide feedback to the CPMA in regards to the pari-mutuel betting system in Canada and Alberta.

HRA strongly believes the CPMA regulations should reflect the division of responsibility between federal and provincial jurisdictions, allowing the CPMA to focus on ensuring the integrity of national wagering systems and drug medication standards.

### **RACING OFFICIALS CONTINUING EDUCATION**

Racing officials, such as judges and stewards, play an essential role in ensuring a fair race is held and the rules of racing are followed. They also have an important function at the racetrack in communicating with all stakeholders, including owners, trainers, jockeys, track management and other racing officials.

In Alberta, all judges and stewards are accredited through the "Racing Officials Accreditation Program", certified by the University of Arizona or the University of Louisville in Kentucky. This accreditation process requires the successful completion of a 60-hour course, a three-part written exam, a video exam and an oral exam. This program also has an experience requirement to ensure all officials have "hands-on" understanding of racing.

For racing officials to maintain their accreditation status, they must complete 16 hours of continuing education every two years. These programs are organized as a dialog focusing primarily on problems that practicing stewards bring to these sessions. However the discussion is always supplemented by the input of invited senior stewards and other professionals.

## SECURITY INCREASED AT RACETRACKS

In 2005, Horse Racing Alberta completed a review of security practices and issues at Alberta racetracks. The task force assigned to look at these issues recommended an increase in security personnel to ensure the safety and security of human and equine participants. Two new security investigators were hired in 2006, further increasing the visibility in barn areas and public areas of the racetracks. There was also an increase in barn searches to ensure all participants are playing on a level field.

## SUMMARY OF RULINGS AND TESTS

RULINGS	2006	2005	2004
Thoroughbred Steward Rulings	154	142	121
Live Race Days	119	117	118
Rulings per Race Days	1.29	1.21	1.02
Standardbred Judges Rulings	137	154	175
Live Race Days	154	150	150
Rulings per Race Days	.88	1.02	1.16
Mixed Meet			
Judges/Stewards Rulings	53	43	44
Live Race Days	72	68	82
Rulings per Race Days	.73	.63	.54
MEDICATION TESTING	2006	2005	2004
<b>Thoroughbred</b>			
Number of Tests	1984	2010	2076
Number of Positives	2	0	0
Percentage Occurrence	.09	0	0
<b>Standardbred</b>			
Number of Tests	3098	3123	3137
Number of Positives	1	2	2
Percentage Occurrence	.03	.06	.06
<b>Mixed Meets</b>			
Number of Tests	867	853	947
Number of Positive	1	0	0
Percentage of Occurrence	.08	0	0
<b>TCO2 Testing</b>			
<b>Thoroughbred</b>			
Number of Tests	790	430	1165
Number of Positives	0	0	0
Percentage Occurrence	0	0	0
<b>Standardbred</b>			
Number of Tests	1453	1343	1399
Number of Positives	0	1	1
Percentage Occurrence	0	.07	.07
<b>Mixed Meets</b>			
Number of Tests	195	151	21
Number of Positives	0	0	0
Percentage of Occurrence	0	0	0

## SUMMARY OF CLAIMS/INQUIRES

STANDARD BRED	2006	2005	2004
Total number of horses claimed	240	302	352
Value	\$ 3,359,650	\$ 4,486,750	\$ 4,503,800
Claims Voided	20	35	46
Judges Inquiries	36	45	36
Order of finish changes from Judges Inquires	11	15	10
Drivers objections	47	41	40
Order of finish changes from driver Objections	19	24	19
THOROUGHBRED	2006	2005	2004
Total number of horses claimed	287	263	262
Value	\$ 4,254,000	\$ 3,754,500	\$ 3,715,000
Claims voided	27	15	13
Stewards inquiries	19	30	26
Order of Finish Changes	2	5	7
Starting gate refunds	4	2	3
Jockey claims of foul	38	36	51
Order of finish changes from claim of foul	9	13	11
COMMUNITY CIRCUIT	2006	2005	2004
Total numbers of horses claimed	23	22	20
Value	\$ 77,250	\$ 63,000	\$ 56,000
Claims voided	1	0	0
Stewards inquiries	9	15	21
Order of Finish changes	2	8	9
Jockey claims of foul	45	49	60
Order of Finish changes	10	8	14

## APPEALS TRIBUNAL

Established by the Horse Racing Alberta Act, the Appeal 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 to the Tribunal 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.

### 2006 APPEALS HEARD

#### **Owner/Trainer/Driver - Standardbred**

Harness Ruling No. 152, Northlands Park, December 10, 2005

Issue: Appealing suspension 30 days, fine \$1000.00 and denied ship-in privileges for racing purposes

Appeal Heard: February 23, 2006

Written Judgement: August 16, 2006

Decision: The appeal was dismissed and the decision of the Board of Judges is upheld.

