GREAT CANADIAN GAMING CORPORATION

AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

As at March 7, 2012

(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, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010, 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, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010, in accordance with International Financial Reporting Standards.

(Signed) Deloitte & Touche LLP

Chartered Accountants
March 7, 2012
Vancouver, British Columbia, Canada

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Financial Position
(Expressed in millions of Canadian dollars)

		December 31, 2011	December 31, 2010 (Note 31)	January 1, 2010 (Note 31)
ASSETS				
CURRENT				
Cash and cash equivalents	Note 5	**$ 134.7**	$ 50.9	$ 34.6
Short-term investments	Note 6	**-**	53.0	-
Restricted cash	Note 5	**7.1**	1.6	5.6
Accounts receivable	Note 7	**8.9**	9.3	9.0
Prepaids, deposits and other assets		**6.6**	5.9	7.2
		157.3	120.7	56.4
Property, plant and equipment	Note 9	**663.6**	663.0	708.2
Intangible assets	Note 10	**119.7**	129.4	156.4
Goodwill	Note 11	**23.5**	23.3	37.9
Deferred tax assets	Note 21	**9.1**	7.8	5.9
Other assets		**2.9**	2.0	4.6
		$ 976.1	$ 946.2	$ 969.4
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities		**$ 59.0**	$ 51.3	$ 62.7
Income taxes payable		**0.8**	5.4	0.1
Other liabilities	Note 12	**5.1**	4.1	3.6
		64.9	60.8	66.4
Long-term debt	Note 13	**332.6**	325.8	356.9
Derivative liabilities	Note 15	**66.3**	67.6	50.8
Deferred credits, provisions and other liabilities	Note 16	**23.7**	25.9	24.8
Deferred tax liabilities	Note 21	**66.2**	65.0	67.1
		553.7	545.1	566.0
SHAREHOLDERS' EQUITY				
Share capital and contributed surplus	Note 17	**356.5**	354.9	348.8
Accumulated other comprehensive loss	Note 18	**(6.5)**	(4.9)	(4.6)
Retained earnings		**72.4**	51.1	59.2
		422.4	401.1	403.4
		$ 976.1	$ 946.2	$ 969.4

These financial statements were approved and authorized for issue by the Company's Board of Directors on March 7, 2012.

Contingencies (Note 28)
Commitments (Note 28 and 29(b))

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,

		2011	2010 (Note 31)
REVENUES	Note 19	**$ 388.2**	$ 383.5
EXPENSES			
Human resources		**154.9**	153.2
Property, marketing and administration		**95.5**	93.9
Amortization		**58.5**	53.7
Stock-based compensation	Note 17	**4.9**	4.8
Restructuring and other	Note 20	**0.5**	3.4
		314.3	309.0
		73.9	74.5
Interest and financing costs, net	Note 13	**29.5**	28.0
Impairment of long-lived assets	Note 8	**4.4**	35.1
Impairment of goodwill	Note 8	**-**	14.2
Foreign exchange loss and other	Note 15	**3.2**	0.1
EARNINGS (LOSS) BEFORE INCOME TAXES		**36.8**	(2.9)
Income taxes	Note 21	**10.6**	5.0
NET EARNINGS (LOSS)		**$ 26.2**	$ (7.9)
NET EARNINGS (LOSS) ATTRIBUTABLE TO:			
Shareholders of the Company		**$ 26.2**	$ (8.1)
Non-controlling interests		**-**	0.2
		$ 26.2	$ (7.9)
SHAREHOLDERS' NET EARNINGS (LOSS) PER COMMON SHARE	Note 22		
Basic		**$ 0.32**	$ (0.10)
Diluted		**$ 0.31**	$ (0.10)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
Basic		**82,670,151**	82,641,029
Diluted		**84,209,875**	82,641,029

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,

		2011		2010 (Note 31)
Net earnings (loss)	**$**	**26.2**	$	(7.9)
Other comprehensive (loss) income, 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 $1.1 (2010 - $3.4)		**(0.9)**		(13.4)
(Gain) loss on derivatives designated as cash flow hedges transferred to net earnings (loss) in the period, net of income taxes of $1.6 (2010 - $3.9)		**(1.2)**		14.3
Unrealized effect of foreign currency translation of foreign operations		**0.5**		(1.2)
Other comprehensive loss		**(1.6)**		(0.3)
Comprehensive income (loss)	**$**	**24.6**	$	(8.2)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	**$**	**24.6**	$	(8.4)
Non-controlling interests		**-**		0.2
	$	**24.6**	$	(8.2)

