

**Ontario Standardbred Horsepeople
Group Retirement Plan
Financial Statements
For the year ended December 31, 2012**

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Net Assets	3
Statement of Changes in Net Assets	4
Notes to Financial Statements	5 -11



Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the RSP Committee of Ontario Standardbred Horsepeople Group Retirement Plan

We have audited the accompanying financial statements of Ontario Standardbred Horsepeople Group Retirement Plan, which comprises the statement of net assets as at December 31, 2012, and the statement of changes in net assets for the year 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, 2012, and the changes in net assets available for the year then ended in accordance with Canadian accounting standards for pension plans.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Ontario
August 13, 2013

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms

Ontario Standardbred Horsepeople Group Retirement Plan Statement of Net Assets

December 31	2012	2011
Assets		
Cash	\$ 5,714	\$ 5,971
Investments (Note 3)	12,790,491	11,851,176
Contributions receivable	70,452	87,489
	12,866,657	11,944,636
Liabilities		
Accounts payable and accrued liabilities (Note 4)	34,476	32,290
Termination benefits payable	1,465	5,976
Death benefits payable	13,831	16,324
	49,772	54,590
Net assets available for benefits	\$ 12,816,885	\$ 11,890,046

Approved on behalf of the Board:

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

Ontario Standardbred Horsepeople Group Retirement Plan Statement of Changes in Net Assets

For the year ended December 31	2012	2011
Increase in net assets		
Investment income (Note 5)	\$ 805,288	\$ 166,777
Member contributions	360,363	214,362
Industry contributions	607,593	661,083
	<u>1,773,244</u>	<u>1,042,222</u>
Decrease in net assets		
Custodian fees	39,439	40,746
Administrative expenses (Note 6)	43,191	34,613
Audit and accounting	5,876	5,876
Withdrawal of contributions	757,899	664,566
	<u>846,405</u>	<u>745,801</u>
Total expenses	846,405	745,801
Net increase in net assets	926,839	296,421
Balance, beginning of year	<u>11,890,046</u>	<u>11,593,625</u>
Balance, end of year	<u>\$ 12,816,885</u>	<u>\$ 11,890,046</u>

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

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2012

1. Description of the Plan

General

The Ontario Standardbred Horsepeople Group Retirement Plan (the "Plan") formerly known as the Ontario Standardbred Horsemen Group Retirement 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 each year are eligible for a transfer to their RSP account from the pool of industry contributions (pooled fund) of up to \$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.

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2012

1. Description of the Plan (continued)

Death Benefits

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

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.

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2012

2. Significant Accounting Policies (Continued)

Contributions

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

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.

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2012

3. Investments

Fund	Pooled	Members	Total 2012	Total 2011
5 year GIC	\$ -	\$ 1,792,565	\$ 1,792,565	\$ 1,754,234
Balanced Fund	427,482	10,153,219	10,580,701	9,837,269
Other funds	-	417,225	417,225	259,673
Total	\$ 427,482	\$ 12,363,009	\$ 12,790,491	\$ 11,851,176

At December 31, 2012 the investments were comprised of 4% cash, 35% fixed income (bonds), 15% five year GIC, 30% Canadian equities, 8% U.S. equities, and 8% International equities (2011: 3% cash, 38% fixed income (bonds), 15% five year GIC, 29% Canadian equities, 7% U.S. equities and 8% 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.

4. Accounts Payable and Accrued Liabilities

	2012	2011
Due to the Ontario Harness Horse Association ("OHHA")	\$ 2,750	\$ -
Accrued custodian fees	2,750	2,750
Other	-	564
Audit fees	5,876	5,876
Allocated salary payable	23,100	23,100
	\$ 34,476	\$ 32,290

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2012

5. Investment Income

	<u>2012</u>	<u>2011</u>
Interest	\$ 48,565	\$ 53,643
Gain on investments	<u>756,702</u>	<u>111,134</u>
	<u>\$ 805,267</u>	<u>\$ 164,777</u>

6. Administrative Expenses

	<u>2012</u>	<u>2011</u>
Administration	\$ 20,091	\$ 11,513
Allocated salary	<u>23,100</u>	<u>23,100</u>
	<u>\$ 43,191</u>	<u>\$ 34,613</u>

Allocated salary is the payment made to OHHA for the time OHHA employees spend administering the Plan.

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 Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2012

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 Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2012

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 \$12,790,491 that are considered Level 2 investments. There were no transfers between levels during the year.

9. Capital Disclosures

The Plan considers its capital to be its net assets available for benefits. The Plan's objective when managing its capital is to accumulate funds to provide retirement benefits to Plan members. The Plan's investment assets are self-directed.

There have been no changes in what the Plan considers to be capital and there have been no significant changes to the Plan's capital management objectives, policies and processes in the year.