#### **Owner/Trainer/Driver - Standardbred**

Harness Ruling No. 141, Northlands Park, November 23, 2005

Issue: Appealing the driving penalty and the placement of the horse "Bad Az Bert"

Appeal Heard: March 9, 2006

Written Judgement: March 14, 2006

Decision: The appeal was dismissed and the decision of the Board of Judges is upheld.

#### **Trainer – Thoroughbred**

Issue: Placing the horse from third to fourth place finish

Appeal Heard: August 8, 2006

Written Judgement: August 11, 2006

Decision: The appeal was dismissed and the decision of the Board of Stewards is upheld.

#### **Trainer/Authorized Agent/Pony Person – Thoroughbred**

Thoroughbred Ruling No 136, Northlands Park, September 17, 2006

Issue: Appealing the fine of five hundred dollars (\$500.00)

Appeal Heard: October 6, 2006

Written Judgement: October 20, 2006

Decision: The penalty imposed of five hundred dollars (\$500.00) is reduced to two hundred and fifty dollars (\$250.00)

#### **Owner/Trainer – Thoroughbred**

Thoroughbred Ruling No 148, Northlands Park, October 4, 2006

Issue: Appealing the suspension and denied privileges for racing for 6 months and the fine in the amount of two thousand five hundred dollars (\$2500.00)

Appeal Heard: November 14, 2006

Written Judgement: November 16, 2006

Decision: Suspended for thirty (30) days and fined the amount of one thousand dollars (\$1000.00).



# ON THE HORIZON

The achievements and events in 2006 reflect how far Horse Racing Alberta and the horse breeding and racing industry have come. A well thought out plan combined with appropriate and strategic programs have successfully moved the industry along the path to revitalization.

The highlights of the past year were undoubtedly the signing of the long-term agreement with the Government of Alberta and the resounding endorsement by our industry partners that HRA has appropriate programs and strategies in place for the industry to unite with Horse Racing Alberta and follow its leadership into the future.

For HRA, we appreciate that our stakeholders are the backbone of the industry and it is our mandate to ensure that each of these groups are heard and adequately represented as we continue to plan for the future.

These next two years of transition offer both tremendous opportunities and challenges. The United Horsemen of Alberta have remained committed in their efforts for a timely opening of the new racetrack facility in the face of significant challenges. Although any period of change is difficult, HRA has carefully planned for this transition with the assistance and support of our racetracks and the horsemen's associations. We have ensured all programs will remain intact and carefully reviewed all strategic areas to ensure that each is adequately addressed and meets the ongoing needs of the industry. The end result will be a stronger and more vibrant industry that is recognized throughout the world as a leader in horse racing, breeding and quality entertainment.

We ask the industry to be patient, tolerant and flexible as we pass through this difficult transition and into the new future where our major racetracks will be showcased as exciting, multi-entertainment destinations with first-class racing.

Our highly successful marketing program will bring more people to the track to witness, firsthand, the thrill and excitement of the horses thundering to the finish line. As technology changes, there will be new impacts and opportunities for the industry. We will continue to evaluate the uses of technology in exporting our signal outside of Alberta's borders.

Most importantly, we will continue to focus on the thousands of people who makes horse racing thrive as a nonstop, year-round, multi-faceted industry, based on agriculture and showcased at our tracks. From the breeder who tends the mare at 2:00 a.m. to the exercise rider who rises with the sun, this is an industry that requires care and attention every hour of the day, every day of the year.

The horse racing and breeding industry has grown tremendously since 2002 and looking at the horizon, even though there are likely to be challenges and bumps in the road, the future is both promising and exciting.

# APPENDIX



# BREED IMPROVEMENT PROGRAM

## THOROUGHBREDS

### **Owners Supplement**

The Breed Improvement Program is contributing \$850,000 towards supporting the owners of Alberta Breds. 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 is being contributed toward breeders' bonuses in Alberta and will go to breeders of 2, 3, 4 and 5 year old Alberta breds. 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**

\$235,000 is being contributed to support the stallion owners whose 2, 3, 4 and 5 year old progeny win, place or show in all races from the \$10,000 claiming level and up, including maiden races.

### **Mare Incentive Purchase Program**

Up to \$150,000 is being 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 Sales Stakes for 2 year olds, 3 year olds, 4 year olds and up. There are six Sales Stakes in total; 2 year old fillies and 2 year old colts and geldings will race for purses of \$60,000 each; 3 year old fillies and colts and 4 year old and up fillies and colts will run for purses of \$50,000 each. The Sales Stakes are eligible to Canadian Breds.

### **Stakes Program**

A Stakes Program for Owners, Breeders and Stallion Owners – The Breed Improvement Program is supporting the industry by contributing a total of \$450,000 toward the stakes program for breeders, owners and resident stallion owners of Alberta. Open to Breeders (registered in Alberta) and Resident Stallion Owners of Alberta Breds finishing win, place or show in an Open Stakes Race carrying a purse of \$50,000 or more in Alberta and in a Canadian graded stakes race throughout Canada and to owners of each Alberta Bred finishing first in an open stakes race carrying a purse of \$50,000 or more in Alberta.