See Accompanying Notes to the Consolidated Financial Statements

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

		Common Shares		Contributed	Share Capital and Contributed	Accumulated Other Comprehensive	Retained	Non-Controlling	
		Number [1]	Amount	Surplus	Surplus	Loss	Earnings	Interests	Total
At January 1, 2010	Note 31	82,374	$ 312.9	$ 35.9	$ 348.8	$ (4.6)	$ 59.2	$ -	$ 403.4
Stock-based compensation		-	-	4.8	4.8	-	-	-	4.8
Exercise of incentive stock options		498	1.8	(0.5)	1.3	-	-	-	1.3
Comprehensive (loss) income		-	-	-	-	(0.3)	(8.1)	0.2	(8.2)
Distribution of non-controlling interest		-	-	-	-	-	-	(0.2)	(0.2)
At December 31, 2010	Note 31	82,872	$ 314.7	$ 40.2	$ 354.9	$ (4.9)	$ 51.1	$ -	$ 401.1
Stock-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 17	(1,480)	(5.7)	-	(5.7)	-	(4.9)	-	(10.6)
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

[1] Share information is presented in thousands of common shares.

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

		2011	2010 (Note 31)
Cash Flows from Operating Activities			
Earnings (loss) before income taxes		**$ 36.8**	$ (2.9)
Adjustments to reconcile earnings (loss) to cash			
Amortization		**58.5**	53.7
Stock-based compensation		**4.9**	4.8
Interest and financing cost, net		**29.5**	28.0
Foreign exchange loss and other		**3.2**	0.5
Impairment of long-lived assets	Note 8	**4.4**	35.1
Impairment of goodwill	Note 8	**-**	14.2
Non-cash restructuring and other costs		**0.6**	2.8
Other		**(1.2)**	(1.7)
Changes in non-cash operating working capital	Note 23	**(0.9)**	(2.1)
Cash generated from operations		**135.8**	132.4
Income taxes paid		**(14.8)**	(4.1)
Net cash generated by operating activities		**121.0**	128.3
Cash Flows from Investing Activities			
Proceeds from the maturity of short-term investments		**88.3**	-
Purchase of short-term investments		**(35.3)**	(53.0)
Purchase of property, plant and equipment, net of related accounts payable		**(41.9)**	(26.1)
Proceeds from the sale of property, plant and equipment		**-**	4.3
Acquisition of Chilliwack Bingo	Note 30	**(10.2)**	-
Restricted cash - construction holdbacks		**0.1**	3.8
Deconsolidation of TBC Teletheatre B.C.	Note 3	**-**	(1.4)
Interest income received		**1.2**	0.6
Other		**(0.7)**	(0.3)
Cash generated by (used in) investing activities		**1.5**	(72.1)
Cash Flows from Financing Activities			
Repayment of debt		**(2.0)**	(14.1)
Debt financing transaction costs		**(2.8)**	-
Common shares issued for cash, net of issuance costs		**3.4**	1.3
Purchase of common shares	Note 17	**(10.6)**	-
Interest paid		**(27.5)**	(27.2)
Cash used in financing activities		**(39.5)**	(40.0)
Effect of foreign exchange on cash and cash equivalents		**0.8**	0.1
Cash Inflow		**83.8**	16.3
Cash and cash equivalents, beginning of year		**50.9**	34.6
Cash and cash equivalents, end of year	Note 5	**$ 134.7**	$ 50.9

See Accompanying Notes to the Consolidated Financial Statements

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company") is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia, Ontario and Nova Scotia, Canada, and Washington State, United States of America. The Company operates ten casinos, a thoroughbred racetrack that offers slot machines, three standardbred racetracks (two offer slot machines and one offers both slot machines and table games), two community gaming centres, a bingo hall, a resort with two hotels, a conference centre and a marina, two show theatres, and various associated food and beverage and entertainment facilities.

