



HORSE RACING ALBERTA

2007 ANNUAL REPORT





VISION

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.

MISSION

Alberta will be recognized internationally for premier horse racing, breeding and quality entertainment.

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.

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YOU PREPARE A RACETRACK LIKE BURGESS MEREDITH TRAINED ROCKY.

For those that do it, it's all they do and all they think about doing. It never ends, because no matter what time of day or what time of month, there is always a next race.

When Ron Grift feels and sees the humidity rising he can hear the track inhaling moisture. He has to adjust if there is too much or too little moisture in the soil on the racetrack. If it hasn't absorbed enough moisture from the atmosphere to give the track a lively surface – resiliency, bounce and shock absorption – he has to add it. If the track has absorbed too much moisture from the atmosphere – just as bad as too little – he has to facilitate rapid evaporation.

The substrate or base, upon which the surface is laid, must be flat as a pool table. The surface must not only slope toward the infield drainage system, it must slope at exactly the optimum angle. Two degrees too much slope can cause injuries to the racehorses and surface materials can be lost to the drainage ditch too quickly. Two degrees too little slope can cause injuries to the racehorses and excess moisture can't drain into the drainage ditch.

The surface material is tested monthly - weekly in August - by a soils testing lab to determine not only the percentage ingredients of broad categories like sand, soil and organic material, but also detrimental constituents like clay, sodium and calcium.

Before a race, water is added gradually. Then a grader is used to make sure the surface is smooth and sloped at the appropriate angle. Lastly, a harrow grooms the track to ensure no lumps of surface material have formed and the surface material is at exactly the same depth from inside rail to outside rail all 5/8th of a mile around.

The racing surface is alive and changing. Just like the race.

– Les Butler, Vice President, Racing and Gaming, Northlands



HORSE RACING ALBERTA BOARD OF DIRECTORS

Horse Racing Alberta (HRA) 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 racetracks, horse racing and breeding organizations, educational institutions and federal and provincial governments, HRA is driving continuous growth in the horse racing industry.

As an advocate, champion, and voice of the industry, Horse Racing Alberta is committed to the safety and welfare of racehorses, a level playing field for racing participants and an entertaining and enjoyable experience for racing fans. Horse Racing Alberta receives its direction from a board of 14 directors selected by industry stakeholders. This board has an independent chair, three public directors and two government-appointed, ex-officio (non-voting) members.

Dr. David Reid	Chairman and CEO
Mr. Don Getty	Vice-Chairman, Public member
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. Rick Carter	" A " Track, Northlands
Dr. David Chalack	" A " Track, Calgary Exhibition and Stampede
Mr. Max Gibb	" B " Track, Rocky Mountain Turf Club
Dr. Pat Brennan	Public Member
Mr. Gary Belecki, Q.C.	Public Member
Ms. Ann Hammond	Alberta Gaming and Liquor Commission (Ex-officio)
Ms. Sue Bohaichuk	Alberta Tourism, Parks, Recreation and Culture (Ex-officio)

**CHAIRMAN'S REPORT
DR. DAVID REID, CHAIRMAN AND
CHIEF EXECUTIVE OFFICER**

The meticulous details in preparing a racetrack mirror the careful thought and preparation that go into all aspects of horse breeding and racing. For Horse Racing Alberta, we approach each aspect of our industry as carefully as the racetrack superintendent -- looking at the big picture as well as the smallest details that make this industry so much more than just a sport.

Horse Racing Alberta (HRA) entered 2007 knowing that it was going to be a significant period of change and transition. We carefully considered all scenarios and opportunities to assist horsemen in this time of uncertainty to minimize negative impacts. In planning this year we were confident that horsemen, resilient as they are, would weather these changing times. What HRA couldn't project, however, were the escalating political pressures that complicated the environmental decisions needed to deliver water to the Balzac development.

The new racetrack in Balzac, the area to be known as CrossIron Mills, is one of the most innovative and daring projects horse racing has seen in Alberta history. But like all projects of this size and scope, there were factors beyond the control of the United Horsemen of Alberta (UHA) or HRA, particularly the controversial water issue. It became clear by May that the scheduled opening date of spring 2008 was not possible. As a result of this delay, the horse industry stood to lose up to 12 million dollars. Based on the original transition plan, Stampede Park closed racing in June 2007, after 117 years of first-class racing, leaving a racing void in the Calgary market. However, Stampede Park graciously agreed to bring racing back during the 2008 transitional period which was great news for horse racing and horsemen. HRA is extremely grateful to Stampede Park for their support and flexibility.

The second challenge of this delay was the onerous and unexpected challenge for HRA in managing a second transition year for 2008. The HRA Board and staff have done an exceptional job in planning this second transitional year, hopefully minimizing the impact to industry programs. Although HRA is responsible for the management of the industry, positive outcomes depend largely on the willingness of horsemen and racetracks to adapt and co-operate to maximize future opportunities.

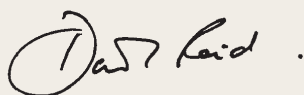
There is no question that the delay in the opening of the UHA track has brought hardships. However, progress can only be made through optimism and belief in a solid future. HRA encourages the industry to focus on the long-term security brought about by the negotiation of a 10-year gaming contract with the Government of Alberta.

The results outlined in this annual report show that, even in times of change, horsemen are still committed to the industry, improving their breeding stock and bringing good horses to the track. It also demonstrates that HRA has successfully stabilized the industry, gained confidence among horsemen and track operators, and is making sound decisions for all aspects of horse breeding and racing.

A measure of the ability of our industry to compete and grow is the steady growth of handle (money wagered on horses). The provincial handle increased by 6% over 2006, with 22% overall growth in total handle since HRA's inception in 2002. This is remarkable in the face of a declining national handle. This demonstrates that our fans are eager to participate and our racing product is viable and marketable. Our marketing efforts are making significant gains and are bringing new fans to the racetracks. Our televised shows are recognized within Alberta and throughout North America for their excellence in coverage and production.

On a national level, HRA has continued efforts to bring horse racing regulations in line with current market realities. The Canadian Pari-mutuel Agency (CPMA) began discussions in 2006 with the provincial regulatory bodies and racetracks to update industry regulations. They recognized that the gaming environment has changed dramatically over the last 20 years, particularly in the opportunities made available by Internet and other evolving technologies. In full consultation with industry partners, the CPMA is proposing significant and far reaching changes that will allow provinces to maximize opportunities and compete effectively. It will strengthen their ability to concentrate on the areas of gaming integrity and animal welfare through drug and medication monitoring, testing and research. It is hoped that the CPMA will be able to forward these recommendations to the federal Minister of Agriculture in 2008.

As we reflect on the accomplishments of 2007, it is comforting to see that the industry remains optimistic about the future of horse breeding and racing in Alberta. We thank all those who have supported industry efforts during this time - from horsemen to backstretch workers to racing fans. Even in times of transition, horsemen are excited about the promising opportunities and are making sound decisions that will certainly pay off for them, and the industry as a whole, in the near future.

A handwritten signature in black ink, reading "David Reid" with a period at the end. The signature is stylized and cursive.

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





2007 IN REVIEW

2007 IN REVIEW

ANDY BRYANT, PRESIDENT AND CHIEF OPERATING OFFICER

Since 2002, Horse Racing Alberta (HRA) has driven significant change in the horse breeding and racing industry. 2007 marks the conclusion of our five-year business plan – a watershed timeframe for HRA and the industry as a whole. When HRA was formed in 2002, our priority was to stabilize the industry and develop strategies that would support future growth. These strategies have allowed our industry to be flexible through times of change and transition.

Over the past five years, Alberta has seen tremendous growth in horse racing with a 20% increase in handle, steady attendance at Alberta racetracks, and one of the most lucrative purse structures in all of Canada. We have taken the horse breeding and racing industry from an industry in decline to one that exceeds \$350 million in economic impacts per year, employing over 8,000 people in urban and rural areas. This number is anticipated to skyrocket by 2010, due to new infrastructure development and long-term achievement of our marketing campaigns. With the industry ready and willing to grow through change, horse racing in Alberta is on the cusp of achieving world-class success.