### **Community Thoroughbred – Alberta Stakes Race**

\$25,000 allocated to the community thoroughbreds for their Foaled in Alberta Stakes race program.

### **Alberta Fall Classic**

Because of the Breed Improvement Program, the Alberta Fall Classic purses increased to a total of \$350,000. Alberta Fall Classic day features seven stakes races each with a minimum purse of \$50,000.

### **Canadian Derby/Sonoma Stakes/Penny Ridge**

The Breed Improvement Program supports the industry by contributing \$50,000 to the purse of the Canadian Derby. \$25,000 will again be added to the Sonoma and Penny Ridge Stakes.

## **STANDARDBREDS**

### **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. This program supplements an additional \$630,000 in stake purses in 2006.

### **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, and 5 years has earned money in any race, including stake races. There is \$750,000 available in this program.

### **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. There is \$225,000 available in this program.

### **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 \$735,000 is to encourage 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 Alberta owned at the time of nomination and declaration. This program provides a premier stakes race for 3-year-old fillies as there are currently two premier colt stakes for 3-year-olds.



# BREED IMPROVEMENT PROGRAM CONTINUED...

## **Community Track – Owners 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.

## **Sales Credit for Winners of Specified Stakes Races**

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

## QUARTER HORSE AND OTHER BREEDS

### **Breeders and Owners of Horses Foaled in Alberta – Stakes Race Bonus**

This bonus provides a bonus to owners and breeders of Alberta Bred horses that win, place or show in stakes races only with a purse of \$10,000 and over. It will encourage owners to purchase Alberta Breds, encourage the breeding of better quality horses, and promote more horses and better races at the community level. \$65,000 is available in this program.

### **Breeders and Owners of Horses Foaled in Alberta – Overnight Race Bonus**

This bonus provides a bonus to owners and breeders of Alberta Bred horses that win, place or show in all races, excluding stakes races, with a purse of \$10,000 and over and excluding claiming races of \$2,500 or less. \$243,000 is available in this program.

### **Stallion Owners of Horses Foaled in Alberta**

This bonus provides a bonus to stallion owners who stand their stallions in Alberta. \$55,000 bonus is based on dollars earned for placing win, place, show in all races and is shared between all five breeds (Quarter horse, Thoroughbred, Paints, Arabians and Appaloosas).

### **Canadian Quarter Horse Cup Futurity and Derby**

\$70,000 has been allocated for 2006 and these funds are used to enhance the Canada Cup Sale and racing program. This sale is held annually at Lethbridge in September and is a major venue for Alberta breeders to showcase and sell their yearling quarter horses.

### **Alberta Quarter Horse Racing Association – Stakes Race Program**

This is a series of quarter horse stakes races developed and run under the auspices of the Alberta Quarter Horse Racing Association. There is \$90,000 available in this program.

### **Alberta Quarter Horse Racing Association – Stallion Stakes Race Program**

This program encourages breeders to breed to Alberta sires and increases a foal's value and marketability and to increase its earning potential. In 2006, \$26,000 has been allocated.

### **Foaled in Alberta Aged Handicap Series – 3 yr olds and up**

This program is to encourage the continued racing of older horses, i.e. 3 years old and up. We lose many of our aged horses at the track because it was not economically viable to keep them running beyond the age of three. This program allocation of \$70,000 provides the funds for owners' bonuses to ensure these older horses return to racing.

# PERFORMANCE MEASURES



# PERFORMANCE MEASURES

MEASURE	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2006 TARGET	2006 ACTUAL
<b>Number of Mares Bred in Alberta</b>					
Thoroughbred	910	880	940	940	884
Standardbred	547	576	634	634	659
Total	1457	1456	1574	1574	1543
<b>Alberta Foal Production</b>					
Registered Thoroughbred Foals – Alberta-bred	498	490	498	510	565
Registered Standardbred Foals – Alberta-sired	298	315	331	345	353
Quarter Horses	130	226	230	230	233
<b>Alberta Yearling Prices</b>					
Average Price at the Alberta Thoroughbred Yearling Sale	\$ 8,112	\$ 8,401	\$ 8,621	\$ 8,800	\$ 11,143
Average Price at the Alberta Standardbred Yearling Sale	\$ 7,294	\$ 11,157	\$ 8,551	\$ 8,500	\$ 6,692
Average Price at the Alberta Quarter Horse Racing Yearling Sale	\$ 2,744	\$ 2,887	\$ 6,500	\$ 3,200	\$ 5,484
<b>Representation of Alberta Bred/Sired Horses at Racetrack</b>					
<b>Thoroughbreds</b>					
% of Purses at Alberta A Tracks Earned by Alberta-breds	65%	59%	56%	72%	49%
% of Starters of at Least One Race at an Alberta A Track that were Alberta-breds	61%	58%	56%	65%	49%
<b>Standardbreds</b>					
% of Purses Earned by Alberta-sired	62%	58%	59%	63%	63%
% of Starters of at Least One Race that were Alberta-sired	59%	56%	61%	61%	60%
<b>Quarter Horse</b>					
% of Starters of at Least One Race that were Alberta-foaled	65%	58%	53%	64%	41%