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 financial statements represent the first annual consolidated financial statements of the Company and its subsidiaries 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

The Company's consolidated financial statements were previously prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting and measurements previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 31 contains reconciliations and descriptions of the effects of the transition from Canadian GAAP to IFRS on equity, net earnings (loss) and comprehensive income (loss) along with line-by-line reconciliations of the consolidated statements of financial position as at December 31, 2010 and January 1, 2010, and the consolidated statement of earnings (loss) and consolidated statement of comprehensive income (loss) for the year ended December 31, 2010.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 the “other assets” line of 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 in the consolidated statements of earnings (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Principal operating entities

Entity	December 31, 2011	December 31, 2010
Chilliwack Gaming Ltd. [(1)]	**100%**	-
Flamboro Downs Limited	**100%**	100%
Georgian Downs Limited	**100%**	100%
Great American Gaming Corporation	**100%**	100%
Great Canadian Casinos Inc. ("GCCI")	**100%**	100%
Great Canadian Entertainment Centres Ltd. ("GCEC")	**100%**	100%
Hastings Entertainment Inc.	**100%**	100%
Metropolitan Entertainment Group	**100%**	100%
Orangeville Raceway Limited	**100%**	100%
TBC Teletheatre B.C. ("TBC") [(2)]	**50%**	50%

[(1)] On May 31, 2011, the Company purchased the assets and undertaking of the Chilliwack Bingo Association (see Note 30).

[(2)] On March 18, 2005, the Company increased its ownership interest in TBC to 50% and effectively controlled and consolidated its operating results from that date. On April 1, 2010, the Company's control over this entity was reduced to significant influence, so it ceased consolidating TBC from that date (see Note 3).

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).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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"), Community Gaming Centre Operational Services Agreements ("CGCOSAs"), and Bingo Operational Services Agreements ("BOSAs") with the British Columbia Lottery Corporation ("BCLC"). FDC is earned (paid by BCLC to the Company) as a fixed percentage of gross gaming win, 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 win from gaming activities.

BCLC provides for an additional accelerated FDC amount equal to 2% of the gross gaming win from a redeveloped casino property on projects approved by the BCLC. The accelerated FDC is a one-time initiative that 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 win 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 Gaming Corporation ("NSGC") includes a provision for the reimbursement of the Company's qualifying expenditures under the NSGC's Capital Reserve Account.

The Company is required under the AROC to make contributions to the NSGC'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, is recorded as a receivable from NSGC and recorded as a reduction in the historical cost of the related expenditures at the time approval is given by NSGC. 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.

The replacement assets acquired using funds from the Capital Reserve Account are the property of the Company until the end of the term of the AROC, at which time, the assets revert to NSGC.

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, CGCOSAs, and BOSAs in British Columbia, site holder agreements in Ontario, an operational services agreement 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 debt 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
Short-term investments	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 15) to hedge the U.S. dollar exchange rate and interest rate risks associated with its long-term debt. The Company designated these cross-currency interest rate and principal swaps as cash flow hedges. The fair value of these hedging instruments is included in the consolidated statements of financial position. The portion of the changes in fair values of the cross-currency interest rate and principal swaps that is determined to be effective is recorded in OCI, and any ineffective portion is recorded in the consolidated statements of earnings (loss). The hedged debt is 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) are effectively offset by the gains or losses on derivatives designated as cash flow hedges.

The Company assesses the effectiveness of its hedging instruments at each reporting period. 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) Stock-based compensation

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

Equity-settled stock-based compensation
The Company applies the fair value method of accounting for stock option awards using the Black-Scholes option pricing model. Under this method, the Company recognizes compensation expense for employee stock 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 stock-based compensation expense is recognized in the “stock-based compensation” line of the consolidated statements of earnings (loss) over the service period.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Stock-based compensation (Continued)

Cash-settled stock-based compensation
During 2011, the Company's Board of Directors approved a deferred and restricted share unit plan (see Note 17(c)), and established a policy for such transactions. The Company had no prior plans of this nature, and accordingly no prior transactions for which this policy would have been relevant.

