GREAT CANADIAN GAMING CORPORATION

AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

As at March 5, 2013

(Expressed in millions of Canadian dollars, except for per share information)

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Independent Auditor's Report

To the Shareholders of
Great Canadian Gaming Corporation

We have audited the accompanying consolidated financial statements of Great Canadian Gaming Corporation, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity, cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Great Canadian Gaming Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Accountants
March 5, 2013
Vancouver, British Columbia

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Financial Position
(Expressed in millions of Canadian dollars)
As at December 31,

			2012		2011
Assets					
Current					
Cash and cash equivalents	Note 5	$	**116.2**	$	134.7
Restricted cash	Note 5		**4.9**		7.1
Accounts receivable	Note 6		**7.7**		8.9
Prepaids, deposits and other assets			**6.1**		6.6
			134.9		157.3
Property, plant and equipment	Note 8		**621.3**		663.6
Intangible assets	Note 9		**73.3**		119.7
Goodwill	Note 10		**20.1**		23.5
Deferred tax assets	Note 20		**9.9**		9.1
Other assets			**3.2**		2.9
		$	**862.7**	$	976.1
Liabilities					
Current					
Accounts payable and accrued liabilities		$	**60.4**	$	59.0
Income taxes payable			**0.5**		0.8
Other liabilities	Note 11		**2.9**		5.1
			63.8		64.9
Long-term debt	Note 12		**439.9**		332.6
Derivative liabilities	Note 14		**-**		66.3
Deferred credits, provisions and other liabilities	Note 15		**25.4**		23.7
Deferred tax liabilities	Note 20		**53.3**		66.2
			582.4		553.7
Shareholders' equity					
Share capital and contributed surplus	Note 16		**313.5**		356.5
Accumulated other comprehensive loss	Note 17		**(1.0)**		(6.5)
(Deficit) retained earnings			**(32.2)**		72.4
			280.3		422.4
		$	**862.7**	$	976.1

These financial statements were approved and authorized for issue by the Company's Board of Directors on March 5, 2013.

GREAT CANADIAN GAMING CORPORATION

Consolidated Statements of Earnings (Loss)

(Expressed in millions of Canadian dollars, except for per share information)
For the years ended December 31,

			2012		2011
Revenues	Note 18	**$**	**408.7**	$	388.2
Expenses					
Human resources			**163.8**		154.9
Property, marketing and administration			**97.3**		94.4
Amortization			**51.6**		58.5
Share-based compensation	Note 16		**3.6**		4.9
Impairment of long-lived assets	Note 7		**61.1**		4.4
Impairment of goodwill	Note 7		**3.2**		-
Interest and financing costs, net	Note 12		**37.0**		29.5
Litigation settlement	Note 27		**11.0**		-
Equity investment loss and other	Note 19		**5.1**		1.6
Foreign exchange loss and other	Note 14		**6.8**		3.2
			440.5		351.4
(Loss) earnings before income taxes			**(31.8)**		36.8
Income taxes	Note 20		**(4.2)**		10.6
Net (loss) earnings		**$**	**(27.6)**	$	26.2
Net (loss) earnings per common share	Note 21				
Basic		**$**	**(0.36)**	$	0.32
Diluted		**$**	**(0.36)**	$	0.31
Weighted average number of common shares					
Basic			**76,814,381**		82,670,151
Diluted			**76,814,381**		84,209,875

See Accompanying Notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in millions of Canadian dollars)
For the years ended December 31,

		2012		2011
Net (loss) earnings	**$**	**(27.6)**	$	26.2
Other comprehensive income (loss), net of tax				
Items that may be reclassified subsequently to net earnings				
Current period changes in fair values of derivatives designated as cash flow hedges, net of income taxes of $0.8 (2011 - $1.1)		**(2.4)**		(0.9)
Loss on derivatives designated as cash flow hedges transferred to net (loss) earnings in the period, net of income taxes of $2.7 (2011 - $1.6)		**8.2**		(1.2)
Unrealized effect of foreign currency translation of foreign operations		**(0.3)**		0.5
Other comprehensive income (loss)		**5.5**		(1.6)
Total comprehensive (loss) income	**$**	**(22.1)**	$	24.6

See Accompanying Notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Changes in Equity
(Expressed in millions of Canadian dollars)

		Share Capital		Contributed	Share Capital and Contributed	Accumulated Other Comprehensive	Retained	
		Number [1]	Amount	Surplus	Surplus	Loss	Earnings	Total
At December 31, 2010		82,872	$ 314.7	$ 40.2	$ 354.9	$ (4.9)	$ 51.1	$ 401.1
Share-based compensation		-	-	3.9	3.9	-	-	3.9
Exercise of incentive stock options		1,085	4.9	(1.5)	3.4	-	-	3.4
Common shares purchased	Note 16	(1,480)	(5.7)	-	(5.7)	-	(4.9)	(10.6)
Total comprehensive (loss) income		-	-	-	-	(1.6)	26.2	24.6
At December 31, 2011		82,477	$ 313.9	$ 42.6	$ 356.5	$ (6.5)	$ 72.4	$ 422.4
Share-based compensation		-	-	2.2	2.2	-	-	2.2
Exercise of incentive stock options		1,616	10.5	(2.6)	7.9	-	-	7.9
Common shares purchased	Note 16	(13,657)	(53.1)	-	(53.1)	-	(77.0)	(130.1)
Total comprehensive income (loss)		-	-	-	-	5.5	(27.6)	(22.1)
At December 31, 2012		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3

[1] Share information is presented in thousands.

GREAT CANADIAN GAMING CORPORATION

Consolidated Statements of Cash Flows

(Expressed in millions of Canadian dollars)

For the years ended December 31,

		2012	2011
Cash Flows from Operating Activities			
(Loss) earnings before income taxes		**$ (31.8)**	$ 36.8
Adjustments to reconcile (loss) earnings before income taxes to net cash generated by operating activities:			
Amortization		**51.6**	58.5
Impairment of long-lived assets	Note 7	**61.1**	4.4
Impairment of goodwill	Note 7	**3.2**	-
Share-based compensation		**3.6**	4.9
Interest and financing cost, net		**37.0**	29.5
Foreign exchange loss and other	Note 14	**6.8**	3.2
Equity investment loss	Note 19	**3.5**	-
Other		**0.2**	(0.6)
Changes in non-cash operating working capital	Note 22	**(0.3)**	(0.9)
Cash generated from operations		**134.9**	135.8
Income taxes paid		**(11.5)**	(14.8)
Net cash generated by operating activities		**123.4**	121.0
Cash Flows from Investing Activities			
Proceeds from the maturity of short-term investments		**-**	88.3
Purchase of short-term investments		**-**	(35.3)
Purchase of property, plant and equipment, net of related accounts payable		**(25.4)**	(41.9)
Acquisition of Chilliwack Bingo		**-**	(10.2)
Restricted cash - construction holdbacks		**0.2**	0.1
Equity investment in PDX Entertainment Company	Note 19	**(3.5)**	-
Other		**-**	(0.7)
Interest income received		**1.3**	1.2
Cash (used in) generated by investing activities		**(27.4)**	1.5
Cash Flows from Financing Activities			
Proceeds from long-term debt	Note 12	**450.0**	-
Repayment of debt and related derivative liabilities	Note 12	**(403.4)**	(2.0)
Debt refinancing transaction costs	Note 12	**(14.9)**	(2.8)
Common shares issued for cash, net of issuance costs		**7.9**	3.4
Purchase of common shares	Note 16	**(130.1)**	(10.6)
Interest paid		**(24.4)**	(27.5)
Cash used in financing activities		**(114.9)**	(39.5)
Effect of foreign exchange on cash and cash equivalents		**0.4**	0.8
Cash (outflow) inflow		**(18.5)**	83.8
Cash and cash equivalents, beginning of year		**134.7**	50.9
Cash and cash equivalents, end of year		**$ 116.2**	$ 134.7

See Accompanying Notes to the Consolidated Financial Statements

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company") operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of ten casinos, including one with a Four Diamond hotel resort, four horse racetrack casinos, and three community gaming centres.

Great Canadian Gaming Corporation is a publicly listed company incorporated in Canada under the Company Act (British Columbia). The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under TSX symbol: "GC". The principal office is located at 350-13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. The registered and records office is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC").

Basis of Presentation

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

a) *Principles of consolidation*

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies. Generally, the Company has a shareholding of more than 50% of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable and Board of Directors presence are also considered when assessing whether control exists. Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date control ceases. Significant inter-company balances and transactions with subsidiaries are eliminated upon consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- cost is measured as the aggregate of the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Principles of consolidation (Continued)

Equity method investees are entities over which the Company has significant influence, but not control. Generally, in order to have significant influence, the Company has a shareholding of between 20% and 50% of the voting rights. The equity method is used to account for investees over which the Company has significant influence, which results in the presentation of these investments within "other assets" on the consolidated statements of financial position. The investment is initially recorded at cost, and is increased by the investment's periodic net earnings and decreased by any distributions that are received. The Company's share of the investment's net earnings is recognized as "equity loss and other" on the consolidated statements of earnings (loss).

b) Principal operating entities

Entity	Abbreviation	Ownership interest at December 31, 2012 and 2011
Chilliwack Gaming Ltd.	CGL	100%
Flamboro Downs Limited	FDL	100%
Georgian Downs Limited	GDL	100%
Great American Gaming Corporation	GAGC	100%
Great Canadian Casinos Inc.	GCCI	100%
Great Canadian Entertainment Centres Ltd.	GCEC	100%
Hastings Entertainment Inc.	HEI	100%
Metropolitan Entertainment Group	MEG	100%
Orangeville Raceway Limited	ORL	100%
TBC Teletheatre B.C.[1]	TBC	50%

[1] The Company accounts for its ownership interest in TBC using the equity method.

c) Translation of foreign operations and foreign currency transactions

The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency for all Canadian operations. The Company's non-Canadian operations are measured in the currency in which they operate and are translated into Canadian dollars at each reporting date. Assets and liabilities are translated into Canadian dollars using the exchange rates in effect on the reporting dates. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are included as a separate component of other comprehensive income ("OCI").