# PERFORMANCE MEASURES

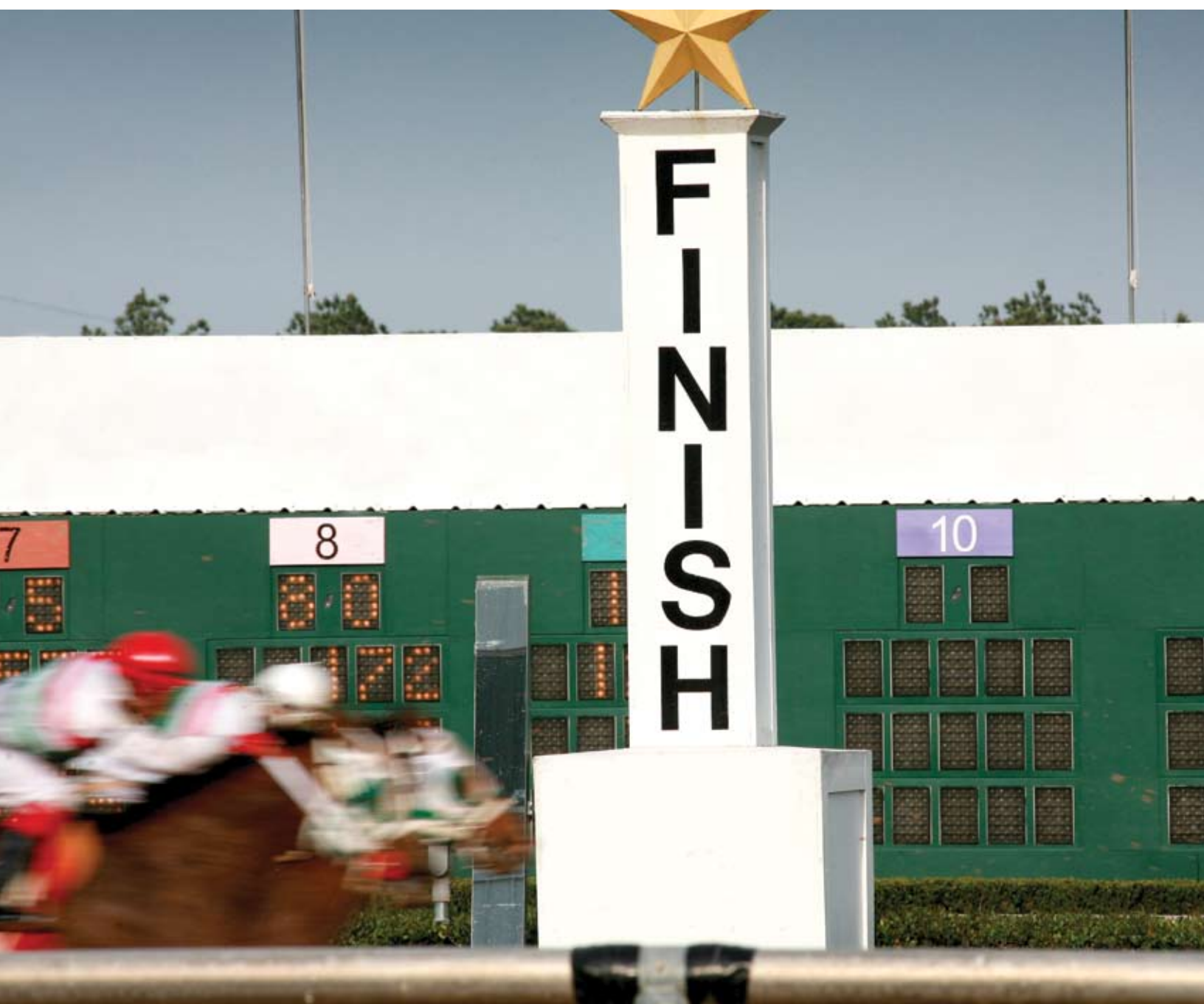
MEASURE	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2006 TARGET	2006 ACTUAL
<b>Number of Scheduled Live Race Days</b>					
"A" Circuit					
Thoroughbred	117	119	119	119	119
Standardbred	132	135	135	140	140
Community	80	90	88	87	86
Total	329	344	342	346	345
<b>Racetrack Attendance</b>					
Northlands	1,060,614	1,164,887	1,179,321	1,184,014	1,434,968
Calgary	BMTBE*	184,040	160,928	200,000	197,423
Lethbridge	57,380	66,363	63,860	66,425	66,689
Grande Prairie	17,304	29,293	31,264	30,757	29,800
Millarville	5,000	6,000	5,000	5,000	5,000
Total	1,140,298	1,450,583	1,440,373	1,486,196	1,733,880
*Benchmark to be established					
<b>Pari-mutuel Handle</b>					
Alberta Racing Handle	\$ 48,740,510	\$ 46,853,212	\$ 44,757,696	\$ 46,175,391	\$ 41,279,125
Total Handle	\$ 151,751,913	\$ 156,725,839	\$ 159,535,414	\$ 162,681,116	\$ 171,196,863
<b>Number of Licensed Racehorse Owners</b>					
"A" Circuit					
Thoroughbred	1349	1322	1234	1270	1213
Standardbred	729	721	794	765	746
Community	390	404	420	430	422
Total	2468	2447	2448	2465	2381
<b>Average # of Starters per Race</b>					
"A" Circuit					
Thoroughbred	7.62	7.81	7.74	8.00	7.36
Standardbred	8.18	8.35	8.22	8.10	8.19
Community	7.26	7.14	7.04	7.30	7.26
Total	7.79	7.91	7.81	7.90	7.73