OUTLOOK FOR THE FUTURE

HRA meticulously planned for the 2007 transitional year of racing. We focused our efforts on ensuring there was continuity in the industry while working with horsemen to sustain confidence in the future of horse racing. When it became apparent early in 2007 that the CrossIron Mills racetrack would not be operational by 2008, HRA quickly communicated this with our stakeholders and horsemen and began planning for our second year of transition. As this additional transition period was unanticipated, HRA has reduced funding for key programs and initiatives by 20% for the 2008/09 fiscal year. This reduction will be compensated by the positive outlook for 2009 and beyond. We forecast that by 2010, handle will increase to over \$200 million, with over three million fans attending racetracks across the province.

Through the strategic efforts of HRA, the Alberta horse racing industry is recognized as one of the most successful and thriving markets in North America. For the 2008-2010 business planning cycle, we will continue to position HRA as an industry leader, to ensure that horsemen are provided with every opportunity to succeed in their breeding and racing efforts and to continually enhance the racing experience for our fans.

ECONOMIC IMPACTS OF HORSE RACING IN CANADA

The Canadian Gaming Association, in partnership with HLT Advisory Inc., undertook a major study in 2006 to determine the full economic impacts of gaming in Canada.¹ Horse racing, through the study of pari-mutuel wagering, accounted for over \$486 million in revenues and nearly \$1 billion in induced income. Horse racing invests a further \$112 million in labour income, employing thousands people in the agricultural sector, as well as in racetrack operations and equine care. Of the \$486 million in revenues generated through pari-mutuel wagering in 2006, nearly \$70 million was reinvested in the community through government and charitable programs.

ALBERTANS SUPPORT HORSE RACING

HRA commissioned a survey with Longwoods, a Canadian market research firm, to conduct a survey about Albertans attitudes on horse racing. The survey sample included 503 Albertans over 18 years of age, including an oversample of 137 respondents involved in horse racing. The highlights of this survey indicated that Albertans have a very positive view of horse racing and breeding, despite the fact that only 10% of those surveyed are actively involved in horse racing. Sixty-five percent of those surveyed believed that horse racing has a long heritage in Alberta, with 53% agreeing, or strongly agreeing, that it is important for Alberta to have a healthy breeding and racing industry. The results of this survey helped focus our 2008-2010 planning efforts, particularly in the areas of marketing and promotion.

¹ "Economic Impact of the Canadian Gaming Industry - Direct Economic Impacts from the Operation of the Canadian Gaming Industry by Sector 2006". Canadian Gaming Association, 2008.

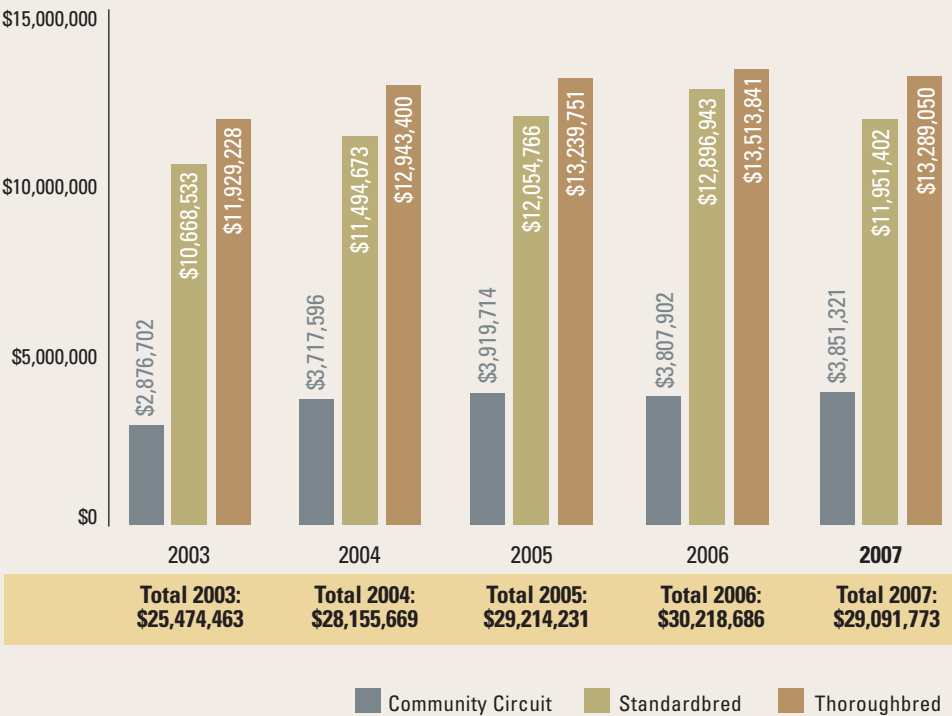
FEWER RACING DAYS IN 2007

As anticipated, there were fewer racing days in 2007 due to the closure of Stampede Park. There were 111 days of live racing in 2007, a reduction of 40 days from 2006. With the reduced racing days, the average purse and handle per race day increased.

LONG-TERM PURSE STRATEGY

Purses are a critical piece of a thriving horse racing industry. HRA recognized at the beginning of 2002 that a profitable purse structure was critical to buoy confidence and reinvestment in horse breeding and racing. Industry purses have grown from \$24.6 million in 2003 to over \$29 million in 2007. As part of transition planning, HRA was unable to support a further increase in purses in 2007. However, due to the decreased number of race days, purses per race day increased.

ALBERTA PURSES 2003 - 2007

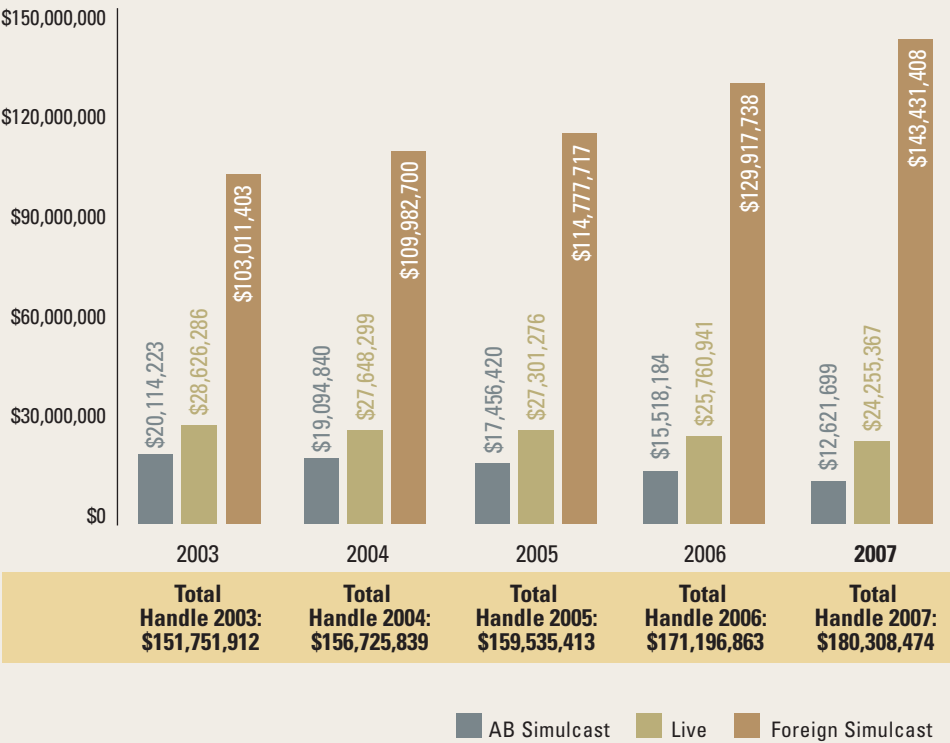


* 2007 Standardbred purses include 35 days of racing at "A" racetracks as part of the modified racing season.

ALBERTA SETS THE PACE FOR HANDLE GROWTH

The Alberta handle, which includes live and Alberta simulcast wagering, has decreased since 2003 from over \$46 million to just over \$36 million in 2007. Total handle overall, including foreign simulcast, has increased from \$151.7 million in 2003 to \$180 million in 2007, with a projected increase to \$204 million by 2010. Even the 2007 period of transition didn't hamper the handle performance, showcasing Alberta as one of Canada's premier racing markets.