For Canadian operations, transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are reflected in the consolidated financial statements at the exchange rates prevailing at the reporting dates, with the resulting gain or loss included in the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Operating segments

The Company's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the President and Chief Executive Officer, the Company's chief operating decision-maker.

e) Cash and cash equivalents

Cash and cash equivalents include cash and liquid investments with an original maturity of three months or less.

f) Short-term investments

Short-term investments are investments current in nature, with an original maturity greater than three months and less than one year.

g) Facility Development Commission

The Facility Development Commission ("FDC") is a compensation component of the Company's Casino Operational Services Agreements ("COSAs") and Community Gaming Centre Operational Services Agreements ("CGCOSAs") with the British Columbia Lottery Corporation ("BCLC"). FDC is earned (paid by BCLC to the Company) as a fixed percentage of gross gaming revenues. Gross gaming revenues are amounts wagered on gaming activities, less the payout or prizes to winning customers.

Earned FDC is subject to the Company incurring sufficient Approved Amounts (a defined term in the COSAs and CGCOSAs, which generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties), and is paid weekly to the Company. Approved Amounts are reduced by the FDC receipts.

FDC is recorded as part of revenues on the consolidated statements of earnings (loss) when earned. Currently, the FDC percentage is 3% of the gross revenues from gaming activities. BCLC provides for an accelerated FDC equal to 2% of the gross gaming revenues towards site-specific reimbursements of new gaming redevelopments. The accelerated FDC is limited to the initial redevelopment of a property and continues to be received until the approved eligible costs of the redevelopment are recovered.

h) Marketing fees to BCLC

The Company contributes between 0.5% and 0.6% of the gross gaming revenues in three of its BC casinos and its two BC racing properties to BCLC as contributions toward marketing programs. BCLC uses the contributions to fund various BCLC marketing programs. The Company records its contributions when incurred as property, marketing and administration expenses on the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Capital Reserve Account

The Amended and Restated Operating Contract ("AROC") with the Nova Scotia Provincial Lotteries & Casinos Corporation ("NSPLCC", formerly Nova Scotia Gaming Corporation) includes a provision for the reimbursement of the Company's qualifying expenditures under the NSPLCC's Capital Reserve Account.

The Company is required under the AROC to make contributions to the NSPLCC's Capital Reserve Account equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos, with a minimum contribution of approximately $5.0 per year adjusted for inflation since April 2010. Reimbursement of qualifying expenditures is received from the Capital Reserve Account, or if there is an insufficient balance in the Capital Reserve Account, the reimbursement is recorded as a receivable from NSPLCC and recorded as a reduction in the historical cost of the related expenditures at the time approval is given by NSPLCC. As provided for in the AROC, to the extent a receivable balance exists, the Company earns interest on the balance at a rate of bank prime plus 2% per annum.

j) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization, impairments, and amounts approved under the Capital Reserve Account. Amortization is expensed on a straight-line basis from the month assets are available for use over the estimated useful lives of the assets generally at the following rates, which are intended to reduce the carrying value to the estimated residual value:

Land	not amortized
Buildings	lesser of useful life or 40 years
Building improvements	lesser of useful life or 5 years
Equipment	1 to 5 years
Leasehold improvements	lesser of useful life or lease term, including renewal term, if applicable

During the construction period of significant facilities, the Company capitalizes construction and overhead costs, including borrowing costs, directly attributable to the construction project. The costs of construction of the Company's gaming and ancillary facilities are classified as properties under development. When the property or portion thereof is substantially complete and available for use, costs cease to be capitalized, are transferred from properties under development to their respective asset component categories, and are amortized separately over the assets' estimated useful lives down to the estimated residual value, if applicable.

The amortization method, useful life and residual values are assessed annually and are tested for impairment as described in Note 2(m).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Intangible assets

The Company has finite-lived intangible assets which consist of COSAs and CGCOSAs in British Columbia, site holder agreements in Ontario, an operational services agreement for gaming in Nova Scotia, and other gaming-related rights. Intangible assets are primarily generated through acquisitions and are amortized over their estimated useful lives, ranging from three to twenty years. Judgment is used to estimate an intangible asset's useful life and is based on an analysis of all pertinent factors, including expected use of the intangible asset, contractual provisions that enable renewal or extension of the intangible asset's legal or contractual life without substantial cost, and renewal history. The remaining useful lives of the intangible assets are reviewed at the end of each annual reporting period, with any changes in the estimate of an intangible asset's useful life or the amortization method being treated as a change in accounting estimate and applied prospectively.

Intangible assets are assessed annually for impairment as described in Note 2(m).

l) Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible net assets at the date acquired, and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Goodwill is not amortized but is assessed for impairment at least annually and whenever events or circumstances indicate that its carrying value may not be fully recoverable. The impairment test requires comparing the carrying values of the Company's CGUs, including goodwill, to their recoverable amounts. The Company determines the recoverable amounts using estimated future cash flows discounted at a pre-tax rate that reflects the risk adjusted weighted-average cost of capital. Any excess of the carrying value amount of a CGU over the recoverable amount is expensed in the period the impairment is identified. An impairment loss recorded for goodwill is not reversed in a subsequent period.

Upon disposal of a business, any related goodwill is included in the determination of gain or loss on disposal. Goodwill associated with the Company's foreign operations is translated to the Canadian dollar reporting currency at each period end.

m) Impairment of long-lived assets

Property, plant and equipment and intangible assets are assessed for impairment at the end of each reporting period for events or circumstances that indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the recoverable amount of the asset is estimated to determine whether there is an impairment loss. The recoverable amount of an asset is first tested on an individual basis, if determinable, or otherwise at the CGU level. Corporate level assets are allocated to the respective CGUs where an allocation can be done on a reasonable and consistent basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Impairment of long-lived assets (Continued)

The recoverable amount is the higher of fair value less costs to sell and value in use. The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the asset (or CGU) in an arm's length transaction. The value in use method estimates the net present value of future cash flows expected to be generated by the asset (or CGU), discounted using a pre-tax discount rate that reflects the current market rates and risks specific to the asset (or CGU).

An impairment loss is recorded when the carrying value of an asset (or CGU) exceeds its estimated recoverable amount.

In cases where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to its current recoverable amount, to the extent that the new carrying amount does not exceed the carrying amount that would have existed had the original impairment loss not been recorded. The reversal of an impairment loss is immediately recorded in the consolidated statements of earnings (loss).

n) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due within one year or less and are recorded initially at fair value and subsequently measured at amortized cost.

o) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recorded in "interest and financing costs, net" on the consolidated statements of earnings (loss). Provisions are not recorded for future operating losses.

p) Debt transaction costs

Debt transaction costs relate to the costs associated with securing long-term financing and credit facilities, and are recorded net of the long-term debt instrument. These costs are expensed to "interest and financing costs, net" on the consolidated statements of earnings (loss) over the term of the related debt using the effective interest method. When a credit facility is retired by the Company, any remaining balance of related debt transaction costs is expensed to "interest and financing costs, net" on the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Comprehensive income (loss)

Comprehensive income (loss) consists of net earnings (loss) and OCI as presented on the consolidated statements of comprehensive income (loss). OCI represents changes in shareholders' equity in a period arising from the portion of the change in the fair values of the Company's derivatives designated as cash flow hedges that are determined to be effective, gains and losses on derivatives designated as cash flow hedges transferred to net earnings (loss) in the current period, and the unrealized effect of foreign currency translation of foreign operations.

r) Financial instruments

Financial Assets
Financial assets are initially recorded at fair value and are classified as: "fair value through profit or loss"; "available-for-sale"; "held-to-maturity"; or "loans and receivables". The classification is determined at initial recognition and depends on the nature and purpose of the financial asset and management's intentions.

Fair Value Through Profit or Loss
Financial assets at fair value through profit or loss are classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management.

Financial assets classified at fair value through profit or loss are measured at fair value, with the realized and unrealized changes in fair value recorded each reporting period through "interest and financing costs, net" on the consolidated statements of earnings (loss).

Available-for-Sale
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in other non-current financial assets unless management intends to dispose of the investment within 12 months of the consolidated statement of financial position date.

Financial assets classified as available-for-sale are measured at fair value, with the unrealized changes in fair value recorded each reporting period in OCI. Investments in equity instruments classified as available-for-sale, whose fair value cannot be reliably measured, are recorded at cost. Available-for-sale assets are written down to fair value through "interest and financing costs, net" on the consolidated statements of earnings (loss) if there is objective evidence that impairment exists.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Financial instruments (Continued)

Held-to-Maturity and Loans and Receivables
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the consolidated statement of financial position date, which are classified as non-current assets.

Financial instruments classified as held-to-maturity or loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Impairment
At the end of each reporting period, the Company assesses whether a financial asset or a group of financial assets, other than those classified as fair value through profit or loss, is impaired. If there is objective evidence that an impairment exists, the loss is recorded in the consolidated statements of earnings (loss). The impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recorded in the consolidated statements of earnings (loss).