# PERFORMANCE MEASURES

MEASURE	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2006 TARGET	2006 ACTUAL
<b>Industry Relations</b>					
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	81.0%	84.1%	85.4%	80.0%	83.0%
Somewhat and Strongly Disagree	10.8%	7.6%	8.5%	8.0%	9.9%
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	77.2%	81.5%	83%	80%	85.9%
Somewhat and Strongly Disagree	13.0%	8.1%	8.7%	10.0%	8.6%
The Public's satisfaction with the conduct of Alberta's racing and breeding industry.					
Strongly & Somewhat Satisfied	45.5%	55.0%	42.9%	60.0%	46.3%
Somewhat and Strongly Dissatisfied	4.0%	5.3%	3.8%	4.0%	8.4%
<b>Regulatory</b>					
Satisfaction of Alberta licensees that Alberta's rules are appropriate rules for governing and regulating Alberta's horse racing industry.					
Strongly & Somewhat Agree	87.5%	86.0%	88.8%	80.0%	87.7%
Somewhat and Strongly Disagree	6.7%	7.7%	7.5%	7.0%	7.5%
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	80.6%	79.6%	78.6%	80.0%	83.0%
Somewhat and Strongly Disagree	10.3%	10.5%	12.2%	7.0%	10.0%
<b>Human Resource &amp; Development</b>					
The extent to which the industry agrees there is sufficient education and training programs available for backstretch personnel.					
Strongly & Somewhat Agree	31.3%	44.7%	47.9%	50.0%	60.8%
Somewhat and Strongly Disagree	41.1%	38.7%	38.5%	37.0%	25.6%
*The extent to which the industry agrees there are enough employees in the Alberta horse racing industry to do the work required.					
Strongly & Somewhat Agree	n/a	n/a	34.3%	37.0%	32.4%
Somewhat and Strongly Disagree	n/a	n/a	56.2%	49.0%	58.0%
*This question was amended in 2005 to more accurately reflect needs within the Alberta labour marketplace.					
<b>Animal Welfare</b>					
Industry perception that HRA promotes and encourages continuous improvement in the industries animal health, safety and welfare practices.					
Strongly & Somewhat Agree	79.3%	83.1%	81.0%	80.0%	84.5%
Somewhat and Strongly Disagree	9.9%	6.8%	8.7%	7.0%	6.6%
Albertans' perception that in Alberta's horse racing and breeding industry, animals are raised and handled in a humane manner.					
Strongly & Somewhat Agree	76.6%	82.7%	75.5%	8.0%	75.6%
Somewhat and Strongly Disagree	4.0%	5.5%	8.6%	5.0%	7.5%

FINANCIAL STATEMENTS  
**YEAR ENDED DEC 31/06**





**KPMG LLP**  
**Chartered Accountants**  
Commerce Place  
10125-102 Street  
Edmonton Alberta T5J 3V8  
Canada

Telephone (780) 429-7300  
Fax (780) 429-7379  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' REPORT

To the Members of Horse Racing Alberta

We have audited the statement of financial position of Horse Racing Alberta (the "Corporation") as at December 31, 2006 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, 2006 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

Edmonton, Canada  
February 16, 2007

# HORSE RACING ALBERTA

## Financial Statements

Year ended December 31, 2006

### Financial Statements

Statement of Financial Position	64
Statement of Operations	65
Statement of Changes in Net Assets	66
Statement of Cash Flows	67
Notes to Financial Statements	68