Cash-settled stock-based compensation such as Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs"), which vest immediately, are recorded as a liability at the grant date based on the market value of the Company's common shares. This liability is initially recorded in the "deferred credits, provisions and other liabilities" line of 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 "stock-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 siteholder payments from 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 NSGC, accruals for payouts on progressive games, and gaming taxes payable to Washington State.

Racetrack revenues are recorded when earned and 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.

Hotel, food and beverage, entertainment and other operating revenues are recorded as goods are delivered, and services are performed.

The retail value of accommodations, food and beverage, and other incentives furnished to guests without charge is included in gross revenues and then deducted as promotional allowances (see Note 19).

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 directly 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 that are more likely than not to 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 more likely than not 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) Shareholders' net earnings (loss) per common share

Basic shareholders' net earnings (loss) per common share is calculated using the weighted-average number of common shares outstanding during the period. Diluted shareholders' net earnings (loss) per common share is presented using the treasury stock method and is calculated by dividing shareholders' 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.

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[1] EBITDA as defined by the Company means **E**arnings **B**efore **I**nterest and financing costs (net of interest income), Income **T**axes, **D**epreciation and **A**mortization, stock-based compensation, restructuring and other costs, impairment of long-lived assets, impairment of goodwill, foreign exchange loss and other, and non-controlling interests. 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 stock-based compensation*

  The Company estimates the cost of equity-settled stock-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 stock, an estimate of the stock's volatility, an estimate of future dividends on the underlying stock, 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 the financial resolution of 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 assesses the effectiveness of its hedging instruments at each reporting period. The fair values of the Company's cross-currency interest rate and principal swaps are based on credit risk adjusted discounted cash flows that require assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applies hedge accounting as it believes this is more representative of the economic substance of the underlying transactions. If the Company chooses to revoke this designation at a future period, the changes in fair value of the cross-currency interest rate and principal swaps are required to be recorded in the consolidated statements of earnings (loss).

- *Control over a subsidiary*

  In April 2010, there was a change in accounting for the Company's 50% ownership investment in TBC. Prior to April 2010, the Company effectively controlled TBC and fully consolidated it. In April 2010, the Company signed a Memorandum of Agreement and related Addendum with the B.C. Horse Racing Industry (the "B.C. Horse Racing Industry Agreement") in order to support efforts to revitalize and restore financial strength to British Columbia's horse racing industry. On signing the B.C. Horse Racing Industry Agreement, the Company deconsolidated TBC and accounts for its 50% ownership investment using the equity method since it has significant influence over it (see Note 2(a)). The carrying value of the equity investment in TBC as at December 31, 2011 was $nil (2010 - $nil).

- *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. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the IASB issued IAS 1, Presentation of Financial Statements ("IAS 1"), which required the grouping of other comprehensive income ("OCI") into two components: items that may be reclassified to net earnings (loss) in subsequent periods, and items that will not be reclassified into net earnings (loss) in subsequent periods. This revised accounting pronouncement is effective for annual periods beginning on or after July 1, 2012. The effect of this change is included in these consolidated financial statements.

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

- *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. Effective for annual periods beginning on or after July 1, 2011.

- *IAS 12, Income Taxes* – amended to provide a practical solution to determining the recovery of investment properties as it relates to accounting for deferred taxes. Effective for annual periods beginning on or after January 1, 2012.

- *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. Effective for annual periods beginning on or after January 1, 2013.

- *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, 2013.

- *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. Effective for annual periods beginning on or after January 1, 2015.

4. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

The IASB also 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*, 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 ("IAS 27 (2011)")* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.

- *IAS 28, Investments in Associates and Joint Ventures (2011)* – 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.

5. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010	January 1, 2010
Cash in banks	**$ 109.4**	$ 45.7	$ 26.1
Cash floats	**9.8**	5.2	8.5
Cash equivalents	**15.5**	-	-
	$ 134.7	$ 50.9	$ 34.6

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 $15.9 (2010 - $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 28(a)).

Restricted cash comprises primarily $6.0 (2010 - $0.4) for horsemen's purse pools, $0.6 (2010 - $0.6) held for capital expenditures that require approval from OLG, and $0.5 (2010 - $0.6) related to future payments for construction projects.

6. SHORT-TERM INVESTMENTS

Short-term investments may include investments in term deposits, commercial paper, bankers acceptances, money market investments and guaranteed investment certificates with original maturities greater than three months from the date of purchase, but less than one year.

7. ACCOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	**$ 4.5**	$ 3.8	$ 3.7
Other receivables	**3.2**	3.6	3.6
Due from NSGC	**1.2**	1.9	1.7
	$ 8.9	$ 9.3	$ 9.0

The balance due from NSGC 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 NSGC's Capital Reserve Account based on 5% of the gross operating revenues from the two Nova Scotia casinos.

8. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

The Company performs year-end reviews of its operations and normal course impairment tests to assess the recoverability of its goodwill, intangible assets, and property, plant and equipment.

During the year ended December 31, 2010, as a result of revised capital investment expectations in connection with the future renewal of the operating lease agreement associated with Hastings Racecourse and other business development projects that would not be reinitiated in the foreseeable future, the carrying values of intangible assets and property, plant and equipment were impaired by $8.5 and $16.7, respectively. In addition, changes in expected future cash flows associated with Flamboro Downs resulted in the impairment of goodwill, intangible assets, and property, plant and equipment of $14.2, $7.4, and $2.5, respectively.

During the year ended December 31, 2011, as a result of further declines and uncertainty in the economic outlook for Hastings Racecourse, the carrying value of property, plant and equipment was impaired by $4.4. Discussions with the City of Vancouver around the renewal of the Hastings Racecourse operating lease agreement, expiring in November 2012, are ongoing. During this period, Hastings Racecourse continues to operate as usual.

The recoverable amounts for Hastings Racecourse and Flamboro Downs were determined based on the value in use method, as described in Note 2(m).

In late 2011, the Government of Ontario commissioned an independent financial review. In February 2012, the Commission on the Reform of Ontario's Public Services, chaired by Mr. Don Drummond, released a report (the "Drummond Report") with recommendations aimed at improving the Government of Ontario's economic and fiscal challenges. The recommendations in the Drummond Report are directed across a wide-range of government activities and include some recommendations that may affect horse racing and gaming in Ontario. The Drummond Report recommends re-evaluating, on a value-for-money basis, the government's practice of providing a portion of net slot revenues to the horse racing and breeding industry and municipalities in order to substantially reduce and better target that support. Any material changes to this program could have significant impact on both the operations and financial performance of the Company's two racetracks in Ontario. The Drummond Report also recommends that the government allow slot machines at sites that are not co-located with horse racing venues, as well as consider directing OLG to expand its existing business lines, develop new gaming opportunities and make effective use of private-sector involvement. Changes in locations of slot machines and expansion of business lines could increase the competition faced by the Company's two racetracks in Ontario. It is not certain at this time which, if any, of the recommendations will be implemented and the impact they may have on the Company. These changes to the structuring of gaming activity in Ontario may have a negative impact on the Company. Also the pace of such changes, if implemented, may be affected by the willingness and ability of OLG to make changes to the existing agreements it has with the Company before the current expiry dates of the agreements. Therefore, while the Company's Georgian Downs and Flamboro Downs Site Holder Agreements with OLG are scheduled to expire in November 2026 and April 2016, respectively, there is a risk that the OLG may terminate these Site Holder Agreements early by providing the Company with 270 days advance written notice in order to effect these recommendations. If these recommendations are implemented, they would have a negative impact on revenues generated by Georgian Downs and Flamboro Downs, and may result in the need for goodwill and long-lived asset impairments at these properties.