Financial Liabilities
Financial liabilities are classified as either "financial liabilities at fair value through profit or loss", or "other financial liabilities". Financial liabilities are initially measured at fair value and subsequently measured at amortized cost for liabilities that are not hedged, and fair value for liabilities that are hedged. Non-performance risk, including the Company's own credit risk for financial liabilities, is considered when determining the discount rates used to fair value financial assets or liabilities, including derivative liabilities.

Classification of Financial Instruments
The following table summarizes the Company's selected financial instrument classifications based on its intentions:

Financial instrument	Classification
Cash	Fair value through profit or loss
Cash equivalents	Held-to-maturity
Restricted cash	Fair value through profit or loss
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative liabilities	Cash flow hedge

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Hedges

The Company entered into cross-currency interest rate and principal swaps (see Note 14) to hedge the U.S. dollar exchange rate and interest rate risks associated with the long-term debt issued in 2007. The Company designated these cross-currency interest rate and principal swaps as cash flow hedges. The portion of the changes in fair values of the cross-currency interest rate and principal swaps that was determined to be effective was recorded in OCI, and any ineffective portion was recorded in the consolidated statements of earnings (loss). The hedged debt was translated to Canadian dollars at the exchange rate in effect on the last day of the reporting period, and through the application of hedge accounting, the resulting foreign exchange gains or losses recorded in the consolidated statements of earnings (loss) were effectively offset by the gains or losses on derivatives designated as cash flow hedges.

The Company assessed the effectiveness of its hedging instruments at each reporting period, up to their settlement on July 24, 2012 (see Note 14). Hedge accounting is discontinued prospectively when the hedging relationship no longer qualifies as an effective hedge, or it is terminated upon the early termination of the hedged item. When hedge accounting is discontinued, changes in fair value of these financial instruments are recorded as “foreign exchange loss and other” on the consolidated statements of earnings (loss).

t) Share-based compensation

The Company has equity-settled and cash-settled share-based compensation plans.

Equity-settled share-based compensation
The Company applies the fair value method of accounting for share option awards using the Black-Scholes option pricing model. Under this method, the Company recognizes compensation expense for employee share option awards, based on the grant date fair value, over the vesting period of the options.

Non-employee equity-settled share-based payments are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably. If the fair value cannot be measured reliably, non-employee equity-settled share-based payments are measured at the fair value of the equity instrument granted, measured at the date the entity obtains the goods or the counterparty renders the service. Equity-settled share-based compensation expense is recognized in the “share-based compensation” line of the consolidated statements of earnings (loss) over the vesting period.

The Company adjusts the share-based compensation expense based on the number of share options expected to vest at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Share-based compensation (Continued)

Cash-settled share-based compensation
Cash-settled share-based compensation such as Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs") are recorded as a liability at the grant date based on the market value of the Company's common shares. DSUs and RSUs vest immediately, and the liability is initially recorded as "deferred credits, provisions and other liabilities" on the consolidated statements of financial position, and is re-measured at each reporting period and at the redemption date, or the date when the unit holder ceases to be a director. The initial liability and changes in that liability are recorded as "share-based compensation" on the consolidated statements of earnings (loss).

u) Revenue recognition

Gaming revenues, which include revenues from table games, slot machines, bingo games, FDC from BCLC, and site holder payments from the Ontario Lottery and Gaming Corporation ("OLG") are recorded when earned by the Company after deduction for the portion of gaming and other revenues payable to BCLC, OLG, and NSPLCC, accruals for payouts on progressive games, and gaming taxes payable to Washington State.

Racetrack revenues are recorded when earned by the Company, net of amounts returned as winning wagers, provincial and federal taxes, and purses for wagering. Racetrack revenues also include the net amount of the on-site wagering on races simulcast from third parties as well as fees received based on off-site wagering on races simulcast to other racetracks.

Food and beverage, hotel, entertainment and other operating revenues are recorded as goods are delivered, or services are performed.

The retail value of food and beverage, accommodations, and other incentives furnished to guests without charge is included in gross revenues and then deducted as promotional allowances (see Note 18).

v) Taxation

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognized in the consolidated statement of earnings (loss), except to the extent it relates to items recognized in OCI or in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Taxation (Continued)

Current tax
The tax currently payable is based on taxable income for the year. Taxable income differs from earnings as reported in the consolidated statements of comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, as well as the benefit of tax losses available to be carried forward to future years to the extent it is probable it will be realized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting earnings (loss).

The Company recognizes the income tax benefit of uncertain tax positions only when it is probable that the tax position taken will be sustained upon examination by the applicable tax authority.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Net earnings (loss) per common share

Basic net earnings (loss) per common share is calculated using the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is presented using the treasury stock method and is calculated by dividing net earnings (loss) applicable to common shares by the sum of the weighted-average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments 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 reporting period. Actual results may differ from those estimates.

The estimates used in determining the recorded amounts in these financial statements include the following:

- *Impairment of long-lived assets and goodwill*

  The determination of a long-lived asset or goodwill impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate.

  The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience, economic trends, and consider past communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels and EBITDA[(1)] margin as a percentage of revenues. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

  Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

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(1) EBITDA as defined by the Company means earnings before interest and financing costs (net of interest income), income taxes, depreciation and amortization, share-based compensation, impairment of long-lived assets and goodwill, litigation settlement, equity investment loss and other, and foreign exchange loss and other. EBITDA can be computed as revenues less human resources, and property, marketing and administration expenses.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

- *Fair value of net assets acquired in business combinations*

  The cost of an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages business valuators to assist in the valuation of tangible and intangible assets acquired. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill.

  When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining fair value may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

- *Fair value of assets acquired in business transactions with non-monetary consideration*

  The Company measures the fair value of assets acquired in business transactions with non-monetary consideration at the fair value of the asset given up or the fair value of the asset received, whichever is more reliably measurable. Measurement of fair value is based on an analysis of pertinent information that may include third-party asset appraisals, market values evidenced from similar transactions, and discounted cash flows.

- *Equity-settled share-based compensation*

  The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

- *Income taxes*

  Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

  Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations of future timing difference reversals and may require material deferred tax adjustments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

- *Contingencies*

  Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of provisions is regularly assessed as new information becomes available.

  The Company does not record contingent assets.

The judgments used in applying the Company's significant accounting policies include the following:

- *Hedge accounting*

  The Company designated its cross-currency interest rate and principal swaps as cash flow hedges, and assessed the effectiveness of its hedging instruments at each reporting period up to their settlement on July 24, 2012 (see Note 14). The fair values of the Company's cross-currency interest rate and principal swaps were based on credit risk adjusted discounted cash flows that required assumptions regarding the U.S. dollar exchange rate and discount rates, which were based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applied hedge accounting as it believed this was more representative of the economic substance of the underlying transactions.

- *Determination of CGUs*

  The Company's assets are grouped into CGUs based on their ability to generate separate identifiable cash flows. The determination of CGUs involves an assessment regarding the interdependency of cash inflows, and the Company's organizational structure.

4. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2012, the Company adopted the following revised IFRSs issued by the IASB. These revised IFRSs did not have a material impact on the Company's consolidated financial statements.

- *IAS 12, Income Taxes ("IAS 12")* – amended to provide a practical solution to determining the recovery of investment properties as it relates to accounting for deferred taxes.

- *IFRS 7, Financial Instruments: Disclosures* – amended to increase the disclosure requirements in connection with the transfer of financial assets to a third party that are not derecognised from the Company's consolidated financial statements.

Recent accounting pronouncements

The IASB issued the following new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities:

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements* ("IAS 27 (2008)"), and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.

- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.

- *IAS 27 (2011), Separate Financial Statements* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.

- *IAS 28 (2011), Investments in Associates and Joint Ventures* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

These five standards must be adopted concurrently and are effective for annual periods beginning on or after January 1, 2013. These standards are not expected to have a material impact on the Company's consolidated financial statements.

4. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

The IASB also issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's consolidated financial statements:

Effective for annual periods beginning on or after January 1, 2013:

- *IAS 1, Presentation of Financial Statements* – amended to clarify the requirements for comparative information in the financial statements.
- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures.
- *IAS 16, Property, Plant and Equipment ("IAS 16")* – amended to clarify the classification of servicing equipment.
- *IAS 32, Financial Instruments: Presentation* – amended to clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12.
- *IAS 34, Interim Financial Reporting* – amended to clarify the requirements for segment information related to total assets and total liabilities.
- *IFRS 13, Fair Value Measurement* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

Effective for annual periods beginning on or after January 1, 2015:

- *IFRS 9, Financial Instruments ("IFRS 9") – replaces IAS 39, Financial Instruments: Recognition and measurement* ("IAS 39"). IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39.

5. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	December 31, 2012	December 31, 2011
Cash in banks	**$ 96.0**	$ 109.4
Cash floats	**10.2**	9.8
Cash equivalents	**10.0**	15.5
	$ 116.2	$ 134.7

Cash equivalents include investments in term deposits and bankers' acceptances with original maturities within three months of the investment date.

Cash floats exclude amounts provided by BCLC of $16.1 (2011 - $15.9) for use in BC casino operations. Since these cash floats are owned by BCLC, they are not included in the Company's cash floats balances. The Company has issued letters of credit in favour of BCLC as security for these amounts (Note 27(a)).

Restricted cash comprises primarily $4.1 (2011 - $6.0) for horsemen's purse pools, $0.5 (2011 - $0.6) held for capital expenditures that require approval from OLG, and $0.3 (2011 - $0.5) related to future payments for construction projects.