### Schedules

Schedule A - Racetrack Grants	74
Schedule B - Marketing and Promotion	74
Schedule C - Regulatory and Administration	75



# HORSE RACING ALBERTA

## Statement of Financial Position

December 31, 2006, with comparative figures for 2005

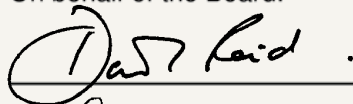
	2006	2005
<b>Assets</b>		
Current assets:		
Cash	\$ 2,809,603	\$ 4,462,354
Accounts receivable	1,328,048	1,652,892
Contributions receivable from the Government of Alberta	8,847,010	8,790,154
Current portion of loans receivable	2,550,000	50,000
Prepaid expenses and deposits	46,819	37,715
	15,581,480	14,993,115
Loans receivable (note 3)	900,000	150,000
Capital assets (note 4)	148,818	198,956
	\$ 16,630,298	\$ 15,342,071

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,079,755	\$ 1,961,947
Racetrack grants payable	3,111,251	2,378,476
Current portion of obligation under capital lease	27,132	25,330
	5,218,138	4,365,753
Obligation under capital leases (note 5)	26,453	53,636
Net assets:		
Investment in capital assets	95,233	119,990
Unrestricted	11,290,474	10,802,692
	11,385,707	10,922,682
Commitments (note 8)		
Contingency (note 9)		
	\$ 16,630,298	\$ 15,342,071

See accompanying notes to financial statements.

On behalf of the Board:



Chairman of the Board



Chairman of the Audit Committee

# HORSE RACING ALBERTA

## Statement of Operations

Year ended December 31, 2006, with comparative figures for 2005

	2006 Budget (Unaudited)	2006 Actual	2005 Actual
Revenue:			
General fees	\$ 8,643,056	\$ 9,067,421	\$ 8,473,612
Racing Industry Renewal Initiative revenues (note 6)	42,000,000	42,718,939	42,211,552
Other racing revenues	360,000	399,737	374,541
Interest and other revenues	83,000	111,625	66,350
	51,086,056	52,297,722	51,126,055
Expenses:			
Purse Support Grants:			
Thoroughbred	8,924,131	9,029,131	8,639,148
Standardbred	8,465,273	8,640,273	8,306,934
Community	3,433,746	3,596,050	3,535,100
	20,823,150	21,265,454	20,481,182
Breed Improvement Program:			
Thoroughbred	3,941,228	3,512,616	3,421,688
Standardbred	2,998,551	2,830,939	2,771,642
Community	848,421	798,500	661,593
	7,788,200	7,142,055	6,854,923
	28,611,350	28,407,509	27,336,105
Schedule A - Racetrack Grants	16,493,271	15,357,398	14,947,249
Schedule B - Marketing and Promotion	4,083,948	3,876,813	3,353,773
Schedule C - Regulatory and Administration	3,975,782	3,598,807	3,251,848
Human resource development	500,000	486,763	376,000
Animal welfare	100,000	107,407	52,832
Emerging projects and programs	1,000,000	-	639,802
	26,153,001	23,427,188	22,621,504
	54,764,351	51,834,697	49,957,609
Excess revenue (expenses)	\$ (3,678,295)	\$ 463,025	\$ 1,168,446

See accompanying notes to financial statements.

# HORSE RACING ALBERTA

## Statement of Changes in Net Assets

Year ended December 31, 2006, with comparative figures for 2005

	2006			2005
	Investment in capital assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 119,990	\$ 10,802,692	\$ 10,922,682	\$ 9,754,236
Excess revenue (expenses)	(71,107)	534,132	463,025	1,168,446
Acquisition of capital assets	20,969	(20,969)	-	-
Capital lease repayments	25,381	(25,381)	-	-
Balance, end of year	\$ 95,233	\$ 11,290,474	\$ 11,385,707	\$ 10,922,682

See accompanying notes to financial statements.

# HORSE RACING ALBERTA

## Statement of Cash Flows

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Cash flows from operating activities:		
Cash received:		
Racing operations	\$ 9,792,002	\$ 8,383,442
Racing Industry Renewal Initiative program	42,662,083	41,279,173
Other interest received	89,345	31,798
Other receipts	22,280	34,552
Cash paid:		
Purse support	(21,265,454)	(20,481,182)
Breed improvement	(7,142,055)	(6,854,923)
Racetrack grants	(14,624,623)	(14,726,699)
Marketing and promotion	(3,876,813)	(3,353,773)
Other operating expenses	(594,170)	(428,832)
Administrative expenses	(3,414,529)	(2,159,505)
Emerging programs and projects	-	(639,802)
Interest paid	(4,467)	(459)
Net cash provided by (used for) operating activities	1,643,599	1,083,790
Cash flow from financing activities:		
Repayment of obligation under capital lease	(25,381)	(2,032)
Cash flows from investing activities:		
Loans receivable advanced	(3,300,000)	(200,000)
Repayment of loans receivable	50,000	-
Purchase of capital assets	(20,969)	(22,241)
	(3,270,969)	(222,241)
(Decrease) increase in cash	(1,652,751)	859,517
Cash, beginning of year	4,462,354	3,602,837
Cash, end of year	\$ 2,809,603	\$ 4,462,354

See accompanying notes to financial statements.