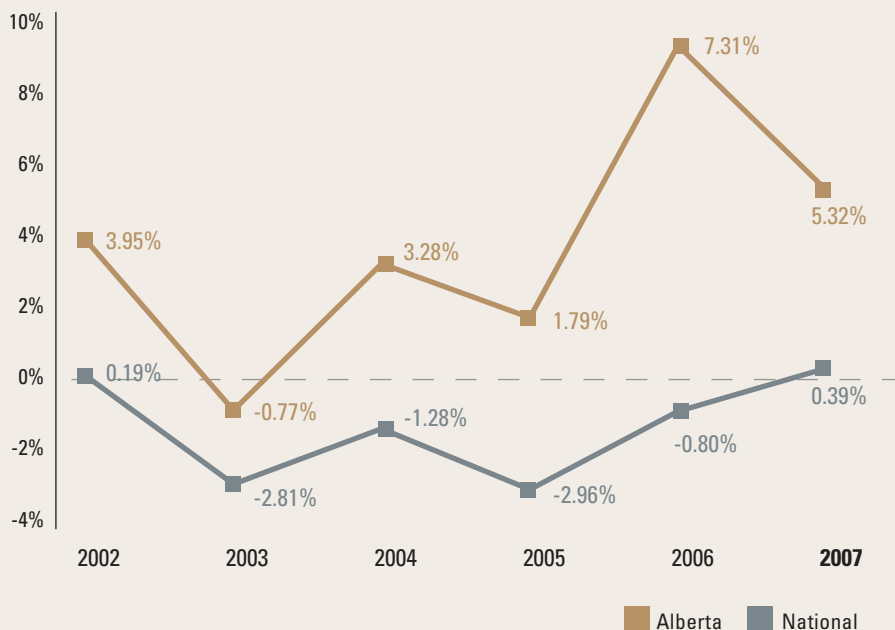
ALBERTA HANDLE 2003 - 2007



ALBERTA NATIONAL LEADER IN HANDLE GROWTH

For the third year in a row, Alberta was the only major racing jurisdiction to see a growth in handle – far surpassing the national average. Since 2002, handle has increased by 22.5%, well above the national average, which has decreased by –4%.

HANDLE % CHANGE YEAR OVER YEAR 2002-2007 NATIONAL & ALBERTA PARI-MUTUEL HANDLE



HRA SUPPORTING RACETRACK DEVELOPMENT

In 2007, HRA provided an interest-free loan to Evergreen Park in Grande Prairie to enhance their Racing Entertainment Centre. The revenue generated from this investment took HRA from a negative cash flow position to a positive balance, providing a significant revenue. HRA also provided an interest-bearing, bridging, loan, secured to land holdings, to the United Horsemen of Alberta as a consequence of the approval delays and the high priority of the racetrack for the horse racing industry.

“HORSES OFF-TRACK” ON TRACK FOR SUCCESS

The Horses Off-Track (HOT) network got a huge boost from a partnership between HRA, Northlands and the Alberta Hotel and Lodging Association. This deal will offer Northland’s racing product to a wider audience, ultimately growing the network to at least 150 sites across the province. HRA invested \$300,000 in 2007 to further expand and support this critical piece of the Alberta horseracing experience within, and beyond, Alberta’s borders. It’s anticipated this expansion could result in a 20% increase in HRA simulcast revenues.

RACING ENTERTAINMENT CENTRES

Revenues generated through Racing Entertainment Centres (REC) remained steady in 2007, rising slightly over 2006 numbers. However, in looking at the increase in REC revenues from the time of their inception in 1997, there has been an increase of 2605%, rocketing from \$5.3 million in 1997 to \$76.3 million in 2007. There have been steady and consistent increases in REC net revenues, demonstrating successful marketing and business planning by HRA and REC racetracks.

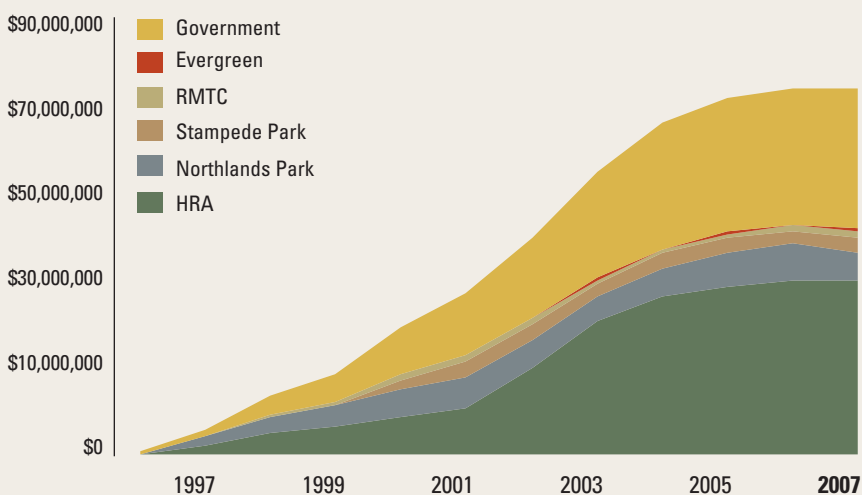
	2003	2004	2005	2006	2007
Net REC revenue contributed to the Government of Alberta	58,648,407	69,086,798	74,541,657	76,285,338	76,310,091
Government – Alberta Lottery Fund	22,055,971	26,043,908	28,142,597	28,319,484	28,767,691
HRA – 51.66% of net REC revenue	27,795,175	32,679,870	35,217,811	36,523,054	36,095,886
Racetracks – 15% commission of net REC revenue	8,797,260	10,363,019	11,181,250	11,442,801	11,446,513

RACING INDUSTRY RENEWAL INITIATIVE SUPPORTS INDUSTRY GROWTH

In Alberta, all revenues generated at Alberta Racing Entertainment Centres (RECs) are allocated back to the Alberta Government. The Government then pays 15% commission to facility operators, 51.66% back to the horse racing industry as the *Racing Industry Renewal Initiative* and 33.33% is allocated to the Alberta Lottery Fund. Since the introduction of Racing Entertainment Centres in 1996, over \$495 million in revenues have been contributed to the Government of Alberta, with over \$185 million allocated to the Alberta Lottery Fund for community programs. The *Racing Industry Renewal Initiative* recognizes the unique and complex aspects of the horse breeding and racing industry, providing HRA a portion of REC revenues to support horse industry programs.

In 2007, over \$76 million was received by the Government of Alberta from Racing Entertainment Centres, with \$36 million allocated back to HRA for industry programs. These funds support important HRA programs such as the Breed Improvement Program, racetrack development and purse grants, all of which are critical elements of a strong and vibrant horse breeding and racing industry. In addition, this funding also supports HRA's many human resource programs for backstretch workers such as the daycare supplement, substance abuse counseling, education upgrading and computer literacy courses.

ALLOCATION OF RACING ENTERTAINMENT CENTRE SLOT REVENUE

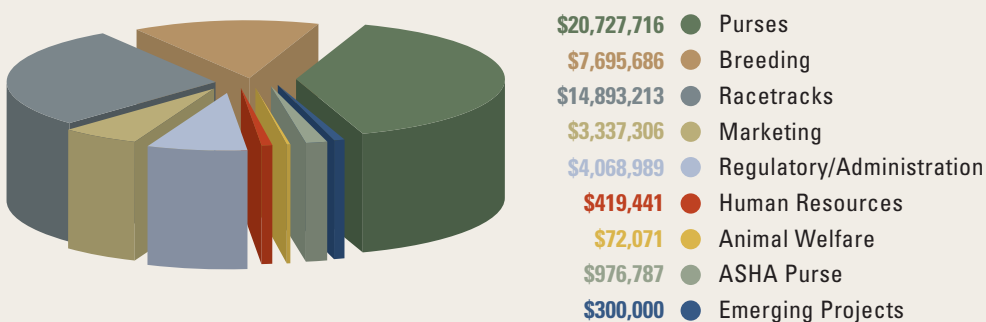


* From 1997-2001, slot machine operations were managed by the Alberta Racing Corporation. With the inception of HRA in 2002, slot machine revenues increased exponentially.

HORSE RACING ALBERTA 2007 PROGRAM EXPENDITURES

The growth of the industry since 2002 has been largely due to the success of key HRA programs, particularly in the areas of infrastructure, human resources and breeding. In planning for the transitional year, there was a general reduction in program expenditures for the key strategic areas. To adequately sustain industry programs throughout the transition year, we anticipated a \$5 million revenue deficit. Measures are in place to recover this revenue shortfall in the 2009-2010 business targets.

To support the industry during the transition period, expenditures for Breed Improvement Programs increased marginally to encourage horsemen to improve their breeding stock in support of HRA's strategic focus on enhancing Alberta-bred racehorses. Although expenditures for purse support grants were reduced slightly from 2006, purses per race day increased. The grants provided to the community purses increased which is a direct correlation to the enhanced racing schedule on the community circuit.