6. ACCOUNTS RECEIVABLE

	December 31, 2012	December 31, 2011
Trade receivables	**$ 4.6**	$ 4.5
Other receivables	**3.1**	3.2
Due from NSPLCC	**-**	1.2
	$ 7.7	$ 8.9

The balance due from NSPLCC is the Capital Reserve Account receivable. It represents amounts spent by the Company on approved expenditures, plus accrued interest on the outstanding balance at prime plus 2% per annum, less repayments from the NSPLCC's Capital Reserve Account based on 5% of the gross operating revenues from the two Nova Scotia casinos.

7. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

In March 2012, the Government of Ontario and OLG decided to end the "Slots at Racetracks" program for all Ontario racetracks on March 31, 2013, in an effort to modernize that province's gaming model. As part of that plan, and as permitted under the related agreements, on March 29, 2012, OLG provided notice that the site holder agreements with the Company's Georgian Downs and Flamboro Downs racetracks will terminate on March 31, 2013. All other "Slots at Racetracks" facilities in Ontario received similar termination notices, with the exception of three facilities located proximate to the U.S. border, which closed on April 30, 2012.

As a result of the early termination of Georgian Downs' site holder agreement, which was previously scheduled to expire in November 2021, the Company recorded impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with Flamboro Downs' site holder agreement, which was previously scheduled to expire in April 2016.

The recoverable amounts for long-lived assets and goodwill were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using a pre-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, EBITDA, and the expected useful life of the CGU. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates.

7. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL (Continued)

As the carrying value of Georgian Downs' and Flamboro Downs' assets are equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or a reversal of an impairment loss. The Company is in discussions with OLG to negotiate lease arrangements that would facilitate the continued operation of these properties beyond March 31, 2013. Based on recent discussions, if leases are agreed, the Company expects these properties' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into lease agreements, further impairments may be recorded against the remaining long-lived assets of these properties. As at December 31, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Georgian Downs were $15.6 and $29.7, respectively. As at December 31, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Flamboro Downs were $11.8 and $7.4, respectively.

In connection with the impairments recorded for Georgian Downs and Flamboro Downs, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of this change in estimate and the impairment is a $4.6 decrease in the annual non-cash amortization expense related to these assets on a prospective basis, when compared to the year ended December 31, 2012.

In addition, during the year ended December 31, 2012, the Company recorded $10.3 of impairment related to land in Ontario that was written down to its estimated recoverable amount.

During the year ended December 31, 2011, as a result of the uncertainty in the economic outlook for Hastings Racecourse and Slots Facility, the carrying value of property, plant and equipment was impaired by $4.4.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Building Improvements	Leasehold Improvements	Equipment	Properties Under Development	Total
Cost						
Balance at December 31, 2010	$ 65.8	$ 651.8	$ 71.4	$ 95.8	$ 9.2	$ 894.0
Additions	10.7	-	0.2	2.9	28.9	42.7
Acquired through business combination	5.7	-	-	-	-	5.7
Disposals	-	-	-	(0.8)	-	(0.8)
Reclassifications	-	21.6	4.6	4.1	(30.3)	-
Translation and other	-	(0.2)	0.1	0.3	-	0.2
Balance at December 31, 2011	$ 82.2	$ 673.2	$ 76.3	$ 102.3	$ 7.8	$ 941.8
Additions	**0.1**	**0.1**	**0.2**	**2.6**	**21.4**	**24.4**
Disposals	**-**	**-**	**(0.1)**	**(0.2)**	**-**	**(0.3)**
Reclassifications	**-**	**8.4**	**5.2**	**4.6**	**(18.2)**	**-**
Translation and other	**-**	**(0.3)**	**(0.2)**	**(0.1)**	**-**	**(0.6)**
Balance at December 31, 2012	**$ 82.3**	**$ 681.4**	**$ 81.4**	**$ 109.2**	**$ 11.0**	**$ 965.3**
Accumulated amortization and impairments						
Balance at December 31, 2010	$ (0.9)	$ (108.3)	$ (38.2)	$ (78.1)	$ (5.5)	$ (231.0)
Amortization	-	(28.1)	(7.1)	(8.3)	-	(43.5)
Disposals	-	-	-	0.8	-	0.8
Impairments [(1)]	-	-	(3.9)	(0.5)	-	(4.4)
Reclassifications [(2)]	-	-	(1.9)	-	1.9	-
Translation and other	-	(0.1)	-	-	-	(0.1)
Balance at December 31, 2011	$ (0.9)	$ (136.5)	$ (51.1)	$ (86.1)	$ (3.6)	$ (278.2)
Amortization	**-**	**(27.6)**	**(2.9)**	**(7.1)**	**-**	**(37.6)**
Disposals	**-**	**-**	**0.1**	**0.2**	**-**	**0.3**
Impairments [(3)]	**(10.3)**	**(18.0)**	**-**	**(0.4)**	**-**	**(28.7)**
Reclassifications [(2)]	**-**	**-**	**(0.2)**	**-**	**0.2**	**-**
Translation and other	**-**	**0.1**	**-**	**0.1**	**-**	**0.2**
Balance at December 31, 2012	**$ (11.2)**	**$ (182.0)**	**$ (54.1)**	**$ (93.3)**	**$ (3.4)**	**$ (344.0)**
Carrying amount						
At December 31, 2010	$ 64.9	$ 543.5	$ 33.2	$ 17.7	$ 3.7	$ 663.0
At December 31, 2011	$ 81.3	$ 536.7	$ 25.2	$ 16.2	$ 4.2	$ 663.6
At December 31, 2012	**$ 71.1**	**$ 499.4**	**$ 27.3**	**$ 15.9**	**$ 7.6**	**$ 621.3**

[(1)] The impairments relate to Hastings Racecourse and Slots Facility (see Note 7).

[(2)] The reclassifications relate to properties under development that were previously impaired and subsequently transferred to leasehold improvements.

[(3)] The impairments relate to Georgian Downs, Flamboro Downs, and land previously held for development (see Note 7).

9. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder Agreements	Other	Total
Cost					
Balance at December 31, 2010	$ 76.1	$ 34.6	$ 106.0	$ 2.5	$ 219.2
Acquired through business combination	5.3	-	-	-	5.3
Balance at December 31, 2011	$ 81.4	$ 34.6	$ 106.0	$ 2.5	$ 224.5
Balance at December 31, 2012	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at December 31, 2010	$ (38.1)	$ (15.5)	$ (35.2)	$ (1.0)	$ (89.8)
Amortization	(5.9)	(4.2)	(4.7)	(0.2)	(15.0)
Balance at December 31, 2011	$ (44.0)	$ (19.7)	$ (39.9)	$ (1.2)	$ (104.8)
Amortization	**(3.3)**	**(4.2)**	**(6.3)**	**(0.2)**	**(14.0)**
Impairments [1]	**-**	**-**	**(32.4)**	**-**	**(32.4)**
Balance at December 31, 2012	**$ (47.3)**	**$ (23.9)**	**$ (78.6)**	**$ (1.4)**	**$ (151.2)**
Carrying amount					
At December 31, 2010	$ 38.0	$ 19.1	$ 70.8	$ 1.5	$ 129.4
At December 31, 2011	$ 37.4	$ 14.9	$ 66.1	$ 1.3	$ 119.7
At December 31, 2012	**$ 34.1**	**$ 10.7**	**$ 27.4**	**$ 1.1**	**$ 73.3**

[1] The impairments relate to Georgian Downs and Flamboro Downs (see Note 7).

10. GOODWILL

		Total
Cost		
Balance at December 31, 2010	$	47.4
Foreign exchange movements		0.2
Balance at December 31, 2011	$	47.6
Foreign exchange movements		**(0.2)**
Balance at December 31, 2012	**$**	**47.4**

Impairments		
Balance at December 31, 2010	$	(24.1)
Balance at December 31, 2011	$	(24.1)
Impairment [(1)]		**(3.2)**
Balance at December 31, 2012	**$**	**(27.3)**

Carrying amount		GCCI		GCEC		ORL		GDL		GAGC		Total
At December 31, 2010	$	1.6	$	3.8	$	8.1	$	3.2	$	6.6	$	23.3
At December 31, 2011	$	1.6	$	3.8	$	8.1	$	3.2	$	6.8	$	23.5
At December 31, 2012	**$**	**1.6**	**$**	**3.8**	**$**	**8.1**	**$**	**-**	**$**	**6.6**	**$**	**20.1**

(1) The impairment relates to Georgian Downs (see Note 7).

There were no changes to the methodology used to assess goodwill impairment since the last annual impairment test. The recoverable value for each CGU was based on the value in use method, which estimates the net present value of the future cash flows expected to be generated by the CGU, discounted using a pre-tax discount rate that was based on the Company's weighted-average cost of capital.

The expected future cash flows are based on the most recent annual forecasts prepared by management and extrapolated over five years, after which a rate of 2% is applied for inflation. These expected future cash flows require a number of assumptions about future business performance. These assumptions and estimates were based primarily on the relevant business' historical performance and economic trends, and considered past communications with relevant stakeholders. The revenue growth rate assumptions used in the impairment assessments ranged from 0% to 2% and EBITDA as a percentage of revenues was based on each CGU's most recent annual operating levels.

Sensitivity analysis

The assumptions and estimates used in these impairment assessments are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Changes that could result in future impairment charges include, but are not limited to: legislation or policies passed by the respective governments affecting the location of competing gaming facilities and the amounts payable to the Company for providing casino operational services (see Note 7), and continued declines in horse racing industry revenues. The Company has not identified any specific reasonably possible changes in key assumptions associated with the estimated recoverable amounts of its CGUs that will result in additional goodwill impairment charges. However, adverse changes in circumstances to the Company's business could impact key assumptions and estimates, and could result in additional impairment charges.