# HORSE RACING ALBERTA

Notes to Financial Statements

Year ended December 31, 2006

---

## 1. Authority and purpose of the Corporation:

Horse Racing Alberta (the "Corporation") was created as a Provincial Corporation on June 25, 2002 by the Horse Racing Alberta Act, Chapter H-11.3, Revised Statutes of Alberta, 2000. The Corporation is a non-profit organization as defined in Section 149(1)(l) of the Income Tax Act and is exempt from income taxes. The Corporation is responsible for the regulation of the horse racing industry in the Province in any or all of its forms, and for the facilitation of long-term racing industry renewal. The Corporation has a Grant Agreement with the Government of Alberta to assist in long-term industry renewal which expires March 31, 2016.

## 2. Significant accounting policies:

### (a) Capital assets:

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

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

### (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.

# HORSE RACING ALBERTA

Notes to Financial Statements (continued)

Year ended December 31, 2006

## 2. Significant accounting policies (continued):

### (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.

## 3. Loans receivable:

	2006	2005
Grande Prairie Regional Agricultural & Exhibition Society, non-interest bearing, unsecured, maturing 2015	\$ 950,000	\$ 200,000
United Horsemen of Alberta (UHA), non-interest bearing advance, unsecured, due December 31, 2006 (see below)	500,000	-
United Horseman of Alberta, 8% secured note principal plus interest, due April 30, 2007	2,000,000	-
	3,450,000	200,000
Less current portion	2,550,000	50,000
	\$ 900,000	\$ 150,000

The Corporation has committed to advance \$500,000 in 2008 for Phase 2 of Grande Prairie's grandstand project. The Grande Prairie Regional Agricultural & Exhibition Society has agreed to repayments of \$50,000 in each of years 2007 to 2010, and \$150,000 in each of years 2011 to 2015.

The interest bearing loan to UHA is secured by a mortgage on land that the UHA owns. Subsequent to the year end, the non-interest bearing loan to UHA for \$500,000 was converted to an 8% secured note, principal and interest due April 30, 2007, sharing security with the other secured note with UHA.

One of the Corporation's directors is also an employee of UHA. Additionally, two of the organizations which hold director positions within the Corporation also hold director positions with UHA.

# HORSE RACING ALBERTA

Notes to Financial Statements (continued)

Year ended December 31, 2006

## 4. Capital assets:

				2006	2005
	Cost	Accumulated amortization		Net book value	Net book value
Office equipment and furniture	\$ 159,802	\$ 98,552	\$	61,250	\$ 54,347
Computer hardware and software	61,336	37,576		23,760	62,123
Leasehold improvements	18,058	6,000		12,058	3,511
	239,196	142,128		97,068	119,981
Computer hardware and software under capital lease	81,000	29,250		51,750	78,975
	\$ 320,196	\$ 171,378	\$	148,818	\$ 198,956

## 5. Obligation under capital leases:

	2006	2005
2006	\$ -	\$ 29,920
2007	29,775	29,920
2008	27,294	27,427
Total minimum lease payments	57,069	87,267
Less amount representing interest at 6.5%	3,484	8,301
Present value of net minimum capital lease payments	53,585	78,966
Current portion of obligation under capital lease	27,132	25,330
	\$ 26,453	\$ 53,636

# HORSE RACING ALBERTA

Notes to Financial Statements (continued)

Year ended December 31, 2006

## 6. Deferred contributions from the Government of Alberta:

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

	2006	2005
Balance, beginning of year	\$ -	\$ 836,051
Contributions during the year	42,523,054	41,217,812
Interest received on deferred contributions	195,885	157,689
Amount recognized as revenue in the year	(42,718,939)	(42,211,552)
Balance, end of year	\$ -	\$ -

## 7. Compensation:

	Positions	Compensation	Benefits	2006	2005
Chairman and Chief Executive Officer	1.0	\$ 190,000	\$ 22,804	\$ 212,804	\$ 193,501
Board of Directors	13.0	66,800	2,050	68,850	86,749
President and Chief Operating Officer	1.0	180,000	34,583	214,583	211,304
Managers: Racetrack and administration	3.0	253,663	21,661	275,324	255,882
Non-management staff: Racetrack	21.0	716,095	95,319	811,414	783,103
Administration	5.0	149,099	30,583	179,682	156,129
	26.0	865,194	125,902	991,096	939,232
	44.0	\$ 1,555,657	\$ 207,000	\$ 1,762,657	\$ 1,686,668

# HORSE RACING ALBERTA

Notes to Financial Statements (continued)

Year ended December 31, 2006

---

## 8. Commitments:

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

---

2007	\$	136,288
2008		64,053
2009		14,011
2010		2,062
		<hr/>
		\$ 216,414

---

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

## 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 the Government of Alberta, interest bearing loan receivable, 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 loans receivable approximate their fair value as it is the practice of the Corporation to loan funds on an interest free or other basis for facility improvements and development as warranted.