TOTAL EXPENDITURES: \$52.5 MILLION

2007 PERFORMANCE MEASURES

HRA recognizes the importance of monitoring performance. Specific key performance measures that can be measured and tracked have been selected to reflect the expected results of the breeding and racing entertainment sectors as a result HRA programs and strategies.

INDUSTRY CONFIDENCE IN HRA

	2004	2005	2006	2007	2007	2008
	Actual	Actual	Actual	Target	Actual	Target

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	84.1%	85.4%	83.0%	80%	n/a*	80%
Somewhat and Strongly Disagree	7.6%	8.5%	9.9%	8%		8%

The Industry's perception of HRA as leaders in promoting and facilitating the growth, integrity and economic contribution of the Alberta horse racing and breeding industry.

Strongly & Somewhat Agree	81.5%	83%	85.9%	80%	n/a*	80%
Somewhat and Strongly Disagree	8.1%	8.7%	8.6%	9%		9%

* HRA undertook a survey with Longwoods International in 2007 to validate public perceptions and attitudes of the horse racing industry in Alberta. In this survey, there was an oversample group of 137 individuals who are involved in the horse racing and breeding industry. Due to the cost involved with these types of surveys, HRA has delayed the industry-specific survey until 2008.

PARI-MUTUEL HANDLE

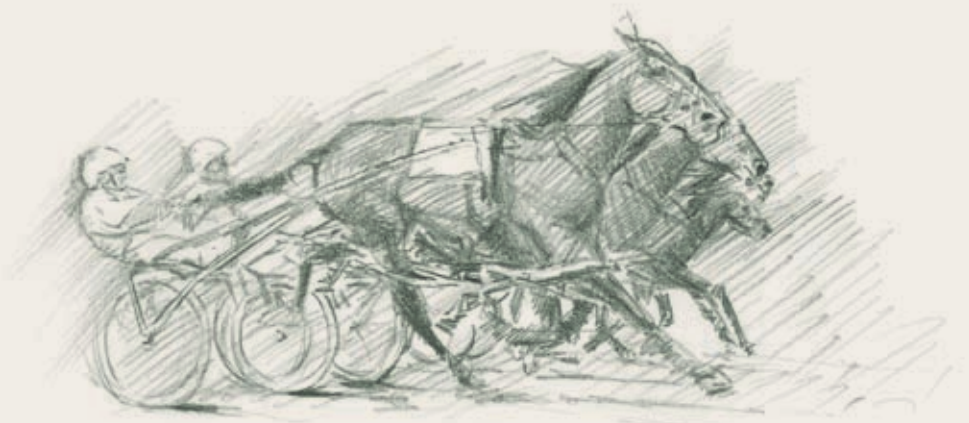
	2004 Actual	2005 Actual	2006 Actual	2007 Target	2007 Actual	2008 Target
Alberta Racing Handle	\$46,853,212	\$44,757,696	\$41,297,125	\$36,440,112	\$36,877,066	\$33,583,255
Total Handle	\$156,725,839	\$159,535,414	\$171,196,862	\$148,448,861	\$180,308,474	\$163,324,189

RACETRACK ATTENDANCE

	2004 Actual	2005 Actual	2006 Actual	2007 Target	2007 Actual	2008 Target
Northlands	1,164,887	1,179,321	1,434,968	1,243,214	1,427,839	1,300,000
Calgary	184,040	160,928	197,423	100,000	154,085	165,000
Lethbridge	66,363	63,860	66,689	69,746	69,820	73,245
Grande Prairie	29,293	31,264	29,800	32,294	29,800	33,000
Millarville	6,000	5,000	5,000	5,000	5,000	5,000
Total	1,450,583	1,440,373	1,733,880	1,450,254	1,686,544	1,576,245

Edmonton and Calgary figures are a year round total. Other tracks are for live race dates only.





GOVERNMENT AND INDUSTRY



ACT AS A SINGLE VOICE FOR THE ALBERTA HORSE RACING INDUSTRY

WATER LEADS THE AGENDA WITH THE GOVERNMENT OF ALBERTA

As the voice of the industry, HRA is responsible for significant, ongoing interaction with all levels of government, particularly the Government of Alberta. We worked very closely with UHA, Alberta Environment and many other government representatives in coming to a successful resolution to the water resource issue for the CrossIron Mills racetrack. Although the negotiations were often challenging, HRA is exceptionally pleased with the agreement made with the Water Irrigation District within the Municipal District of Rocky View.

FEDERAL CHANGES OFFER PROMISE FOR HORSEMEN

The regulatory environment that governs horse racing is beginning to show much needed change. HRA was involved in a number of initiatives that will enhance our ability to compete in the changing gaming and entertainment industry. As the market for pari-mutuel wagering on horse racing expands and matures, HRA, in partnership with other racing colleagues from across the country, is looking at ways of countering and competing with illegal offshore operations that utilize our resources but fail to return any equity in the industry. Together, we are members of a task force that is in discussions with the federal Minister of Agriculture and other related departments.

The Canadian Pari-Mutuel Agency (CPMA) is proposing significant changes to pari-mutuel wagering, such as the restrictions on wagers offered and how bets are placed. This is a much needed change as horse racing was the first form of legalized gaming in Canada and many industry regulations are antiquated and outdated. The CPMA is focusing on streamlining federal legislation regarding wagering integrity and animal welfare practices that inhibit the growth of horse racing at a provincial level.

HORSE RACING TAX ALLIANCE

In 1998, horse industry associations across Canada came together to form the “Horse Racing Tax Alliance” to spearhead needed changes to tax guidelines surrounding the owning and maintaining of racehorses in Canada. These tax laws, which have been in effect for nearly 50 years, restrict the growth of the racing industry in Canada.

Currently, Section 31 of the Income Tax Act includes restrictions on the deduction of business losses applicable to the breeding and racing of horses. The maximum deductible is \$8,750 against other income regardless of the amount of money a taxpayer has invested in horse racing and/or breeding. Losses in any other business, except horse racing, are fully deductible against income. Our industry has tried for decades to remove this restriction, without success. The Alliance will continue to pursue these necessary changes for the equitable and fair treatment of horse owners and breeders.

LIVE HORSE RACING AT RECS

HRA continued discussions with the Government of Alberta in 2007 to develop requirements to further ensure that live horse racing remains a prerequisite for a Racing Entertainment Centre (REC) gaming license. These RECs would include live horse racing as their principal business, including on- and off-track simulcast races.



RACE DAY HIGHLIGHTS

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

HARNESS RACING HOPPING IN 2007

To compensate for the closure of racing at Stampede Park in Calgary, Northlands and the Community Circuit stepped up to offer more than 105 racing days in 2007. Northlands offered 32 stakes events spread over a 40-day race meet which kept horsemen exceptionally busy during the fall racing season. Stakes purses totaled just over \$3 million at Northlands alone, which was on par with the 2006 purses for both Northlands and Stampede Park. Standardbred's two premier races, the Northlands Filly Pace and the Western Canada Pacing Derby, each featured purses of \$175,000 – drawing the top drivers in the country and treating racing fans to two great races.

CELEBRATING 50 YEARS OF QUARTER HORSE RACING IN ALBERTA

The Alberta Quarter Horse Racing Association (AQHRA) celebrated its 50th anniversary in 2007 with its most successful running of the Canadian Quarter Horse Cup Futurity. This race, run each fall in Lethbridge, is the flagship Quarter Horse event which showcased a record-setting purse of \$102,600. The past decade has seen steady growth in Quarter Horse purses, offering new opportunities for horsemen to invest more money in breeding and buying quality racing stock.

ALBERTA FALL CLASSIC

The Alberta Fall Classic was a fantastic draw for 2007 with pari-mutuel handle topping \$622,000, including \$302,000 at Northlands and its outlets. This exciting event showcases Alberta Thoroughbreds as well as the many breeders, owners, trainers and jockeys who work so tirelessly for the success of the industry.

78TH RUNNING OF THE CANADIAN DERBY

Northlands came within dollars of reaching the \$1 million mark on the 78th running of the Canadian Derby, with just over \$990,000 wagered and over 12,000 fans in attendance. The Canadian Derby is the cornerstone of Alberta's racing schedule that has seen continual trends towards growth in handle and attendance.

