

**Ontario Standardbred Horsepeople
Group Retirement Plan
Financial Statements
For the year ended December 31, 2017**

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Independent Auditor's Report

To the Administrators of Ontario Standardbred Horsepeople Group Retirement Plan

We have audited the accompanying financial statements of Ontario Standardbred Horsepeople Group Retirement Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2017, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Plan Administrators' Responsibility for the Financial Statements

The Plan administrators are responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as the Plan administrators determine 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 Plan's preparation and fair presentation 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 Plan's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Plan administrators, as well as evaluating the overall 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 industry contributions. Our verification of these contributions 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 industry contributions, changes in net assets for the years ended December 31, 2017 and 2016, assets as at December 31, 2017 and 2016 and net assets available for benefits as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effect of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2017, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
October 03, 2018

Ontario Standardbred Horsepeople Group Retirement Plan Statement of Financial Position

December 31	2017	2016
Assets		
Cash	\$ 4,484	\$ 5,264
Investments (Note 3)	18,320,794	17,075,368
Contributions receivable	187,981	140,729
	<u>18,513,259</u>	<u>17,221,361</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	<u>14,493</u>	11,556
Net assets available for benefits	\$ 18,498,766	\$ 17,209,805

Approved by the Board on behalf of the RSP Committee:

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

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

For the year ended December 31	2017	2016
Increase in net assets		
Investment income (Note 5)	\$ 1,029,595	\$ 963,370
Member contributions	459,954	318,595
Industry contributions	826,543	854,411
	2,316,092	2,136,376
Decrease in net assets		
Custodian fees	39,169	41,356
Administrative expenses (Note 6)	40,913	35,212
Audit and accounting	6,231	5,876
Retirement benefits	347,458	311,969
Termination benefits	527,801	454,592
Death benefits	60,635	1,684
Withdrawals	4,924	32,601
	1,027,131	883,290
Change in net assets for the year	1,288,961	1,253,086
Net assets available for benefits, beginning of year	17,209,805	15,956,719
Net assets available for benefits, end of year	\$ 18,498,766	\$ 17,209,805

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

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2017

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 held in trust by The Manufacturers Life Insurance Company (the "Custodian").

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 who contribute \$100 per annum at the time of enrolment and each year are eligible for a transfer to their Retirement Savings Plan ("RSP") account from the pool of industry contributions (pooled fund) of up to \$1,200 (2016 - \$1,200). 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 from the Standardbred Revenue Allocation ("SRA"), 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, 2017

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 is not subject to tax, however 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 have been prepared in accordance with Canadian accounting standards for pension plans. For accounting policies that do not relate to the Plan's investment portfolio, the Plan has elected to apply Canadian accounting standards for private enterprises.

Investments

The fair value of the guaranteed investment account approximates cost plus accrued interest.

Investments are stated at fair value which is based on closing quoted market prices. The Plan follows International Financial Reporting Standards (IFRS) 13 with respect to the fair value measurement of its investments. Investments are recorded on a trade basis. 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

Interest on the GIA is recognized on a time proportion basis.

The investment income recognized is the increase or decrease in the value of the pooled funds. Dividends and interest are reinvested within the pooled funds.

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2017

2. Significant Accounting Policies (Continued)

Contributions

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

Termination Benefits

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

Death Benefits

Death benefits are shown as expenditures in the year in which the death occurs and withdrawal from the plan.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires the Plan's administrator 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 and accounts payable and accrued liabilities.

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2017

3. Investments

Fund	Pooled	Members	Total 2017	Total 2016
5 year GIA	\$ -	\$ 1,983,899	\$ 1,983,899	\$ 1,923,479
Manulife balanced fund	121,186	14,985,226	15,106,412	14,319,628
Other funds	-	1,230,483	1,230,483	832,261
Total	\$ 121,186	\$ 18,199,608	\$ 18,320,794	\$ 17,075,368

The excess of industry contributions to the Plan over contributions allocated to Plan members is administered in a pooled fund.

4. Accounts Payable and Accrued Liabilities

	2017	2016
Due to the Ontario Harness Horse Association ("OHHA")	\$ -	\$ 180
Accrued custodian fees	2,750	5,500
Audit fees	6,230	5,876
Other	5,513	-
	\$ 14,493	\$ 11,556

OHHA administers the Plan and the balance due to OHHA represents expenses incurred related thereto.

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2017

5. Investment Income

	<u>2017</u>	<u>2016</u>
Interest	\$ 29,905	\$ 30,389
Market value change of pooled investment funds	999,690	932,981
	<u>\$ 1,029,595</u>	<u>\$ 963,370</u>

6. Administrative Expenses

	<u>2017</u>	<u>2016</u>
Administration	\$ 17,813	\$ 12,112
Allocated salary	23,100	23,100
	<u>\$ 40,913</u>	<u>\$ 35,212</u>

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

7. Economic Dependence

The 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 alliance tracks approximates 96% (2016 - 96%) of the funding received from the SRA for industry contributions in the year.

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2017

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). These risks have not changed from the prior year.

(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. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

(b) Liquidity Risk

Liquidity risk is defined as the risk that the Plan may not be able to settle or meet its obligations on time.

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

(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 invests 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.

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.

As the investments in the members fund in the Plan are chosen by the individual members, risk is primarily managed by the members as the members select investments based on their risk tolerance level. If market prices of the excess industry contributions in the pooled fund had increased or decreased by 10% on December 31, 2017, the net assets available for benefits of the Plan would have increased or decreased, respectively, by approximately \$12,000 (2016 - \$12,810). In practice, actual results may differ from this sensitivity analysis.

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2017

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 Plan's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

The GIA is classified as Level 2 and pooled funds are classified as Level 1 within the fair value hierarchy. There were no transfers between levels for the years ending December 31, 2017 and 2016.

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 RSP Committee has adopted a Statement of Investment Policies and Procedures ("SIP&P") dated January 2002, most recently amended and approved August 2018, which summarizes the investment principles and guidelines which are appropriate to meet the objectives of the Plan and defines the management structure and procedures adopted for the ongoing operation of the Plan.

A member's investment balance is directly related to the amount and timing of contributions to the member's account and to the performance of the investment options selected by the member. The SIP&P specifies the investment options that are to be made available to members to enable members to make investment selections based on their risk tolerance levels. In the event a member fails to make an investment selection, contributions are directed to an investment option within the moderate investor profile category, taking into account the member's age and expected time to retirement. Members are provided annual statements summarizing their individual investment holdings within the Plan and the annual rates of return on those investment holdings. The RSP Committee reviews investment options and investment managers at least annually to ensure the funds are performing as expected based on the fund's investment return objective.

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