



Financial statements

Standardbred Canada

(Incorporated under the Animal Pedigree Act)

October 31, 2008

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Auditors' report

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To the Members of
Standardbred Canada

We have audited the statement of financial position of Standardbred Canada as at October 31, 2008 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 association'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 association as at October 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at October 31, 2007 and for the year then ended were audited by another firm of chartered accountants who expressed an opinion without reservation on those statements in their report dated February 2, 2008.

Mississauga, Canada
December 19, 2008

Grant Thornton LLP

Chartered accountants
Licensed Public Accountants

Standardbred Canada

Statement of operations

For the year ended October 31

2008

2007

Revenue

Membership dues and licensing fees	\$ 1,133,527	\$ 1,162,716
Track fees	929,210	927,993
Membership services	1,599,536	1,529,287
Identification	415,546	487,948
Trot magazine	1,137,797	1,121,587
Horse auction sales	694,120	690,850
Pedigree and stake services	161,288	81,581
Computer services	804,725	757,946
Rent	67,236	64,656
Interest income	127,932	84,632
Miscellaneous income	152,628	90,538
Marketing programs	113,989	70,498
Market value appreciation of investments - including interest	7,298	26,111
	<u>7,344,832</u>	<u>7,096,343</u>

Expenses

General and administrative	1,617,506	1,556,263
Information technology	1,221,940	1,147,408
Member services	499,013	451,429
Member insurance	142,234	386,426
Field services	667,140	645,170
Identification	372,604	364,149
Horse auction sales	484,078	486,971
Trot magazine	777,115	854,172
Industry marketing and business development	504,749	353,575
Sales and stakes	365,469	342,746
Travel and meetings	192,743	204,056
Occupancy costs	278,540	272,995
	<u>7,123,131</u>	<u>7,065,360</u>

Excess of revenue over expenses	\$ <u>221,701</u>	\$ <u>30,983</u>
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See accompanying notes to the financial statements.

Standardbred Canada
Statement of changes in net assets

For the year ended October 31

	2008		2007			
	<u>Unrestricted</u>	<u>Invested in property and equipment</u>	<u>Fair value adjustment</u>	<u>Internally restricted</u>	<u>Total</u>	<u>Total</u>
Net assets - beginning of year	\$ 671,925	\$ 2,178,150	\$ 77,496	\$ 300,000	\$ 3,227,571	\$ 3,119,092
Excess (deficiency) of revenue over expenses	455,385	(233,684)	-	-	221,701	30,983
Unrealized gain related to fair value of liabilities	3,229	-	(3,229)	-	-	77,496
Transfer for purchase of capital assets	<u>(329,107)</u>	<u>329,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - end of year	\$ <u>801,432</u>	\$ <u>2,273,573</u>	\$ <u>74,267</u>	\$ <u>300,000</u>	\$ <u>3,449,272</u>	\$ <u>3,227,571</u>

See accompanying notes to the financial statements.

Standardbred Canada
Statement of financial position

October 31

2008

2007

Assets

Current

Cash and cash equivalents	\$ 656,689	\$ 486,311
Investments (Note 6)	1,049,355	2,019,340
Receivables	700,682	611,344
Supplies and prepaid expenses	<u>97,621</u>	<u>142,875</u>
	2,504,347	3,259,870

Investments (Note 6)	939,689	199,999
Property and equipment (Note 7)	<u>2,273,573</u>	<u>2,178,150</u>
	\$ 5,717,609	\$ 5,638,019

Liabilities

Current

Bank indebtedness (Note 8)	\$ 182,524	\$ 299,030
Payables and accruals	439,093	369,992
Canadian Breeders Championships and other stake events	470,072	431,758
Deferred revenue	129,377	168,592
Deferred membership revenue	<u>586,076</u>	<u>627,192</u>
	1,807,142	1,896,564

Canadian Breeders Championships and other stake events	<u>461,195</u>	<u>513,884</u>
	2,268,337	2,410,448

Net assets

Unrestricted	801,432	671,925
Invested in property and equipment	2,273,573	2,178,150
Unrealized gain related to fair value of liabilities	74,267	77,496
Internally restricted - reserve for computer replacement	<u>300,000</u>	<u>300,000</u>
	3,449,272	3,227,571
	\$ 5,717,609	\$ 5,638,019

On behalf of the board

_____ Director _____ Director

See accompanying notes to the financial statements.