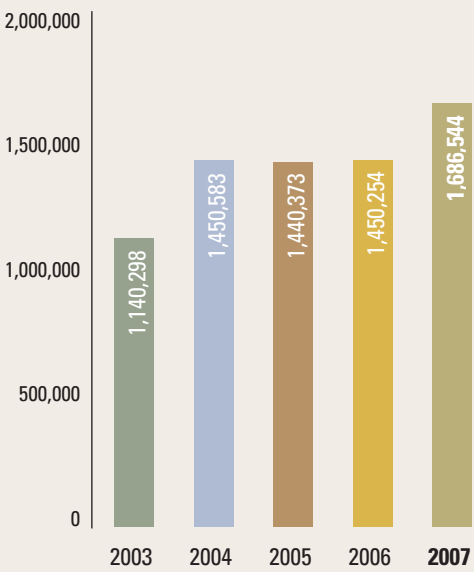


MARKETING

ACTIVELY MARKET AND PROMOTE HORSE RACING IN ALBERTA

HRA's marketing efforts focus on drawing patrons to Alberta racetracks to experience live horse racing. HRA provided over one million dollars in marketing support to racetracks to promote local events and assist in special promotions to attract fans to the races. Over 1.6 million fans attended races at Alberta racetracks in 2007, exceeding the target set of 1.4 million. It is expected that attendance in the Calgary area should increase significantly with the opening of the CrossIron Mills racetrack in 2009.

RACETRACK ATTENDANCE



STRATEGICALLY TARGETING 18 – 34 YEAR OLDS IN 2007

The industry's best marketing and creative properties over the past four years were used in a comprehensive, multi-tiered, strategic plan to market and promote horse racing in Alberta. For the fifth consecutive year the program continued to resonate with the target demographic of 18 to 34 year olds.

ECLIPSING THE COMPETITION

2007 culminated with the industry receiving the prestigious Eclipse Award, the American Thoroughbred horse racing award named after the 18th Century British racehorse and sire, Eclipse. The award recognizes the best in North American racing in the local television category for "The Horses" Alberta Derby live television show. In December, the partnership of HRA, Whiteiron Productions, and CTV also won 2007 Sovereign Award for Outstanding Broadcast in Canadian Racing for the same Alberta Derby telecast. The Sovereign Award is presented by the Canadian Thoroughbred Horse Society.

CANADA CUP FUTURITY COVERAGE RECOGNIZED FOR EXCELLENCE

The American Quarter Horse Association recognized HRA's coverage of the Canada Cup Futurity - a fixture on the HRA television schedule. This race will continue to be featured in 2008 as part of a 10-show series.

LIVE TELEVISION

In 2007 “The Horses” live television schedule featured 13 shows featuring premier Alberta racing events. At the request of the fans, the Canadian Derby telecast was expanded to an action packed two hour telecast to include the Edmonton Distaff. The live television show continues to be a key component as an extension of the brand campaign while educating the general public on racing nuances and breaking down the traditional barriers around betting.

WHAT’S AHEAD IN 2008?

HRA continues to drive its strategy to grow momentum in the marketplace. The 2008 campaign will feature four new television commercials, new outdoor properties and print materials for racetrack locations. The live television show will feature a new graphics package, refreshed animations, new music, and more “in the moment” programming. New public service announcements will continue to educate Albertans on the benefits of horse racing to the province.

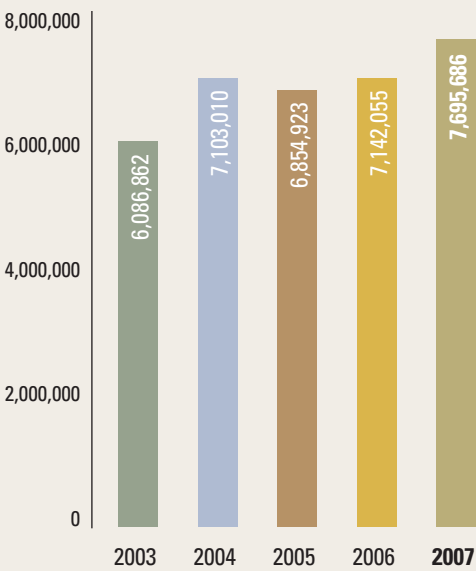


BREEDING

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

To compete successfully with foreign-bred horses, the Alberta horse racing industry must continue its efforts to enhance the quality of Alberta’s breeding stock and Alberta-bred racehorses. HRA programs such as the *Mare Incentive Purchase Program* are critical in the quest to improve breeding stock within our borders. Other programs, such as the *Sales Stakes* and *Owners Bonus* support the efforts of horsemen who successfully race Alberta-bred or Alberta-sired horses at Alberta racetracks. HRA supports over 20 Breed Improvement Programs, helping horsemen improve the quality and competitiveness of Alberta foaled horses.

**BREEDING IMPROVEMENT
PROGRAM FUNDING**

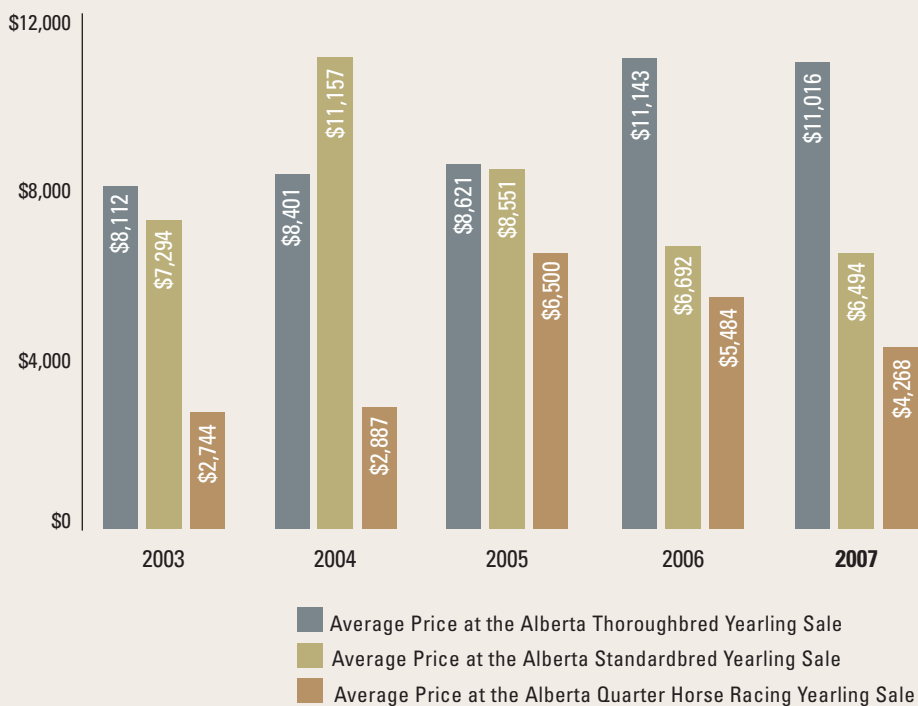


AVERAGE PRICE DOWN SLIGHTLY AT SALES

Horse sales are a strong indicator of breed improvement success – providing insight on the value and competitiveness of Alberta-bred horses within the province. In 2007, sale prices for all breeds took a small dip which is more likely a consequence of the transition year than the quality of horses bred in Alberta.

The average price for Thoroughbreds at the fall sale dipped by approximately \$100 to \$11,016, but still maintaining its strong growth over 2005 prices. At the Alberta Standardbred Horse Association Fall Sale, over 150 yearlings were sold, with two yearlings topping the sale at bids of \$40,000. Quarter Horses continued to draw good crowds and strong purses at Alberta racetracks with the 38 yearlings at the fall sale returning an average of \$4,268.

ALBERTA YEARLING PRICES



BUILDING BREEDING SUCCESS IN ALBERTA

Successful breeding programs are a critical piece of Alberta's horse racing strategy. The Thoroughbred Stallion Task Force, comprised of representatives from Horsemen's Benevolent and Protective Association (HBPA), the Canadian Thoroughbred Horse Society – Alberta and HRA, looked at current breeding programs in the province and what actions could be taken to enhance the quality of Alberta stallions. They identified that although horsemen have made significant efforts to bring successful competitive stallions to the province, Alberta-bred foals at sales and the racetrack have seen lower success than hoped. At local sales, Alberta-bred yearlings by American sires have averaged over \$20,000, while Alberta-bred yearlings by local sires have averaged less than \$6,000. In 2003, Alberta-breds were earning approximately 64% of the purse money. By 2006, Alberta-breds won only 48% of the available purses.