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and building improvements	Leasehold improvements	Equipment	Properties under development	Total
Cost						
Balance at January 1, 2010	$ 68.0	$ 640.9	$ 69.7	$ 91.1	$ 11.4	$ 881.1
Additions	1.8	-	0.1	4.0	14.7	20.6
Disposals	(3.9)	-	(0.2)	(1.0)	-	(5.1)
Reclassifications	-	12.0	2.3	2.6	(16.9)	-
Deconsolidation of TBC	-	-	(0.2)	(0.6)	-	(0.8)
Translation and other	(0.1)	(1.1)	(0.3)	(0.3)	-	(1.8)
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 [1]	5.7	-	-	-	-	5.7
Disposals	-	-	-	(0.8)	-	(0.8)
Reclassifications	-	21.6	4.6	4.2	(30.3)	0.1
Translation and other	-	(0.2)	0.1	0.2	-	0.1
Balance at December 31, 2011	**$ 82.2**	**$ 673.2**	**$ 76.3**	**$ 102.3**	**$ 7.8**	**$ 941.8**
Accumulated amortization and impairments						
Balance at January 1, 2010	$ -	$ (78.8)	$ (24.1)	$ (69.8)	$ (0.2)	$ (172.9)
Amortization	-	(27.9)	(4.0)	(8.7)	-	(40.6)
Disposals	-	-	0.1	0.9	-	1.0
Impairments [2]	(0.9)	(1.7)	(10.4)	(0.9)	(5.3)	(19.2)
Deconsolidation of TBC	-	-	0.1	0.2	-	0.3
Translation and other	-	0.1	0.1	0.2	-	0.4
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 [2]	-	-	(3.9)	(0.5)	-	(4.4)
Reclassifications	-	-	(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)**
Carrying amount						
At January 1, 2010	$ 68.0	$ 562.1	$ 45.6	$ 21.3	$ 11.2	$ 708.2
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**

[1] The land acquired through business combination relates to the Chilliwack Bingo acquisition (see Note 30).

[2] The impairments relate to Hastings Racecourse and Flamboro Downs (see Note 8).

10. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder Agreements	Other	Total
Cost					
Balance at January 1, 2010	$ 74.1	$ 34.6	$ 106.0	$ 2.5	$ 217.2
Acquired through business transactions	2.0	-	-	-	2.0
Balance at December 31, 2010	$ 76.1	$ 34.6	$ 106.0	$ 2.5	$ 219.2
Acquired through business combination [(1)]	5.3	-	-	-	5.3
Balance at December 31, 2011	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at January 1, 2010	$ (26.1)	$ (11.3)	$ (22.6)	$ (0.8)	$ (60.8)
Amortization	(3.5)	(4.2)	(5.2)	(0.2)	(13.1)
Impairments [(2)]	(8.5)	-	(7.4)	-	(15.9)
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)**
Carrying amount					
At January 1, 2010	$ 48.0	$ 23.3	$ 83.4	$ 1.7	$ 156.4
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**
Remaining amortization period (years)	**1 - 20**	**4**	**14 - 15**	**7 - 10**	

[(1)] The intangible asset acquired through business combination relates to the Chilliwack Bingo acquisition (see Note 30).

[(2)] The impairments relate to Hastings Racecourse and Flamboro Downs (see Note 8).

11. GOODWILL

		Total
Cost		
At January 1, 2010	$	47.8
Foreign exchange movements		(0.4)
At December 31, 2010	$	47.4
Foreign exchange movements		0.2
At December 31, 2011	**$**	**47.6**

Impairments		
At January 1, 2010	$	(9.9)
Impairment [1]		(14.2)
At December 31, 2010	$	(24.1)
At December 31, 2011	**$**	**(24.1)**

Carrying amount		GCCI		GCEC		Fraser Downs		Georgian Downs		Flamboro Downs		Great American Casinos		Total
At January 1, 2010	$	1.6	$	3.8	$	8.1	$	3.2	$	14.2	$	7.0	$	37.9
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**

[1] The impairment relates to Flamboro Downs (see Note 8).

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.

11. GOODWILL (Continued)

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 8); and continued declines in horse racing industry revenues. The Company has not identified any specific reasonably possible changes in key assumption associated with the estimated recoverable amounts of its CGUs that will result in goodwill impairment charges. However, adverse changes in circumstances to the Company's business could impact key assumptions and estimates, and could result in impairment charges.