11. OTHER LIABILITIES

	December 31, 2012	December 31, 2011
Provisions, current	**$ 2.0**	$ 2.1
Long-term debt, current (Note 12)	**-**	2.0
Deferred credits, current (Note 15)	**0.7**	0.7
Other current liabilities	**0.2**	0.3
	$ 2.9	$ 5.1

12. LONG-TERM DEBT

	December 31, 2012	December 31, 2011
Senior Unsecured Notes, net of unamortized transaction costs of $10.1 (2011 - $nil)	**$ 439.9**	$ -
Term Loan B, net of unamortized transaction costs of $nil (2011 - $1.1)	**-**	163.7
Senior Subordinated Notes and unamortized premium of $nil (2011 - $0.8), net of unamortized transaction costs of $nil (2011 - $2.7)	**-**	170.9
	439.9	334.6
Less: current portion	**-**	2.0
	$ 439.9	$ 332.6

As at December 31, 2012, the Company's long-term debt facilities consist of $450.0 Senior Unsecured Notes ("Senior Unsecured Notes") and a $350.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility").

As at December 31, 2011, the Company's long-term debt facilities consisted of US$170.0 (initial principal) Senior Secured Term Loan B (the "Term Loan B") and a $350.0 Revolving Credit Facility, secured by a common credit agreement, and US$170.0 of Senior Subordinated Notes (the "Subordinated Notes").

a) Senior Unsecured Notes

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022. The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Senior Secured Term Loan B ("Term Loan B"), repurchase or redemption of the US$170.0 Senior Subordinated Notes ("Subordinated Notes"), settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps (see Note 14), and the remainder was retained for general corporate purposes.

The Senior Unsecured Notes are guaranteed by the Company's material restricted subsidiaries as defined in the long-term debt agreement covering the Trust Indenture. Interest on the Senior Unsecured Notes is payable semi-annually in arrears on January 25 and July 25 of each year. There are customary provisions for early redemptions of the Senior Unsecured Notes during defined periods prior to maturity with payment of defined premiums.

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and will be amortized to "interest and financing costs, net" on the consolidated statements of earnings (loss) over the term of the Senior Unsecured Notes using the effective interest method.

12. LONG-TERM DEBT (Continued)

b) *Revolving Credit Facility*

As at December 31, 2012, subject to compliance with the related financial covenants, the Company has $320.1 (2011 – $317.7) of available credit on its Revolving Credit Facility after deducting outstanding letters of credit of $29.9 (2011 - $32.3). The counterparties to this facility are major financial institutions with minimum “A” credit ratings.

On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement (“Credit Agreement”) which covers the terms of its Revolving Credit Facility. Consequently, the Company’s previous undrawn $200.0 Revolving Credit Facility was increased to a maximum limit of $350.0 and extended to July 21, 2016. On July 24, 2012, the Company further extended the maturity of its $350.0 Revolving Credit Facility by one year to July 21, 2017. The interest rate on advanced amounts and the commitment fee on the unused facility (see Note 28(c)) are based on the Company’s Total Debt to Adjusted EBITDA ratio, which is calculated quarterly (see Note 13).

Transaction costs associated with refinancing the Revolving Credit Facility of $0.5 during the year ended December 31, 2012 and $2.8 during the year ended December 31, 2011 are included in the “other assets” line of the consolidated statements of financial position and will be amortized through the “interest and financing costs, net” line of the consolidated statements of earnings (loss) over the term of the Revolving Credit Facility using the effective interest method.

The Revolving Credit Facility is guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. The Revolving Credit Facility requires the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are tested quarterly are: Total Debt to Adjusted EBITDA ratio of 5.00 or less, Senior Secured Debt to Adjusted EBITDA ratio of 3.50 or less, and Interest Coverage ratio of 2.25 or more.

c) *Term Loan B*

In connection with the issuance of the Senior Unsecured Notes (see Note 12(a)), the Company repaid the outstanding Term Loan B in July 2012.

As at December 31, 2011, the principal balance outstanding for the Term Loan B was US$161.9. The Term Loan B had a floating interest rate (U.S. LIBOR plus 1.50%) and a maturity date of February 13, 2014. The Company hedged both the currency risk and the floating interest rate risk to effectively result in an initial principal of $200.8 in Canadian dollars and a fixed interest rate (see Note 14).

12. LONG-TERM DEBT (Continued)

d) Subordinated Notes

In connection with the issuance of the Senior Unsecured Notes, on July 5, 2012, the Company commenced a cash tender offer and consent solicitation with respect to the Subordinated Notes ("Tender Offer"). A total of approximately US$146.7 (or 86.3%) of the US$170.0 Subordinated Notes were validly tendered and repurchased under the Tender Offer, which expired on August 2, 2012. On July 24, 2012, the Company issued a 30 day advanced notice of mandatory redemption of the remaining US$23.3 Subordinated Notes, which were outstanding after the Tender Offer. These remaining Subordinated Notes were redeemed on August 23, 2012. The total transaction costs of $3.9 associated with the repurchase and redemption of the Subordinated Notes were expensed as "interest and financing costs, net" on the consolidated statements of earnings (loss), and included a $3.1 tender premium related to the Tender Offer, a $0.4 redemption premium, and legal and other costs of $0.4.

As at December 31, 2011, the principal balance outstanding for the Subordinated Notes was US$170.0. The Subordinated Notes had a fixed interest rate of 7.25% and a maturity date of February 15, 2015. The Company hedged the currency risk to effectively result in an initial principal of $201.1 in Canadian dollars and a fixed interest rate (see Note 14).

All the debt facilities have: (i) mandatory repayments in the case of proceeds from certain asset sales or receipt of insurance proceeds that are not re-invested by the Company within certain time limits; (ii) restrictions on certain asset sales, acquisitions, and distributions; (iii) limitations on the incurrence of additional debt or indebtedness or liens; and (iv) provisions for the Company to re-purchase and re-issue portions of the debt facilities should the holder be required to register with a gaming authority having jurisdiction over the Company and either refuses or is found to be unsuitable for registration.

e) Interest and financing costs, net

	Year ended December 31,	
	2012	2011
Interest and financing costs on long-term debt	**$ 33.7**	$ 29.5
Subordinated Notes redemption premium and fees	**3.9**	-
Bank charges and other	**0.7**	1.4
Interest income	**(1.3)**	(1.4)
	$ 37.0	$ 29.5

During the year ended December 31, 2012, the Company expensed the remaining deferred financing transaction costs and premium associated with the Term Loan B and the Subordinated Notes of $2.4 as "interest and financing costs on long-term debt" within "interest and financing costs, net" on the consolidated statements of earnings (loss).

13. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt;
- Cash and cash equivalents; and
- Outstanding letters of credit.

13. CAPITAL DISCLOSURES (Continued)

The Company's objectives are to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk levels and to manage capital in a manner that balances the interests of equity and debt holders. The Company manages its capital structure in light of changes in economic conditions and the risk characteristics of the Company's operations. The Company's major capital allocation decisions include a comparison of the expected financial returns from those investments to its estimated weighted-average cost of capital. The Company currently plans to use its cash and cash equivalents, cash flows from operations, and established debt facilities to finance its business development plans.

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants.

As at December 31, 2012, the Company was in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio (1)	< 5.00	3.02
Senior Secured Debt to Adjusted EBITDA ratio (1)	< 3.50	0.00
Interest Coverage ratio (1)	> 2.25	5.04
Fixed Charge Coverage ratio (2)	> 2.00	5.05

(1) Calculated on a trailing twelve month basis and defined in the Credit and Guarantee Agreement, as amended on July 24, 2012.

(2) Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt agreement covering the Trust Indenture dated July 24, 2012.

As part of its capital structure monitoring process, the Company's independent credit ratings as at December 31, 2012 were as follows:

	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB+ Stable
Revolving Credit Facility	Ba1	BBB
Senior Unsecured Notes	B1	BB+

14. DERIVATIVES

In 2007, the Company entered into cross-currency interest rate and principal swaps to hedge the U.S. dollar exchange rate and interest rate risks associated with the Term Loan B and Subordinated Notes issued in that year (see Note 12). The Company designated these cross-currency interest rate and principal swaps as cash flow hedges, wherein the effective portion of the swap was recorded in "other comprehensive income".

14. DERIVATIVES (Continued)

On July 24, 2012, as part of the long-term debt refinancing (see Note 12), the Company settled all of its cross-currency interest rate and principal swaps and paid $69.9 to its counterparties, which represented the fair value of the swaps. Accordingly, the accumulated $8.1 loss on derivatives designated as cash flow hedges within “accumulated other comprehensive loss” was reclassified to “foreign exchange loss and other”, which reflects the fair value changes of the underlying elements of the cross-currency interest rate and principal swaps.

During the year ended December 31, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement. In connection with this amendment, the Company discontinued hedge accounting for a portion of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps and recorded a $5.0 expense as “foreign exchange loss and other” on the consolidated statements of earnings (loss) during the year ended December 31, 2011.