In 2007, over 110 mares left the province to be bred elsewhere, often at a significant risk to the health of the mare and foal and at a significant cost for transport and care. In addition to the horsemen's expenses, the Alberta economy takes a considerable hit through loss of employment opportunities, feed supplies and farrier services. Clearly it is important to seek out programs that address these challenges and statistics. The groundwork of this task force was laid in 2007 and will be further developed through industry consultation and input in 2008.



RACETRACKS



PROMOTE THE DEVELOPMENT OF HIGH QUALITY RACETRACKS

The focus of much of HRA's attention in 2007 was the resolution of issues affecting the construction and opening of the new CrossIron Mills racetrack in Balzac. However, enhancing existing "A" and "B" racetracks remain a high priority for HRA and funding for infrastructure improvement continued in 2007 to help Alberta racetracks offer an exciting and enjoyable experience for racing fans.

NORTHLANDS

Northlands took a huge step in offering new technology to racing fans this past year. Small handheld machines were introduced that provide fans with the ability to wager on any track being simulcast that day from anywhere in the grandstand. This innovation makes it more convenient for fans as well as takes the pressure off the window cashiers. This technology is part of the HPI (Horse Players International) gaming system which Northlands adopted in 2007 and is being used across the teletheatre network. Northlands also came to an agreement with the Alberta Hotel and Lodging Association that will eventually expand the HOT Network to an additional 150 sites across the province.

STAMPEDE PARK

There was a mix of nostalgia and pride on June 17th when Stampede Park in Calgary closed its racetrack after 117 years. The last race at the racetrack was the running of the 77th Alberta Derby, a tradition that has endured since 1931. More than just a racetrack, Stampede Park has been an integral part of the history and success of horse racing in Alberta. Just weeks after racing finished Calgary Stampede and HRA reached a key agreement to bring racing back to Stampede Park in 2008 in order to assist the industry during the transitional period.

THE RACETRACK AT CROSSIRON MILLS

The 700-acre site just outside of Calgary began to buzz with activity and construction by the fall of 2007. Barns number three and five were nearly completed, with five additional barns scheduled for completion by spring of 2008. Grandstand construction will begin in early 2008, with racetrack construction beginning soon after. The United Horsemen of Alberta continue to work towards the opening of the racetrack in the spring of 2009.

EVERGREEN PARK

Evergreen Park offered an expanded harness racing season to compensate for the shortened racing season in Calgary. The half-mile harness racing surface was also completely refurbished, offering a fast surface and better banking of the turns. A smaller track has been carved near the backstretch to provide additional training space.

ROCKY MOUNTAIN TURF CLUB

Rocky Mountain Turf Club reached a deal with Montana to export RMTC simulcast programs across the border. This not only provides additional revenues, but also encourages Montana horsemen to participate in Alberta racing.

MILLARVILLE

The Millarville Races are always an extraordinary day of racing, with 2007 being no different. With thousands of people in the stands and an outstanding lineup of racers, handle topped a record \$65,000.



HUMAN RESOURCES



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

EQUINE CARE RECOGNIZED AS SKILLED LABOUR

The growth in Alberta's economy provided opportunities as well as challenges for the horse racing and breeding industry. The booming Alberta economy made it more difficult to find skilled labour on the backstretch, putting strain on the entire industry. Horse Racing Alberta successfully applied to Human Resources and Skills Development Canada and Immigration Canada to upgrade the classifications which apply to grooms and exercise riders from unskilled to skilled labor. This move not only recognizes the knowledge and skill required for these jobs but also provides the opportunity to bring in equine labour from other countries such as Mexico, England and Japan. HRA has seen tremendous success in this program, with 16 workers coming to Alberta in 2007.

EQUINE EDUCATION GROWING IN ALBERTA

Nine students graduated from Olds College's Exercise Rider Program in April 2007 with students spending an extensive period learning riding techniques and theory as well as putting a lot of effort into physical training. These students had the opportunity to work with the Thoroughbreds at Stampede Park as well as the Standardbreds at Northlands. Another nine students graduated from the groom school which completed its fifth year in 2007. Graduates of the program are beginning their careers at the track and are easing the workload of seasoned professionals.

LEARNING ON THE BACKSTRETCH

The Learning Centre continues to provide exceptional opportunities for backstretch workers at Northlands. The Centre continues to be the hub of activity on the backstretch, with over 3,000 visits logged since its opening. The Centre provides a range of services including Spanish classes, English as a Second Language (ESL) classes for foreign workers, computer classes and an office equipped with basic equipment for the use of horsemen. HRA's Learning Centre continues to explore new programs to offer its users including high-school equivalency through the General Educational Development (GED) program.

SUPPORT FOR HORSEMEN AND FAMILIES

The Daycare Subsidy Program continues to provide employees with families funding and options for child care. Daycare programs are essential as many employees don't have regular business hours, with many beginning their day at 4:30 a.m. The HRA Chaplaincy continues to thrive, providing social and community events to promote health, wellness and spiritual guidance in the backstretch. The hectic and demanding life for backstretch workers may lead to substance abuse issues. HRA continues to actively support counseling and addiction programs to help our workers overcome these challenging problems.



ANIMAL WELFARE

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

Animal welfare is of greatest concern for Horse Racing Alberta and horsemen alike. HRA's Animal Welfare Committee is responsible for making sound decisions about the health and safety of the horses, as well as educating the industry about how to care for and maintain these fine equine athletes.

TRACK IMPROVEMENTS

In 2007, HRA focused on ensuring the highest quality and safety of racing surfaces for horses, drivers and jockeys. HRA funded track consultations with the "B" Circuit racetracks to ensure they had an optimal pitch and design. HRA also assisted Millarville in upgrading their racetrack in preparation for the 2007 Millarville Races.

EQUINE HEALTH

The array of equine disease can be overwhelming for even the most knowledgeable horsemen. In 2007, HRA updated and circulated information to the industry on recurring diseases including hypothyroid syndrome and rhinopneumonitis.

SAFETY IN TRANSPORT

HRA supported efforts by animal welfare groups, such as the "Alberta Horse Welfare Report" to ban the use of double-decker transports for horses. This practice is not only physically detrimental, but also places unnecessary mental distress on horses in transport. It is anticipated that the Government of Canada will make changes to federal legislation in 2008.

ADVOCACY AND EDUCATION

HRA has continued to work with other racing organizations within Alberta and throughout North America to access opportunities for speakers at racing seminars. HRA participates and supports the "Alberta Horse Owners and Breeders' Conference," which continues to feature the latest and most innovative research on equine health and care. Fire Safety seminars continue to be well supported and attended. In 2007, 215 licensees attended seminars held in Calgary, Edmonton, Lethbridge and Grande Prairie. Since 2004 there has been 922 licensees attend the seminars.



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 and the human and equine participants are central goals of our regulatory and compliance mandate. Working with horsemen's associations and racetrack officials, HRA advocates the respect, dignity and welfare of all racehorses at all Alberta racing venues.

In addition to the regulatory duties of the stewards and judges at Alberta racetracks, HRA is also responsible for the testing and reporting of the use of medications and other substances that may impact equine health and safety. The two performance-enhancing substances that are regularly tested for are Total Carbon Dioxide (TCO₂) and Erythropoietin (EPO). Carbon dioxide occurs naturally in the blood of horses at concentrations that vary between horses. However alkalizing substances, including bicarbonate, can increase plasma TCO₂ which allows the horse faster recovery time from strenuous exercise. Erythropoietin (EPO) is a hormone which stimulates bone marrow to produce red blood cells, increasing oxygen carrying capacity and endurance of the horse.