Standardbred Canada Statement of cash flows

For the year ended October 31

2008

2007

Increase (decrease) in cash and cash equivalents

Cash from operations

Excess of revenue over expenses	\$ 221,701	\$ 30,983
Non-cash items		
Amortization	233,684	195,188
Market value appreciation of investments - including interest	(7,298)	(26,111)
Interest accretion of Canadian Breeders Championships and other stake events - net	(3,229)	(6,242)
Unrealized gain related to fair value of liabilities	-	77,496

Net change in non-cash operating working capital

Receivables	(89,338)	(6,000)
Supplies and prepaid expenses	45,254	8,269
Payables to accruals	69,101	1,898
Canadian Breeders Championships and other stake events	(11,146)	(92,826)
Deferred revenue	(39,215)	12,318
Deferred membership revenue	(41,116)	(8,699)
	<u>378,398</u>	<u>186,274</u>

Financing

(Repayment of) increase in bank indebtedness	<u>(116,506)</u>	<u>124,030</u>
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Investing

Proceeds from (purchase of) investments - net	237,593	(65,681)
Purchase of property and equipment	<u>(329,107)</u>	<u>(146,176)</u>
	<u>(91,514)</u>	<u>(211,857)</u>

Increase in cash and cash equivalents	170,378	98,447
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Cash and cash equivalents - beginning of year	<u>486,311</u>	<u>387,864</u>
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Cash and cash equivalents - end of year	\$ <u>656,689</u>	\$ <u>486,311</u>
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See accompanying notes to the financial statements.

Standardbred Canada

Notes to the financial statements

October 31, 2008

1. Nature of operations

The association was incorporated under the Animal Pedigree Act to be the official registry and recordkeeping body and a national voice in the development, growth, marketing and promotion of the standardbred industry in Canada.

Standardbred Canada ensures the integrity and encourages the growth of the standardbred industry in Canada for the benefit of the industry's participants and customers by providing a national forum for consideration and resolution of issues; operating a comprehensive database and recordkeeping system; representing the industry nationally and internationally; and developing marketing and promotion.

Its objectives are to record, collect, publish and preserve data and documents relating to the breeding, origin and racing of standardbred horses.

2. Summary of significant accounting policies

Revenue recognition

Membership fees are voluntary and are recorded as received. Deferred revenue represents net membership fees which have been received but not earned. The membership year is coincidental with the member's birth date.

Horse auction sales represent commission and entry fees earned by the association on the sale of standardbred horses. The association is an agent for these sales and does not act as principal. In its role as agent, the association collects proceeds from the sales and remits net proceeds to the consignor.

Other revenues are recognized when services have been performed, amounts can be reasonably estimated, and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and insurance companies, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Investments

Short and long term investments are classified as held for trading and are carried at fair value.

Standardbred Canada

Notes to the financial statements

October 31, 2008

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building	- 40 years
Building improvements	- 10 years
Leasehold Improvements	- 5 years
Computer equipment	- 3 years
Other equipment	- 3 to 10 years

Long-lived assets

Long-lived assets held and used by the association are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes that there has been no impairment of the association's long-lived assets as of October 31, 2008.

Income taxes

The association is a non-profit organization and is exempt from income taxes under section 149(1) of the Income Tax Act.

Use of estimates

In preparing the association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the period. Actual results could differ from these estimates.

Financial instruments – recognition and measurement

Financial assets must be classified as either held for trading, held to maturity ('HTM'), available-for-sale ('AFS'), or loans and receivables. Financial liabilities are classified as held for trading or other. Initially, all financial assets and financial liabilities must be recorded on the statement of financial position at fair value with subsequent measurement determined by the classification of each financial asset and liability.

Standardbred Canada

Notes to the financial statements

October 31, 2008

2. Summary of significant accounting policies (continued)

Financial assets and financial liabilities held for trading are measured at fair value with the changes in fair value reported in the statement of operations. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. AFS financial assets are measured at fair value with changes in fair value reported in the statement of changes in net assets until realized through sale or other than temporary impairment.

Cash and cash equivalents, investments and Canadian Breeders Championships and other stake events have been classified as held for trading. Receivables have been classified as loans and receivables. Bank indebtedness and payables and accruals have been classified as other financial liabilities.

