

**Ontario Standardbred Horsemen
Group Retirement Plan
Financial Statements**
For the years ended December 31, 2011 and
December 31, 2010

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Independent Auditor's Report

To the RSP Committee of Ontario Standardbred Horsemen Group Retirement Plan

We have audited the accompanying financial statements of Ontario Standardbred Horsemen Group Retirement Plan, which comprises the statements of net assets as at December 31, 2011 and December 31, 2010, and the statements of changes in net assets for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

Basis for Qualified Opinion

The scope of our audit did not extend to an examination of the completeness of the Plan's Standardbred Revenue Allocation, recorded as Industry Contributions. Our verification of this allocation was limited to the amounts recorded in the records of the Plan and we were not able to determine whether any adjustments might be necessary to contributions and net assets available for benefits.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the allocation as referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2011 and December 31, 2010, and the changes in net assets available for the years then ended in accordance with accounting standards for pension plans.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Ontario
July 30, 2012

Ontario Standardbred Horsemen Group Retirement Plan Statements of Net Assets

December 31	2011	2010
Assets		
Cash	\$ 5,971	\$ 904
Investments (Note 4)	11,851,176	11,504,293
Contributions receivable	87,489	178,119
	11,944,636	11,683,316
Liabilities		
Accounts payable and accrued liabilities (Note 5)	32,290	9,266
Deferred contribution	-	80,425
Termination benefits payable	5,976	-
Death benefits payable	16,324	-
	54,590	89,691
Net assets available for benefits	\$ 11,890,046	\$ 11,593,625

Approved on behalf of the Board:

The accompanying notes are an integral part of these financial statements.

Ontario Standardbred Horsemen Group Retirement Plan Statements of Changes in Net Assets

For the year ended December 31	2011	2010
Increase in net assets		
Investment income	\$ 166,777	\$ 949,909
Member contributions	214,362	229,287
Industry contributions	661,083	695,850
	<u>1,042,222</u>	<u>1,875,046</u>
Decrease in net assets		
Custodian fees	40,746	35,004
Administrative expenses (Note 6)	34,613	33,868
Audit and accounting	5,876	5,876
Withdrawal of contributions	664,566	587,453
	<u>745,801</u>	<u>662,201</u>
Total expenses	<u>745,801</u>	<u>662,201</u>
Net increase in net assets	296,421	1,212,845
Balance, beginning of year	<u>11,593,625</u>	<u>10,380,780</u>
Balance, end of year	<u>\$ 11,890,046</u>	<u>\$ 11,593,625</u>

The accompanying notes are an integral part of these financial statements.

Ontario Standardbred Horsemen Group Retirement Plan

Notes to Financial Statements

December 31, 2011

1. Description of the Plan

General

The Plan is a group retirement savings plan covering all eligible Standardbred industry racing participants. Plan assets are administered by an independent third-party administrator.

Eligibility

Members are eligible for participation in the group retirement savings plan if they participate in the Standardbred racing industry as an owner, driver, trainer, assistant trainer, breeder or caretaker.

Member Contributions

Under the Plan text, members that contribute \$100 per annum at the time of enrolment and at each annual contribution are eligible for a transfer to their RSP account from the pool of industry contributions (pooled fund) of up to \$700 (2010 - \$700). The industry contributions will be transferred after 24 months of enrolment, on December 31 of each year.

Additional voluntary contributions can be made by members to the Plan without further contributions from the pooled fund. Additional contributions are subject to the income tax limits set out by the Income Tax Act.

Industry Contributions

Industry contributions, which represent a portion of pari-mutuel betting, are recognized each period as the amounts which are due from the race tracks. These are recorded into a pooled account until transferred to individual member RSP accounts.

Termination

A member who terminates from the Plan before twenty-four consecutive months of participation in the Plan will receive a lump sum payment equal to the member's contributions plus accumulated income. Termination after twenty-four months will result in the member receiving a lump sum payment, less appropriate withholding tax. Once terminated, the member cannot re-apply for membership for four years. If a member terminates from the Plan twice, they are no longer eligible for membership.

Retirement

Retirement from the Plan is subject to the same rules as individual pension plans governed by the Income Tax Act.

Death Benefits

Upon death of a member, industry and member contributions will be payable in a lump sum to a beneficiary or estate.

Ontario Standardbred Horsemen Group Retirement Plan

Notes to Financial Statements

December 31, 2011

1. Description of the Plan (continued)

Income Tax

The Plan is registered with Canada Revenue Agency and both member and industry contributions are deductible for tax, up to personal allowable contribution limits.

2. Significant Accounting Policies

Basis of Presentation

These financial statements are prepared on a going concern basis and present the net asset position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. They present the net assets of the Plan and the changes therein during the year.

Investments

Investments are stated at fair value which is based on closing quoted market prices. The Plan has early adopted International Financial Reporting Standards (IFRS) 13 with respect to the fair value measurement of its investments and there was no effect of this change. Fair values of the pooled and members' funds are based on the aggregate listed fair values of the individual investments held by the Plan.

Investment Income

Investment income normally consists of interest, dividends and capital gains from the Plan's investment in pooled funds. Investment income also includes the change in unrealized gains/(losses) in market value of investments. Investment income includes the following sources of income:

- Net realized gains (losses) from investments sold in the year;
- Interest and dividend income for the year from mutual fund investments;
- Unrealized gains (losses) in the market value of investments during the year;

less

- Investment management fees from mutual fund investments.

Contributions

Contributions are recorded on an accrual basis as the Plan's portion of pari-mutuel betting is earned out at individual race tracks.