SUMMARY OF RULINGS AND TESTS 2007

RULINGS		TCO ₂ TESTING	
Thoroughbred Steward Rulings	144	Thoroughbred	
Live race days	111	Number of tests	850
Rulings per race days	1.29	Number of positives	0
		Percentage occurrence	0
Standardbred Judges Rulings	131	Standardbred	
Live race days	144	Number of tests	1459
Rulings per race days	.90	Number of positives	1
		Percentage occurrence	.07
Community Circuit		Community Circuit	
Judges/Stewards rulings	42	Number of tests	55
Live race days	72	Number of positives	0
Rulings per race days	.58	Percentage occurrence	0
MEDICATION TESTING		EPO TESTING	
Thoroughbred		Thoroughbred	
Number of tests	1860	Number of tests	850
Number of positives	0	Number of positives	0
Percentage occurrence	0	Percentage occurrence	0
Standardbred		Standardbred	
Number of tests	2741	Number of tests	1459
Number of positives	0	Number of positives	1
Percentage occurrence	0	Percentage occurrence	.07
Community Circuit		Community Circuit	
Number of tests	824	Number of tests	55
Number of positives	2	Number of positives	0
Percentage occurrence	.24	Percentage occurrence	0

APPEALS TRIBUNAL

Established by the Horse Racing Alberta Act, the Appeals Tribunal adjudicates appeals 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 (2006). 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 2007 Appeals Tribunal are: Mr. James Butlin, Q.C (Chairman), Mr. William Elzinga and Mr. Morris Taylor.

APPEALS HEARD

Driver – Harness

Harness Ruling No. 17, Northlands Park, March 28, 2007

Issue: Appealing suspension of 2 (two) days driving only.

Appeal Heard: April 16, 2007

Decision: The appeal was granted and the violation of Rule 348(m) is set aside.

Owner/Trainer/Driver/A.A. – Harness

Harness Race No. 10, Northlands Park, March 17, 2007

Issue: Appealing the placement of the horse from second place to fourth.

Appeal Heard: April 16, 2007

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

Trainer/Owner/A.A./Farrier/Plater – Harness

Harness Race 8, Evergreen Park, Grande Prairie, September 19, 2007

Issue: Appealing the severity of the penalty.

Appeal Heard: October 22, 2007

Decision: The suspension of sixty (60) days is reduced to forty (40) days.

The penalty imposed of two thousand dollars (\$2000.00) is reduced to one thousand dollars (\$1000.00).

Owner/Trainer – Thoroughbred

Thoroughbred Ruling No 100, Northlands Park, July 24, 2007

Issue: Appealing the disqualifying of the horse from second place and placed last.

Appeal Heard: October 22, 2007

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



**FINANCIAL STATEMENTS OF
HORSE RACING ALBERTA**

YEAR ENDED DECEMBER 31, 2007



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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, 2007 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, 2007 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 15, 2008

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007, WITH COMPARATIVE FIGURES FOR 2006

	2007	2006
Assets		
Current assets:		
Cash	\$ 5,744,612	\$ 2,809,603
Accounts receivable	2,114,294	1,328,048
Contributions receivable from the Government of Alberta	2,864,420	8,847,010
Prepaid expenses and deposits	69,928	46,819
Current portion of loans receivable	2,501,657	2,550,000
	<u>13,294,911</u>	<u>15,581,480</u>
Loans receivable (note 3)	602,629	900,000
Capital assets (note 4)	90,825	148,818
	<u>\$ 13,988,365</u>	<u>\$ 16,630,298</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,265,573	\$ 2,079,755
Racetrack grants payable	5,733,832	3,111,251
Current portion of obligation under capital lease	26,453	27,132
	<u>8,025,858</u>	<u>5,218,138</u>
Obligation under capital lease (note 5)	-	26,453
Net assets:		
Investment in capital assets	64,372	95,233
Unrestricted	5,898,135	11,290,474
	<u>5,962,507</u>	<u>11,385,707</u>
Commitments (note 8)		
Contingency (note 9)		
	<u>\$ 13,988,365</u>	<u>\$ 16,630,298</u>

See accompanying notes to financial statements.

On behalf of the Board:

Chairman of the Board

Chairman of the Audit Committee

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2007, WITH COMPARATIVE FIGURES FOR 2006

	2007 Budget Actual (Unaudited)	2007 Actual	2006
Revenue:			
General fees	\$ 8,135,800	\$ 9,436,064	\$ 9,067,421
Racing Industry Renewal			
Initiative revenues (note 6)	39,683,041	36,321,198	42,718,939
Other racing revenues	360,000	374,454	399,737
ASHA Simulcast - Calgary Area	1,030,065	976,787	-
Interest and other revenues	83,000	303,685	111,625
	49,291,906	47,412,188	52,297,722
Expenses:			
Purse Support Grants:			
Thoroughbred	8,782,760	8,730,360	9,029,131
Standardbred	7,224,259	7,224,259	8,640,273
Community	4,653,097	4,773,097	3,596,050
	20,660,116	20,727,716	21,265,454
Breed Improvement Program:			
Thoroughbred	4,020,053	3,701,388	3,512,616
Standardbred	3,058,522	3,071,464	2,830,939
Community	865,389	922,834	798,500
	7,943,964	7,695,686	7,142,055
	28,604,080	28,423,402	28,407,509
Schedule A - Racetrack Grants	15,604,444	14,893,213	15,357,398
Schedule B - Marketing and Promotion	4,165,628	3,337,306	3,876,813
Schedule C - Regulatory and Administration	4,510,062	4,068,989	3,598,807
Human resource development	500,000	419,441	486,763
Animal welfare	100,000	72,071	107,407
Emerging projects and programs	500,000	300,000	-
Contributions to ASHA Purse	1,030,065	976,787	-
	26,410,199	24,067,807	23,427,188
	55,014,279	52,491,209	51,834,697
Excess revenue (expenses)	\$ (5,722,373)	\$ (5,079,021)	\$ 463,025

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2007, WITH
COMPARATIVE FIGURES FOR 2006

			2007	2006
	Investment in capital assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 95,233	\$ 11,290,474	\$ 11,385,707	\$ 10,922,682
Adjustment on implementation of financial instrument standards [note 2(a)]	-	(344,179)	(344,179)	-
Excess revenue (expenses)	(65,497)	(5,013,524)	(5,079,021)	463,025
Acquisition of capital assets	7,504	(7,504)	-	-
Capital lease repayments	27,132	(27,132)	-	-
Balance, end of year	\$ 64,372	\$ 5,898,135	\$ 5,962,507	\$ 11,385,707

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2007, WITH COMPARATIVE FIGURES FOR 2006

	2007	2006
Cash flows from operating activities:		
Cash received:		
Racing operation	\$ 9,024,272	\$ 9,792,002
Racing Industry Renewal Initiative program	42,303,788	42,662,083
ASHA Simulcast - Calgary Area	976,787	-
Other interest received	303,685	111,625
Cash paid:		
Purse support	(20,727,716)	(21,265,454)
Breed improvement	(7,695,686)	(7,142,055)
Racetrack grants	(12,270,632)	(14,624,623)
Marketing and promotion	(3,337,306)	(3,876,813)
Administrative expenses	(3,838,140)	(3,414,529)
Other operating expenses	(491,512)	(594,170)
Emerging programs and projects	(300,000)	-
Interest paid	(2,643)	(4,467)
Contributions to ASHA Purse	(976,787)	-
Net cash provided by operating activities	2,968,110	1,643,599
Cash flow from financing activities:		
Repayment of obligation under capital lease	(27,132)	(25,381)
Cash flows from investing activities:		
Loans receivable advanced	-	(3,300,000)
Repayment of loan receivable	1,535	50,000
Purchase of capital assets	(7,504)	(20,969)
	(5,969)	(3,270,969)
Increase (decrease) in cash	2,935,009	(1,652,751)
Cash, beginning of year	2,809,603	4,462,354
Cash, end of year	\$ 5,744,612	\$ 2,809,603

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

1. Authority and purpose of the Corporation:

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

2. Significant accounting policies:

(a) Change in accounting policies:

On January 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 "Financial Instruments - Recognition, Measurement" and Section 3861 "Financial Instruments - Disclosure and Presentation" and the related CICA Handbook changes. Under these standards, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instruments as held-for-trading, held-to-maturity, available-for-sale, and loans and receivables for financial assets, and held-for-trading or other for financial liabilities. The held-for-trading classification is applied when an entity is "trading" in an instrument or alternatively the standard permits that any financial instrument be irrevocably designated as held-for-trading. The held-to-maturity classification is applied only if the asset has specified characteristics and the entity has the ability and intent to hold the asset until maturity. An asset can be classified as held-for-trading or held-to-maturity. Transaction costs are expensed as incurred.