15. DEFERRED CREDITS, PROVISIONS AND OTHER LIABILITIES

	December 31, 2012	December 31, 2011
Deferred credits	**$ 19.1**	$ 19.7
Provisions, non-current	**3.4**	2.4
Other non-current liabilities	**2.9**	1.6
	$ 25.4	$ 23.7

In 2008, the Company entered into agreements with the South Coast British Columbia Transportation Authority (“TransLink”) and Canada Line Rapid Transit Inc. (“Canada Line”) to build and operate a 1,200 stall multi-level parking garage at Bridgeport Station, across from the River Rock Casino Resort (“River Rock”) in Richmond, British Columbia.

The consideration received from TransLink is being treated as compensation for the cost of providing future parking services to Canada Line’s passengers. Accordingly, the fair value of the land received of $17.2 was accounted for as a non-monetary transaction and cash of $4.5 was recorded as “cash and cash equivalents”, with a corresponding credit to “deferred credits”. These “deferred credits” are amortized on a straight-line basis over a period of 32 years.

Translink may exercise its option to purchase the portion of the parking garage used by the 1,200 stalls if certain events defined in the agreement occur. Examples of these include the relocation of the River Rock, or the Company failing to provide Canada Line’s passengers access to the parking stalls as set out in the agreement.

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The Company is authorized to issue an unlimited number of common shares with no par value.

a) Issuer bids

In January 2012, the Company commenced a normal course issuer bid that authorized the Company to purchase up to 5,811,197 of its common shares. For the year ended December 31, 2012, the Company purchased for cancellation 3,657,210 common shares at a weighted-average price per share of $8.15 under its normal course issuer bid, which expired on January 26, 2013.

On July 6, 2012, the Company commenced a substantial issuer bid, pursuant to which the Company offered to purchase for cancellation up to 10,000,000 of its outstanding common shares from shareholders at a purchase price of $10.00 per share. On August 21, 2012, the Company accepted for purchase 10,000,000 of the validly tendered common shares at a purchase price of $10.00 per share for a total of $100.0 and $0.3 in related transaction costs. At the time of the repurchase, the paid-up capital per common share for the purposes of the *Income Tax Act (Canada)* was $3.79.

For the year ended December 31, 2011, the Company purchased 1,479,600 common shares at a weighted-average price of $7.16 under its normal course issuer bid, which expired on January 26, 2012.

All shares purchased by the Company were cancelled. The Company's share capital was reduced by an amount equal to the carrying value of the shares repurchased and the remainder was recorded as a reduction to retained earnings on the consolidated statements of changes in equity.

Subsequent to December 31, 2012, the Company received approval from the TSX to commence another normal course issuer bid for up to 4,511,644 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on January 30, 2013 and will end on January 29, 2014, or earlier if the number of shares approved for purchase in the issuer bid have been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 29,761 common shares or 25% of the prior six-month average trading volume of 119,045 common shares on the TSX. Purchases will be by way of open market purchases through the facilities of the TSX, and other Canadian market places, and payment for the shares will be in accordance with the TSX's by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

b) Share option plan

Under the Company's share option plan, the maximum number of share options reserved for issuance is limited to 10% of the common shares issued and outstanding at any given time. In addition, no one individual may receive share options in excess of 5% of the issued and outstanding common shares of the Company. The exercise price is set at the volume weighted-average Canadian trading price of the Company's Common Shares on the Toronto Stock Exchange five trading days immediately preceding the grant date. The outstanding share options vest on a graded schedule over three years and expire five years from the date of grant.

As at December 31, 2012, there were 2,550,782 share options remain available for granting. Subsequent to December 31, 2012, the Company granted 1,425,000 share options at an exercise price of $9.11.

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

b) Share option plan (Continued)

The changes in share options under the plan were as follows:

	December 31, 2012		December 31, 2011	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**5,895**	**$ 7.16**	6,966	$ 7.23
Granted	**1,288**	**7.73**	1,555	7.38
Forfeited	**(89)**	**8.73**	(696)	8.88
Expired	**(985)**	**11.92**	(845)	11.87
Exercised	**(1,616)**	**4.88**	(1,085)	3.12
Outstanding, end of period	**4,493**	**$ 7.08**	5,895	$ 7.16

[1] Option information is presented in thousands.

For the year ended December 31, 2012, the weighted-average share price at the time of exercise was $9.63 (2011 - $8.20).

Options outstanding and exercisable at December 31, 2012 were as follows:

Exercise Price	**Number Outstanding[2]**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number Exercisable[2]**	**Weighted-Average Vested Exercise Price**
$2.62-$4.00	605	1.2 years	$ 2.62	605	$ 2.62
$4.01-$7.00	283	1.4 years	4.41	283	4.41
$7.01-$7.25	717	3.0 years	7.14	461	7.14
$7.26-$7.65	1,146	2.1 years	7.62	1,043	7.62
$7.66-$8.00	1,412	4.1 years	7.71	538	7.74
$8.01-$14.13	330	0.1 years	12.78	297	13.17
	4,493	2.6 years	$ 7.08	3,227	$ 6.86

[2] Option information is presented in thousands.

The fair values of share options granted to employees at the time of the grant and the weighted-average assumptions used in applying the Black-Scholes option pricing model were as follows:

	Year ended December 31, 2012	2011
Option award fair value	**$ 1.67**	$ 2.38
Risk-free interest rate	**1.1%**	1.6%
Expected lives	**2.5 years**	2.5 years
Expected volatility [3]	**30.3%**	50.0%
Dividend yield	**0.0%**	0.0%

[3] Based on the historical volatility of the Company's share price over the most recent period commensurate with the expected lives of the option.

During the year ended December 31, 2012, the Company recorded equity-settled share-based compensation expense of $2.2 (2011 - $3.9).

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

c) Deferred Share Units and Restricted Share Units

On June 16, 2011, the Board of Directors approved the Non-Employee Directors' Cash-Settled Deferred Share Unit and Restricted Share Unit Plan ("the Share Unit Plan"). DSUs and RSUs provide the unit holder with the right to receive a cash payment equal to the fair market value of the Company's common shares. DSUs are cash-settled following the eligible director's termination date and not later than December 31 of the calendar year following the year that the unit holder ceases to be a director. RSUs are cash-settled three years after the grant date.

Non-employee directors who are eligible to receive DSUs under the Share Unit Plan are no longer eligible to receive share options under the Company's Stock Option Plan. In addition, non-employee directors may elect to receive some or all of their annual retainer and attendance fees as RSUs.

The changes in DSUs and RSUs were as follows:

	December 31, 2012		December 31, 2011	
	DSUs [1]	**RSUs [1]**	DSUs [1]	RSUs [1]
Outstanding, beginning of period	**106**	**7**	-	-
Issued	**128**	**10**	113	7
Settled in cash	**(18)**	**-**	(7)	-
Outstanding, end of period	**216**	**17**	106	7

[1] DSU and RSU information are presented in thousands.

The Company recorded a liability of $2.2 in "deferred credits, provisions and other liabilities" at December 31, 2012 (2011 - $0.8) for the outstanding DSUs and RSUs. During the year ended December 31, 2012, the Company recorded cash-settled share-based compensation expense of $1.4 (2011 - $1.0).

d) Employee share purchase plan

Eligible employees of the Company may elect to participate in the Employee Share Purchase Plan (the "Share Purchase Plan") by contributing a portion of their gross pay to purchase the Company's shares in the open market. As at December 31, 2012, 716,663 (2011 – 757,335) common shares were held by employees under the Share Purchase Plan and 25% of employees participated in the Plan (2011 – 29%).

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

	December 31, 2012	December 31, 2011
Accumulated loss on derivatives designated as cash flow hedges, net of income taxes	**$ -**	$ (5.8)
Unrealized effect of foreign currency translation of foreign operations	**(1.0)**	(0.7)
	$ (1.0)	$ (6.5)

18. REVENUES

	Year ended December 31, **2012**	2011
Gaming revenues	**294.9**	281.9
Facility Development Commission	**35.2**	32.1
Hospitality and other revenues	**82.6**	70.4
Racetrack revenues	**15.8**	19.5
	428.5	403.9
Less: Promotional allowances	**(19.8)**	(15.7)
	$ 408.7	$ 388.2

19. EQUITY INVESTMENT LOSS AND OTHER

	Year ended December 31, **2012**	2011
Equity investment loss	**$ 3.5**	$ -
Acquisition-related contingent future trailing payments	**1.5**	-
Business development	**0.1**	1.9
Other	**-**	(0.3)
	$ 5.1	$ 1.6

a) *Equity investment loss*

During the year ended December 31, 2012, the Company acquired a 38% minority equity interest in PDX Entertainment Company ("PDX") for $3.5. PDX pursued the opportunity to build and operate an entertainment and gaming complex in Wood Village, Oregon. The proposed development required the approval of Wood Village voters through a local municipal ballot measure, and the approval of Oregon voters through two state ballot measures, one of which would have changed the state constitution to permit private-sector casino gaming in Oregon. The ballot measures were voted on November 6, 2012, and the constituents did not support the amendment to the state constitution as proposed. The Company's investment in PDX was fully expensed as at December 31, 2012.

b) *Acquisition-related contingent future trailing payments*

The purchase price of the Chilliwack Bingo acquisition in 2011 included contingent future trailing payments to be paid over 20 years, dependent on the level of future slot win at Chances Chilliwack (see Note 29). As at December 31, 2012, the discounted trailing payment provision was estimated at $2.5 (2011 - $1.0) based on the current performance of the facility. The change in the estimated provision of $1.5 was recorded as "equity investment loss and other" on the consolidated statements of earnings (loss) during the year ended December 31, 2012 (2011 - $nil).

c) *Business development*

Certain business development costs of $1.1 previously presented as "property, marketing and administration" on the consolidated statements of earnings (loss) for the year ended December 31, 2011 have been retrospectively reclassified to "equity investment loss and other". As these costs are non-recurring, this revised presentation provides more useful comparative information regarding the Company's business development activities and operating financial performance.