3. Changes in accounting policies

Effective November 1, 2007, the association adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

Financial statement presentation

Section 1400, "General Standards of Financial Statement Presentation", which was amended so as to include the criteria for determining and presenting the association's ability to continue as a going concern.

Capital Disclosures

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.

4. Future accounting changes

The CICA has released the following new standard that is expected to be relevant to the association's financial statements for the fiscal year commencing November 1, 2010.

Section 4470, "Disclosures of Allocated Expenses by Not for Profit Organizations", establishes standards for disclosing information about an entity's policies for allocating general expenses to different functions.

The association has not yet assessed the impact of this new standard on its financial statements. Other new standards have been issued but they are not expected to have a material impact on the associations's financial statements.

Standardbred Canada

Notes to the financial statements

October 31, 2008

5. Financial instruments

Fair values

The fair values of cash and cash equivalents, receivables, bank indebtedness, and payables and accruals are assumed to approximate their carrying amounts because of their short term to maturity.

Investments have been recorded at quoted market values which represent fair value.

The Canadian Breeders Championships and other stake events liabilities have been discounted at the association's average rate of return of 4.2% to determine fair market value. The determination of the annual interest will be recognized primarily based on estimated future cash flows. The association expects to pay the full face value of the liabilities.

Credit risk

The association is subject to credit risk through trade receivables. Credit risk is minimized by a large customer base and its geographic dispersion. The association performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. The association utilizes an allowance for doubtful accounts to record potential credit losses associated with its trade receivables, the balance of which was \$66,177 at October 31, 2008 (2007 - \$26,500). Credit losses to date have been within management's expectations.

Interest rate risk

The association is subject to interest rate risk as a result of using variable rate debt to finance its operations

Market risk and currency risk

It is management's opinion that the association is not exposed to significant market or currency risks arising from these financial instruments.

Liquidity Risk

Liquidity risk is the risk the association will encounter difficulties in meeting its financial liability obligations. The association manages its liquidity risk through cash and debt management.

6. Investments

Short term investments consist of guaranteed investment certificates, treasury bills and government bonds which bear interest at rates ranging from 3.10% to 4.8% and have maturities of less than 365 days.

Long term investments consist of guaranteed investment certificates, which bear interest at rates ranging from 3.90% to 4.50% and have maturities of greater than one year.

Standardbred Canada

Notes to the financial statements

October 31, 2008

				<u>2008</u>	<u>2007</u>
		<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 813,629	\$ -	\$ 813,629	\$ 813,629	
Building and building improvements	2,003,333	904,796	1,098,537	1,150,835	
Leasehold Improvements	174,869	34,973	139,896	-	
Computer equipment	1,498,235	1,403,153	95,082	108,328	
Other equipment	<u>1,072,256</u>	<u>945,827</u>	<u>126,429</u>	<u>105,358</u>	
	<u>\$ 5,562,322</u>	<u>\$ 3,288,749</u>	<u>\$ 2,273,573</u>	<u>\$ 2,178,150</u>	

8. Bank indebtedness

The association has an operating facility totalling \$250,000 which was unused at October 31, 2008. The facility bears interest at the bank's prime lending rate, is unsecured and is repayable on demand.

9. Capital

The association's main objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services to members and benefits for other stakeholders.

The association sets the amount of capital in proportion to risk. The association manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the association may adjust the timing of expenditures, or sell assets to reduce debt and meet obligations as they come due, particularly obligations relating to Canadian Breeders Championship and other stake events.

Because computer functionality is fundamental to the association's survival, the association maintains a \$300,000 internally restricted reserve for computer replacement.

Standardbred Canada

Notes to the financial statements

October 31, 2008

10. Peel Condominium Corporation No. 467 (PCC)

PCC is a separate non-profit corporation responsible for the management and maintenance of the incumbent areas (such as the driveway and exterior landscaping) of the head office building, of which both units are owned by Standardbred Canada.

Throughout the year, Standardbred Canada was the sole director of PCC.

The financial statements of Standardbred Canada do not include the financial activities of PCC as the activities are considered immaterial to these financial statements.

During the year, Standardbred Canada paid \$150,000 (2007 - \$150,000) in condominium fees to PCC and received \$12,600 (2007 - \$12,600) with respect to management and administration fees.

11. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.