Financial assets and financial liabilities classified as held-for-trading are measured at fair value on trade date, with changes in those fair values recognized in the statement of operations. Financial assets classified as held-to-maturity, loans and receivables, or other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial assets are measured at fair value with changes in those fair values recorded in unrestricted net assets until realized, at which time the cumulative change is recognized in the statement of operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2007

2. Significant accounting policies (continued):

(a) Change in accounting policies (continued):

The Corporation has implemented the following classifications:

- unless otherwise noted, all financial assets are classified as held-for-trading
- accounts, contributions and loans receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method
- accounts payable and accrued liabilities, racetrack grants payable and obligations under capital lease are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The purpose of the section is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

In accordance with the transitional provisions of the standards, prior periods have not been restated for the adoption of these new standards.

The transitional adjustments attributable to the re-measurement of financial assets were recognized in Unrestricted Net assets as at January 1, 2007. As a result of adopting these new standards, the Corporation reduced the carrying value of the \$950,000 non-interest bearing loan receivable from the Grande Prairie Regional Agricultural & Exhibition Society by \$344,179 for the change in accounting policy for financial instruments as at January 1, 2007.

(b) Capital assets:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

2. Significant accounting policies (continued):

(c) 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.

(d) Financial instruments and investments:

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

Transaction costs are recognized immediately in the statement of operations. Financial instruments are recorded on a trade date basis.

The fair values of the Corporation's financial instruments do not differ significantly from their carrying values unless otherwise noted. The Corporation's obligation under capital lease is at a fixed rate to mitigate the effects to cash flow that interest rate changes could have.

(e) Risk management and fair value:

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

Changes in interest rates and credit ratings are the main cause of change in the fair value of Corporation's loans and receivables resulting in a favourable or unfavourable variance compared to book value. Credit risk is mitigated by dealing with counterparties that it believes are creditworthy. The accounts receivable are concentrated with parties in the horse racing industry. No individual receivable is significant to the Corporation's operations. Interest rate risk effecting cash flow is mitigated by using fixed rates and payment frequency.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

2. Significant accounting policies (continued):

(f) Use of estimates:

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

3. Loans receivable:

	2007	2006
Grande Prairie Regional Agricultural & Exhibition Society, non-interest bearing, unsecured, maturing December 31, 2015 (face value of \$900,000 less \$295,714 discount using an interest rate of 8%)	\$ 604,286	\$ 950,000
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 on demand	2,500,000	2,000,000
	3,104,286	3,450,000
Less current portion	2,501,657	2,550,000
	\$ 602,629	\$ 900,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

3. Loans receivable: (continued):

The amortized cost value of the \$900,000 (2006 - \$950,000) noninterest bearing loan receivable from the Grande Prairie Regional Agricultural & Exhibition Society at January 1, 2007 was \$605,821, calculated using an interest rate of 8%. The Grande Prairie Regional Agricultural & Exhibition Society has agreed to repayments of \$50,000 in each of years 2008 to 2010, and \$150,000 in each of years 2011 to 2015. The Corporation has committed to advance \$500,000 for Phase 2 of Grande Prairie's grandstand project.

The interest bearing loan to UHA is secured by a mortgage on land owned by UHA. During 2007, the noninterest bearing loan to UHA for \$500,000 was converted to an 8% secured note, sharing security with the other secured note with UHA. Interest was retroactive to January 1, 2007.

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.

The estimated principal receivable for each of the next five years and thereafter is as follows:

2008	\$ 2,501,657
2009	1,790
2010	1,933
2011	102,087
2012	110,254
Thereafter	386,565
	\$ 3,104,286

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

4. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment and furniture	\$ 161,190	\$ 117,842	\$ 43,348	\$ 61,250
Computer hardware and software	67,452	54,977	12,475	23,760
Leasehold improvements	18,058	7,806	10,252	12,058
	246,700	180,625	66,075	97,068
Computer hardware and software under capital lease	81,000	56,250	24,750	51,750
	\$ 327,700	\$ 236,875	\$ 90,825	\$ 148,818

5. Obligation under capital lease:

	2007	2006
2007	\$ -	\$ 29,775
2008	27,294	27,294
Total minimum lease payments	27,294	57,069
Less amount representing interest at 6.5%	841	3,484
Present value of net minimum capital lease payments	26,453	53,585
Current portion of obligation under capital lease	26,453	27,132
	\$ -	\$ 26,453

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

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:

		2007	2006
Balance, beginning of year	\$ -	\$ -	
Contributions during the year	36,095,887	42,523,054	
Interest received on deferred contributions	225,311	195,885	
Amount recognized as Racing Industry Renewal Initiative revenue in the year	(36,321,198)	(42,718,939)	
Balance, end of year	\$ -	\$ -	

The Corporation has a Grant Agreement with the Government of Alberta to assist in long-term industry renewal which expires March 31, 2016.

7. Compensation:

				2007	2006
	Positions	Compensation	Benefits		
Chairman and Chief Executive Officer	.8	\$ 190,000	\$ 23,668	\$ 213,668	\$ 212,804
Board of Directors	13.0	77,000	2,522	79,522	68,850
President and Chief Operating Officer	1.0	180,000	65,735	245,735	214,583
Managers:					
Racetrack and administration	3.0	255,000	68,086	323,086	275,324
Non-management staff:					
Racetrack	21.0	805,420	111,047	916,467	811,414
Administration	6.0	161,654	27,310	188,964	179,682
	27.0	967,074	138,357	1,105,431	991,096
	44.8	\$1,669,074	\$ 298,368	\$1,967,442	\$1,762,657

Benefits include health and dental, life, accidental death & dismemberment, weekly indemnity and long term disability insurances, CPP and EI contributions, WCB, vacation pay, car allowances, RRSP contributions, and bonuses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

8. Commitments:

- (a) The Corporation rents office premises in Edmonton, expiring March 31, 2008 and in Calgary. A new three year lease in Calgary expiring December 31, 2010, has been re-negotiated along with a five year lease for Edmonton expiring March 31, 2013. The Corporation also has automotive and office equipment under operating leases through to 2010.

Annual payments are as follows:

2008	\$	166,094
2009		135,781
2010		126,037
2011		109,173
2012		110,471
Thereafter		27,617
		<hr/>
		\$ 675,173

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

- (b) The Corporation contracted during the year for certain production costs, agency fees and broadcasting fees of \$210,000 to be incurred in 2008.

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.

SCHEDULE A - RACETRACK GRANTS**YEAR ENDED DECEMBER 31, 2007, WITH
COMPARATIVE FIGURES FOR 2006**

	Budget (Unaudited)	2007	2006
Northlands Park	\$ 6,968,580	\$ 6,329,100	\$ 7,206,474
Calgary Exhibition and Stampede	4,002,477	4,546,321	4,039,099
Rocky Mountain Turf Club	1,382,747	962,416	1,003,961
Grande Prairie Regional Agricultural & Exhibition Society	1,267,363	1,322,034	405,505
Millarville	-	19,200	-
Alberta racetrack capital fund grants	1,983,277	1,714,142	2,702,359
	\$ 15,604,444	\$ 14,893,213	\$ 15,357,398

SCHEDULE B - MARKETING AND PROMOTION

	Budget (Unaudited)	2007	2006
Branding	\$ 1,297,000	\$ 967,462	\$ 1,185,787
Marketing grants to racetracks	882,011	875,103	1,020,448
Live race broadcasting	1,315,000	1,084,769	1,138,492
Internal and other marketing initiatives	671,617	409,972	532,086
	\$ 4,165,628	\$ 3,337,306	\$ 3,876,813

SCHEDULE C - REGULATORY AND ADMINISTRATION
YEAR ENDED DECEMBER 31, 2007, WITH
COMPARATIVE FIGURES FOR 2006

	Budget (Unaudited)	2007	2006
Compensation (note 7)	\$ 2,163,531	\$ 1,967,442	\$ 1,762,657
Legal, consulting and audit fees	445,000	428,656	340,955
Travel	470,000	430,871	299,504
Contractors	311,531	277,818	286,713
Committee expenses	280,000	237,294	212,328
Office and administration	230,000	155,870	166,382
Office rent and operating costs	130,000	142,693	119,912
Racetrack licensing expense	150,000	119,404	84,970
Amortization	70,000	65,497	71,107
Telephone	70,000	71,636	63,258
Other	50,000	53,252	43,793
Toxicology	50,000	40,953	42,128
Memberships	20,000	21,160	41,084
Insurance	40,000	37,783	35,390
Meetings and seminars	15,000	11,633	13,786
Appeal tribunal	15,000	4,384	10,373
Interest on capital lease obligation	-	2,643	4,467
	\$ 4,510,062	\$ 4,068,989	\$ 3,598,807



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