20. INCOME TAXES

a) *Income tax recognized in net (loss) earnings*

The Company's income tax (recovery) expense is as follows:

	Year ended December 31,	
	2012	2011
Current tax expense	**$ 11.4**	$ 10.2
Deferred tax (recovery) expense	**(15.6)**	0.4
Total income tax (recovery) expense	**$ (4.2)**	$ 10.6

The reconciliation of the Company's income tax (recovery) expense to net (loss) earnings is as follows:

	Year ended December 31,	
	2012	2011
Applicable federal and provincial statutory income tax rate [1]	**25.0%**	26.5%
(Loss) earnings before income taxes	**$ (31.8)**	$ 36.8
Expected income tax (recovery) expense	**(8.0)**	9.8
Effect of:		
Non-deductible impairment of goodwill	**0.8**	-
Non-deductible share-based compensation	**0.6**	1.0
Impact of deferred income tax rates applied versus current income tax rate	**(0.6)**	(0.5)
Revaluation of income tax liabilities from prior year taxes	**(0.4)**	-
Deferred tax benefits not recognized	**2.5**	-
Other items	**0.9**	0.3
Total income tax (recovery) expense recognized in net (loss) earnings	**$ (4.2)**	$ 10.6

[1] The applicable federal and provincial statutory income tax rate used for the 2012 and 2011 reconciliations above is the corporate tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction. The rate decreased on January 1, 2012 from 26.5% to 25% due to a decrease in federal income tax rates of 1.5%.

b) *Income tax recognized in OCI*

The Company's deferred income tax expense (recovery) recognized in OCI comprises:

	Year ended December 31,	
	2012	2011
Changes in fair values of derivatives designated as cash flow hedges	**$ (0.8)**	$ 1.1
Changes in fair values of derivatives designated as cash flow hedges transferred to net (loss) earnings	**2.7**	(1.6)
Total income tax expense (recovery) recognized in OCI	**$ 1.9**	$ (0.5)

20. INCOME TAXES (Continued)

c) *Deferred tax balances*

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the current and prior year:

2012	Opening balance	Recognized in net (loss) earnings	Recognized in OCI	**Closing balance**
Temporary differences				
Property, plant and equipment	$ (31.3)	$ (1.0)	$ -	**$ (32.3)**
Intangible assets	(30.4)	11.2	-	**(19.2)**
Deferred partnership income	(2.4)	0.2	-	**(2.2)**
Debt refinancing transaction costs	(1.0)	0.5	-	**(0.5)**
Cross-currency interest rate and principal swaps	2.9	(1.0)	(1.9)	**-**
Deferred credits, provisions and other liabilities	0.7	1.0	-	**1.7**
Former debt redemption costs	2.4	-	-	**2.4**
Other	(0.3)	0.2	-	**(0.1)**
	(59.4)	11.1	(1.9)	**(50.2)**
Unused tax losses and credits				
Non-capital loss carry-forwards	0.6	5.1	-	**5.7**
Capital loss carry-forwards	1.7	(0.6)	-	**1.1**
	2.3	4.5	-	**6.8**
	$ (57.1)	$ 15.6	$ (1.9)	**$ (43.4)**

2011	Opening balance	Recognized in net (loss) earnings	Recognized in OCI	Closing balance
Temporary differences				
Property, plant and equipment	$ (28.0)	$ (3.3)	$ -	$ (31.3)
Intangible assets	(34.2)	3.8	-	(30.4)
Deferred partnership income	(2.2)	(0.2)	-	(2.4)
Debt refinancing transaction costs	(0.8)	(0.2)	-	(1.0)
Cross-currency interest rate and principal swaps	1.3	1.1	0.5	2.9
Deferred credits, provisions and other liabilities	0.8	(0.1)	-	0.7
Former debt redemption costs	3.2	(0.8)	-	2.4
Other	(0.1)	(0.2)	-	(0.3)
	(60.0)	0.1	0.5	(59.4)
Unused tax losses and credits				
Non-capital loss carry-forwards	1.2	(0.6)	-	0.6
Capital loss carry-forwards	1.6	0.1	-	1.7
	2.8	(0.5)	-	2.3
	$ (57.2)	$ (0.4)	$ 0.5	$ (57.1)

The deferred tax balances are presented on the consolidated statements of financial position as:

	Year ended December 31, 2012	2011
Deferred tax assets	**$ 9.9**	$ 9.1
Deferred tax liabilities	**(53.3)**	(66.2)
Net deferred tax liabilities	**$ (43.4)**	$ (57.1)

20. INCOME TAXES (Continued)

c) Deferred tax balances (Continued)

The Company has recognized a deferred tax asset for non-capital losses of approximately $22.9 (2011 - $2.3) which are available to reduce future years' income for tax purposes. Management believes the Company will generate future taxable profits in excess of the losses in the jurisdictions to which the losses relate before they expire. These losses will expire as follows:

2029 - 2032	**$ 22.9**

The Company has recognized a deferred tax asset for capital losses of $8.5 (2011 - $13.5) which may be used to offset future years' capital gains. Management believes the Company will generate future capital gains in excess of the losses in the jurisdiction to which the losses relate. These losses may be carried forward indefinitely.

d) Unrecognized deferred tax assets

In addition to the capital losses noted above, the Company has $5.4 (2011 - $1.9) of capital losses, which may only be used to offset future capital gains, and in respect of which the Company has not recognized a deferred tax asset. These losses may be carried forward indefinitely.

21. NET (LOSS) EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net (loss) earnings per common share attributable to the shareholders of the Company:

		Year ended December 31,	
		2012	2011
Net (loss) earnings	(A)	**$ (27.6)**	$ 26.2
Weighted-average number of common shares outstanding [(1)]	(B)	**76,814**	82,670
Dilutive adjustment for stock options [(1)]		**-**	1,540
Diluted weighted-average number of common shares [(1)]	(C)	**76,814**	84,210
Net (loss) earnings per common share			
Basic	(A/B)	**$ (0.36)**	$ 0.32
Diluted	(A/C)	**$ (0.36)**	$ 0.31

[(1)] Share information is presented in thousands.

The following table summarizes the outstanding share options that are anti-dilutive and are not included in the above calculation:

	Year ended December 31,	
	2012	2011
Options [(2)]	**4,493**	4,107

[(2)] Option information is presented in thousands.

22. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Year ended December 31,	
	2012	2011
Restricted cash - operating	**$ 1.9**	$ (5.6)
Accounts receivable	**-**	(0.1)
Prepaids, deposits and other assets	**0.5**	(0.6)
Accounts payable and accrued liabilities	**(2.7)**	5.4
	$ (0.3)	$ (0.9)

23. SEGMENTED INFORMATION

The Company and its subsidiaries operate in one industry segment, the gaming industry. The Company conducts business in two geographic segments: Canada and the United States ("U.S."). The accounting policies applied by the reportable segments are the same as those applied by the Company (see Note 2).

Revenues, EBITDA, and additions to long-lived assets and goodwill attributable to each reportable segment were as follows:

	Year ended December 31, 2012			Year ended December 31, 2011		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA [1]	Additions to long-lived assets and goodwill
Canada	**$ 387.1**	**$ 145.0**	**$ 24.1**	$ 365.5	$ 134.4	$ 53.4
U.S.	**21.6**	**2.6**	**0.3**	22.7	4.5	0.3
	$ 408.7	**$ 147.6**	**$ 24.4**	$ 388.2	$ 138.9	$ 53.7

The following table is a reconciliation of EBITDA, as presented in the above tables, to (loss) earnings before income taxes as presented in the Company's consolidated statements of earnings (loss):

	Year ended December 31,	
	2012	2011
EBITDA [1]	**$ 147.6**	$ 138.9
Amortization	**51.6**	58.5
Share-based compensation	**3.6**	4.9
Impairment of long-lived assets	**61.1**	4.4
Impairment of goodwill	**3.2**	-
Interest and financing costs, net	**37.0**	29.5
Litigation settlement	**11.0**	-
Equity investment loss and other [1]	**5.1**	1.6
Foreign exchange loss and other	**6.8**	3.2
(Loss) earnings before income taxes	**$ (31.8)**	$ 36.8

[1] The year ended December 31, 2011 included a retrospective reclassification of business development costs that affects EBITDA and equity investment loss and other (see Note 19).

23. SEGMENTED INFORMATION (Continued)

Property, plant and equipment, goodwill, and total assets attributable to each reportable segment are as follows:

	As at December 31, 2012			As at December 31, 2011		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 609.1**	**$ 13.5**	**$ 838.9**	$ 650.5	$ 16.7	$ 950.4
U.S.	**12.2**	**6.6**	**23.8**	13.1	6.8	25.7
	$ 621.3	**$ 20.1**	**$ 862.7**	$ 663.6	$ 23.5	$ 976.1

24. RELATED PARTY TRANSACTIONS

As defined under IAS 24, *Related Party Disclosures*, key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Year ended December 31,	
	2012	2011
Human resources [1]	**$ 2.3**	$ 2.9
Share-based compensation [2]	**2.3**	2.8
Total	**$ 4.6**	$ 5.7

[1] Human resources includes salaries and other short-term employee benefits.

[2] Share-based compensation includes equity and cash settled share-based compensation as per Note 16.