The carrying value of obligation under capital lease approximates its fair value as the terms and conditions of the arrangement are comparable to current market term and conditions for similar items.



# HORSE RACING ALBERTA

Notes to Financial Statements (continued)

Year ended December 31, 2006

---

## 11. Comparative figures:

Certain 2005 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.

# HORSE RACING ALBERTA

## Schedule A - Racetrack Grants

Year ended December 31, 2006, with comparative figures for 2005

	Budget (Unaudited)	2006	2005
Northlands Park	\$ 7,408,018	\$ 7,206,474	\$ 6,588,651
Calgary Exhibition and Stampede	4,538,785	4,039,099	4,502,407
Rocky Mountain Turf Club	1,095,529	1,003,961	1,050,413
Grande Prairie Regional Agricultural & Exhibition Society	407,430	405,505	195,213
Millarville	-	-	20,000
Alberta racetrack capital fund grants	3,043,509	2,702,359	2,590,565
	\$ 16,493,271	\$ 15,357,398	\$ 14,947,249

## Schedule B - Marketing and Promotion

	Budget (Unaudited)	2006	2005
Branding	\$ 1,288,500	\$ 1,185,787	\$ 1,108,579
Marketing grants to racetracks	1,020,448	1,020,448	975,669
Live race broadcasting	910,000	1,138,492	846,631
Internal and other marketing initiatives	865,000	532,086	422,894
	\$ 4,083,948	\$ 3,876,813	\$ 3,353,773

# HORSE RACING ALBERTA

## Schedule C - Regulatory and Administration

Year ended December 31, 2006, with comparative figures for 2005

	Budget (Unaudited)	2006	2005
Compensation (note 7)	\$ 1,839,933	\$ 1,762,657	\$ 1,686,668
Legal, consulting and audit fees	395,000	340,955	285,602
Travel	290,000	299,504	292,455
Contractors	315,849	286,713	210,889
Committee expenses	344,000	212,328	83,065
Office and administration	238,000	166,382	198,298
Office rent and operating costs	125,000	119,912	116,332
Racetrack licensing expense	150,000	84,970	116,495
Amortization	32,000	71,107	39,710
Telephone	52,000	63,258	55,963
Other	50,000	43,793	58,030
Toxicology	35,000	42,128	31,193
Memberships	35,000	41,084	15,713
Insurance	49,000	35,390	40,598
Meetings and seminars	10,000	13,786	6,784
Appeal tribunal	15,000	10,373	13,594
Interest on capital lease obligation	-	4,467	459
	\$ 3,975,782	\$ 3,598,807	\$ 3,251,848

# PHOTO CREDITS

**COVER**

Photo provided by Dave Landry

**PAGE 3**

Photo provided by horsephotos.com

**PAGES 5, 6, 8-15, 19-21**

Photos provided by Dave Landry

**PAGE 23**

iStockphoto.com ©

**PAGE 25**

Photo 1 - iStockphoto.com ©

Photos 2&3 provided by Dave Landry

**PAGE 27**

Photo provided by Dave Landry

**PAGE 29**

Rendering provided by Horse Racing Alberta

Photo - iStockphoto.com ©

**PAGE 31**

Photo provided by horsephotos.com

**PAGES 33 & 35**

Photos provided by Dave Landry

**PAGE 37**

Photo provided by Horse Racing Alberta

**PAGE 38**

Photo provided by Dave Landry

**PAGE 41**

iStockphoto.com ©

**PAGE 43**

Photo 1 provided by Dave Landry

Photo 2 provided by horsephotos.com

**PAGE 45**

Photo provided by Dave Landry

**PAGE 47, 53, 57**

Photos provided by Dave Landry

**PAGE 61**

iStockphoto.com ©

**BACK COVER**

iStockphoto.com ©



## **HORSE RACING ALBERTA**

CORPORATE OFFICE  
720, 9707 - 110 St.  
Edmonton, AB T5K 2L9

Phone: 780.415.5432  
Fax: 780.488.5105  
Toll Free: 1.888.553.7223

**[www.thehorses.com](http://www.thehorses.com)**

## **CALGARY OFFICE**

602 Sloane Square  
5920 - 1 A St. SW  
Calgary, AB

(Mailing Address)  
Box 5684 Postal Station A  
Calgary, AB T2H 1Y1

Phone: 403.543.8951  
Fax: 403.543.8950