Ontario Standardbred Horsemen Group Retirement Plan Notes to Financial Statements

December 31, 2011

2. Significant Accounting Policies (Continued)

Termination Benefits

Termination benefits are shown as expenditures in the year of termination or withdrawal from the Plan and are included in withdrawal of contributions.

As this is a money purchase plan, no unfunded liability exists and accordingly no actuarial valuation has been performed.

Death Benefits

Death benefits are shown as expenditures in the year in which the death occurs and are included in withdrawal of contributions.

Use of Estimates

The preparation of financial statements in conformity with accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and increases and decreases in net assets for the period reported. Actual results may differ from those estimates.

Financial Instruments

The fair value of operating financial instruments is assumed to approximate their book value due to the short-term maturity of these instruments. These financial instruments generally include cash, contributions receivable, accounts payable and accrued liabilities.

3. Adoption of Accounting Standards for Pension Plans

On January 1, 2011, the Plan retrospectively adopted Section 4600 - Pension Plans in Part IV - Accounting Standards for Pension Plans of the Canadian Institute of Chartered Accountants (CICA) Handbook except as noted in Note 2. These standards establish the requirements for the measurement, presentation and disclosure of information in pension plan financial statements.

The adoption of these standards has resulted in the amended presentation and disclosure of information in the Plan's financial statements, however did not impact the Plan's changes in net assets available for benefits or the Plan's financial position. For accounting policies that do not relate to the Plan's investment portfolio, the Plan has elected to apply Part II - Accounting Standards for Private Enterprises of the CICA Handbook, as further described in the significant accounting policies of the Plan (Note 2).

Ontario Standardbred Horsemen Group Retirement Plan Notes to Financial Statements

December 31, 2011

4. Investments

Fund	Pooled	Members	Total 2011	Total 2010
5 year GIC	\$ -	\$ 1,754,234	\$ 1,754,234	\$ 1,654,691
Balanced Fund	438,698	9,398,571	9,837,269	9,637,603
Other funds	-	259,673	259,673	211,999
Total	\$ 438,698	\$ 11,412,478	\$ 11,851,176	\$ 11,504,293

At December 31, 2011 the investments were comprised of 3% cash, 38% fixed income (bonds), 15% five year GIC, 29% Canadian equities, 7% U.S. equities, and 8% International equities (2010: 3% cash, 35% fixed income (bonds), 15% five year GIC, 30% Canadian equities, 8% U.S. equities and 9% International equities).

Investments are held by the Plan Administrator, The Manufacturers Life Insurance Company.

The excess of Standardbred Revenue Allocation contributions to the Plan over contributions allocated to Plan members is administered in a Pooled Fund. The Plan holds these funds in investments that had a fair value of \$438,698 (2010 - \$426,547).

Ontario Standardbred Horsemen Group Retirement Plan Notes to Financial Statements

December 31, 2011

5. Accounts Payable and Accrued Liabilities

	<u>2011</u>	<u>2010</u>
Underpayment of custodian fees	\$ 2,750	\$ 2,750
Other	564	640
Audit fees	5,876	5,876
Allocated salary payable	<u>23,100</u>	<u>-</u>
	<u>\$ 32,290</u>	<u>\$ 9,266</u>

6. Administrative Expenses

	<u>2011</u>	<u>2010</u>
Administration	\$ 11,513	\$ 10,768
Allocated salary	<u>23,100</u>	<u>23,100</u>
	<u>\$ 34,613</u>	<u>\$ 33,868</u>

7. Economic Dependence

The Standardbred Revenue Allocation (SRA) receives funding from various race tracks and the Plan is dependant on funding from the SRA in order to continue making the industry contributions to members RSP accounts. Funding from one track approximates 59% of the funding received from the SRA for industry contributions each year.

Ontario Standardbred Horsemen Group Retirement Plan

Notes to Financial Statements

December 31, 2011

8. Financial Instruments

The Plan may be exposed to a variety of financial risks including credit risk, liquidity risk and market risk (including interest rate risk, currency risk, and other price risk).

(a) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Plan. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation. While the Plan may have credit risk with respect to its investment in underlying funds that invest in bonds, it manages this risk by investing in underlying funds that invest in investment grade and government bonds.

(b) Liquidity Risk

The Plan is also exposed to liquidity risk in the event that investments must be sold quickly. The Plan's assets are invested in underlying funds that are traded in an active market and can be readily disposed of as liquidity needs arise.

(c) Market Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments. It arises when the Plan invests in underlying funds that invest in interest sensitive investments such as bonds and other fixed income investments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies. It arises when the Plan invests in underlying funds that invest in foreign equity investments.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. The Plan manages market risk by diversifying its investments in accordance with Plan's Statement of Investment Policies and Procedures.

As the investments in the Plan are chosen by the individual members from the investments made available by the sponsor, risk is primarily managed by the members, as the members select investments based on their risk tolerance level.

Ontario Standardbred Horsemen Group Retirement Plan Notes to Financial Statements

December 31, 2011

8. Financial Instruments (continued)

(d) Fair Value

The Plan has categorized its financial instruments that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the company's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

All investments held during the year were mutual funds and bonds with a fair value of \$11,851,176 that are considered Level 2 investments. There were no transfers between levels during the year.

9. Contingency

There is currently an action brought against the Plan's Administrator, Ontario Harness Horse Association ("OHHA"), by a Plan member claiming principal and damages totaling \$11,573. It is being defended by OHHA's insurer. The insurance policy has a self insured retention of \$10,000. The amount has not been accrued for in the Plan as management believes that it is not likely that the court will rule against OHHA. In the event that OHHA does have to make a payout related to this claim, it will be up to the Board of OHHA to decide whether or not to recoup those costs from the Plan.