As at December 31, 2012, the liabilities of the Company included amounts due to key management personnel of $0.9 (2011 - $1.0) in "accounts payable and accrued liabilities" and $2.2 (2011 - $0.8) in "deferred credits, provisions and other liabilities" in the consolidated statements of financial position.

25. EMPLOYEE FUTURE BENEFITS

The Company maintains a defined contribution pension plan for its Canadian employees. Under this plan, eligible employees contribute a minimum of 2% to a maximum of 15% of their gross pay. The Company makes contributions representing 2% of eligible employees' base pay. Contributions made by the Company during the year ended December 31, 2012 totalled $1.8 (2011 - $1.7).

26. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

The following table summarizes the changes in the Company's Approved Amounts, a term defined in the Company's operating services agreements with BCLC, to be recovered by future FDC receipts from BCLC:

	Year ended December 31,	
	2012	2011
Opening Approved Amounts	**$ 424.4**	$ 445.0
Additional Approved Amounts	**22.8**	11.5
FDC receipts	**(35.2)**	(32.1)
Closing Approved Amounts	**$ 412.0**	$ 424.4

Approved Amounts have not been recorded in the consolidated statements of financial position. Since FDC is earned as a fixed percentage of gross gaming revenues, subject to the Company having incurred sufficient Approved Amounts, recovery of Approved Amounts requires the generation of sufficient gross gaming revenues and that the operating agreements with BCLC remain in good standing.

27. COMMITMENTS, CONTINGENCIES AND LITIGATION

a) *Letters of credit*

As at December 31, 2012, letters of credit in the amount of $29.9 (2011 - $32.3) were outstanding as security in connection with gaming cash floats, construction contracts, and provincial gaming corporation payables.

b) *Litigation*

In 2005, as part of the acquisition of Georgian Downs, the Company entered into an agreement that provided a consultant a deemed contribution for a notional equity interest in Georgian Downs as consideration for certain consulting services for its operations in the Province of Ontario. On July 30, 2007, the Company terminated the agreement and tendered the sum of $1.6 being the full amount that the Company determined to be validly due and payable to the consultant. The consultant and the Company had significantly different views as to the consultant's monetary entitlement under the agreement. On June 29, 2012, the Company settled this legal dispute and made a total cash payment of $11.0, which was recorded as a "litigation settlement" expense in the consolidated statements of earnings (loss) for the year ended December 31, 2012.

The Company is involved in various other disputes, claims and litigation. Management believes the amount of the ultimate liability for these will not materially affect the financial position of the Company.

27. COMMITMENTS, CONTINGENCIES AND LITIGATION (Continued)

c) Guarantees and indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

i. directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;

ii. certain vendors of acquired companies or property for obligations that may or may not have been known at the date of the transaction;

iii. certain financial institutions for costs that they may incur as a result of representations made in debt and equity offering documents; and

iv. lessors of leased properties for personal injury claims that may arise at the facilities the Company operates.

28. FINANCIAL INSTRUMENTS

The Company's financial instruments and the types of risks to which their carrying values are exposed are as follows:

	Risks			
			Market risks	
Financial instrument	Credit	Liquidity	Interest rate	Currency
Measured at amortized cost:				
Cash equivalents	x		x	
Accounts receivable	x			x
Accounts payable and accrued liabilities		x		x
Long-term debt, and other liabilities		x	x	x
Measured at fair value:				
Cash	x			x
Restricted cash	x			
Derivative liabilities	x	x	x	x

28. FINANCIAL INSTRUMENTS (Continued)

a) Credit risk

Credit risk is the risk that a party to one of the Company's financial instruments will cause a financial loss to the Company by failing to discharge an obligation. The carrying values of the Company's financial assets, which represent the maximum exposure to credit risk, are as follows:

	December 31, 2012	December 31, 2011
Cash in banks	**$ 96.0**	$ 109.4
Cash equivalents	**10.0**	15.5
Restricted cash	**4.9**	7.1
Accounts receivable	**7.7**	8.9
	$ 118.6	$ 140.9

Cash in banks, cash equivalents, and restricted cash: Credit risk associated with these assets is minimized substantially by ensuring that these financial assets are placed primarily with major financial institutions that have minimum grade "A" credit ratings.

Accounts receivable: Credit risk associated with most of these assets is minimized due to their nature. The majority of these receivable balances are due from the federal government for sales tax rebates, provincial gaming corporations, racetrack operators, and financial institutions. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of time balances have been outstanding. As at December 31, 2012, the provision for doubtful accounts receivable totalled $0.6 (2011 - $3.2).

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by monitoring its capital structure (see Note 13), regularly monitoring forecast and actual cash flows, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within the Revolving Credit Facility (see Note 12). The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2012				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 60.4	$ -	$ -	$ -	$ 60.4
Income taxes payable	0.5	-	-	-	0.5
Senior Unsecured Notes	29.8	59.6	59.6	599.1	748.1
Provisions	1.0	1.7	0.6	6.5	9.8
Operating leases	5.6	4.6	3.0	8.1	21.3
Other contractual commitments	5.6	1.9	0.2	0.6	8.3
Total	$ 102.9	$ 67.8	$ 63.4	$ 614.3	$ 848.4

Operating leases include a ground lease with the City of Surrey, BC for Fraser Downs Racetrack and Casino, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and Slots Facility, property leases for the Company's head office, and a ground lease with the City of Sydney, NS for Casino Nova Scotia Sydney.

28. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk (Continued)

Other contractual commitments include the acquisition of property, plant and equipment of $1.0 (2011 – $3.3), various service contracts of $4.6 (2011 – $7.4), and amounts committed to NSPLCC to fund responsible gaming programs of $2.7 (2011 – $3.9).

The Company believes that it will not encounter difficulty in meeting the obligations associated with its financial liabilities and further believes that if necessary, it would be able to access the capital markets for additional financial resources at prevailing market rates.

c) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates and/or foreign currency exchange rates. The following table sets out a sensitivity analysis of the effect on the carrying amount of the Company's financial instruments that are subject to foreign currency risk by applying reasonably possible changes in foreign currency rates relative to the Company's functional currency, the Canadian dollar:

		Foreign Currency Risk [1]			
		-10%		+10%	
	Carrying amount December 31, 2012	Net earnings (loss)	OCI	Net earnings (loss)	OCI
Financial Assets					
Cash and cash equivalents	$ 116.2	$ (0.5)	$ (0.4)	$ 0.5	$ 0.4
Accounts receivable	7.7	-	-	-	-
Financial Liabilities					
Accounts payable and accrued liabilities	60.4	0.1	0.2	(0.1)	(0.2)
Total (decrease) increase		$ (0.4)	$ (0.2)	$ 0.4	$ 0.2

[1] Displayed is the effect on the Company's U.S. dollar denominated financial assets and liabilities if the value of the U.S. dollar were to decrease or increase relative to the Canadian dollar by 10% from the actual period end rate.

28. FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

Revolving Credit Facility
The Revolving Credit Facility has interest rates on advanced amounts and a standby fee on the unused facility that are based on the Total Debt to Adjusted EBITDA ratio (defined in the underlying debt agreement) which is calculated quarterly (see Note 13). The following table summarizes the interest rate and standby fee on the Revolving Credit Facility that apply, depending on the Company's quarterly Total Debt to Adjusted EBITDA ratio calculated for the most recent trailing twelve months:

Total Debt / Adjusted EBITDA	Margin on Bankers' Acceptances or Eurodollar Rate Advances & Letters of Credit	Margin on Canadian Prime Rate or U.S. Base Rate Advances	Standby Fee
>= 4.50	3.00%	2.00%	0.68%
4.00 to < 4.50	2.75%	1.75%	0.62%
3.50 to < 4.00	2.50%	1.50%	0.56%
3.00 to < 3.50	2.13%	1.13%	0.48%
2.50 to < 3.00	1.88%	0.88%	0.42%
2.00 to <2.50	1.75%	0.75%	0.39%
< 2.00	1.50%	0.50%	0.34%

d) Fair values

The fair values of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values.

The Company's cash equivalents and long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at December 31, 2012, the fair value and carrying value of the Company's cash equivalents was $10.0 (2011 - $15.5). As at December 31, 2012, the Company's long-term debt instruments had a fair value of $468.0 (2011 – $337.8) and a carrying value of $439.9 (2011 - $334.6).

The Company's contingent future trailing payments (see Note 19(b)) are Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at December 31, 2012, the fair value and carrying value of the Company's contingent future trailing payments was $2.5 (2011 - $1.0).

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets.

29. CHILLIWACK BINGO ACQUISITION

On May 31, 2011, the Company, through its wholly owned subsidiary, Chilliwack Gaming Ltd., purchased the assets and undertaking of the Chilliwack Bingo Association ("CBA") for an upfront cash consideration of $10.2 and contingent future trailing payments to be paid over 20 years, dependent on the level of future slot win. As at the acquisition date the Company recognized a discounted contingent trailing payment liability of $0.8 in the "deferred credits, provision and other liabilities" line of the consolidated statement of financial position. The total purchase price was allocated to current assets of $0.4, land of $5.7, intangible assets of $5.3, and current liabilities of $0.4.

The CBA owned a five-acre site and operated Chilliwack Bingo, a bingo hall located in Chilliwack, British Columbia. On November 1, 2012, the Company relocated its Chilliwack Bingo operations to the newly opened 'Chances Chilliwack', and commenced the operation of slot machines. In addition to the $10.2 already paid to CBA, the operation of slot machines initiated trailing payments dependent on the level of future slot win. As at December 31, 2012, the discounted contingent trailing payment liability was estimated at $2.5 (2011 - $1.0) based on the current performance of the facility.