12. OTHER LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Long-term debt, current (Note 13)	**$ 2.0**	$ 2.0	$ 2.1
Provisions, current	**2.1**	1.0	0.7
Deferred credits, current (Note 16)	**0.7**	0.7	0.7
Other current liabilities	**0.3**	0.4	0.1
	$ 5.1	$ 4.1	$ 3.6

13. LONG-TERM DEBT

	December 31, 2011	December 31, 2010	January 1, 2010
Term Loan B, net of unamortized transaction costs of $1.1 (2010 - $1.5)	**$ 163.7**	$ 161.2	$ 171.3
Senior Subordinated Notes and unamortized premium of $0.8 (2010 - $1.1), net of unamortized transaction costs of $2.7 (2010 - $3.6)	**170.9**	166.6	175.6
Senior Secured Revolving Credit Facility	**-**	-	12.0
Other	**-**	-	0.1
	334.6	327.8	359.0
Less: current portion (Note 12)	**2.0**	2.0	2.1
	$ 332.6	$ 325.8	$ 356.9

13. LONG-TERM DEBT (Continued)

The expected repayments of long-term debt for the four following years ending December 31 are as follows:

2012	$	2.0
2013		2.0
2014		160.7
2015		172.9
Total repayments		337.6
Less: unamortized transaction costs and premium		3.0
Total long-term debt (including current portion)	$	334.6

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

a) Term Loan B and Revolving Credit Facility

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 and Term Loan B. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility has been increased to a maximum limit of $350.0 and extended to July 21, 2016. Transaction costs associated with refinancing the Revolving Credit Facility of $2.8 are included in the "other assets" line of the consolidated statements of financial position and amortized through the "interest and financing costs, net" line of the consolidated statements of earnings (loss) over the five-year term. The interest rate on advanced amounts and the commitment fee on the unused facility (see Note 29(c)) are based on the Company's Total Debt to Adjusted EBITDA ratio, which is calculated quarterly (see Note 14).

The Term Loan B is denominated in U.S. dollars (US$170.0 initial principal) and bears interest at a floating rate (U.S. LIBOR plus 1.50%), payable quarterly. At December 31, 2011, the principal balance outstanding for the Term Loan B is US$161.9 (2010 – US$163.6). 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 15). The Term Loan B had an initial term of seven years and is repayable without premium or penalty, subject to customary costs, at any time. Principal repayments of $0.5 in Canadian dollars are required quarterly, with the balance due at maturity on February 13, 2014.

The Term Loan B and the Revolving Credit Facility are guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. Both the Term Loan B and the Revolving Credit Facility require 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 5.0 or less; Senior Debt to Adjusted EBITDA ratio of 3.5 or less, and Interest Coverage ratio of 2.0 or greater for the first three years following February 14, 2007 and 2.25 thereafter.

13. LONG-TERM DEBT (Continued)

a) Term Loan B and Revolving Credit Facility (Continued)

After deducting outstanding letters of credit of $32.3 (2010 - $37.3) (see Note 28(a)) and borrowings on the Revolving Credit Facility of $nil (2010 - $nil), at December 31, 2011 the Company had $317.7 (2010 – $162.7) remaining credit available on the Revolving Credit Facility. The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

b) Subordinated Notes

The Subordinated Notes are unsecured and guaranteed by the Company and substantially all of its subsidiaries. The Subordinated Notes are denominated in U.S. dollars (US$170.0) and bear interest at a rate of 7.25%, payable semi-annually. The Company has hedged the currency risk to effectively result in a principal of $201.1 in Canadian dollars at a fixed interest rate (see Note 15). The Subordinated Notes have a term of eight years with the principal amount of the notes repayable at maturity on February 15, 2015. There are provisions for early redemption of the Subordinated Notes at the Company's option during defined periods prior to maturity with payment of defined premiums. On February 14, 2007 these provisions for early redemption were recorded at their fair value of $2.1 as a derivative asset and as a premium on the Subordinated Notes (see Note 15(b)).

The Subordinated Notes require the Company to comply with operational and financial covenants. The financial covenants require the Company to maintain a Fixed Charge Coverage Ratio, as defined in the underlying note agreement, of greater than 2.0, which is tested on the occurrence of specified events.

The Subordinated Notes have been structured so that interest payments are not subject to Canadian withholding taxes. To the extent that Canadian tax regulations change to impose a withholding tax on the interest payments, the Company has agreed to gross-up the interest payments to ensure the holder of the Subordinated Notes receives the same amount in the absence of the withholding tax, subject to certain requirements and limitations.

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 Term Loan B and/or Subordinated Notes 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.

The transaction costs of establishing the Term Loan B and the Subordinated Notes in 2007 were $10.5 and were recorded as a reduction of the balance of the related debt, and 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. The transaction costs of establishing the Revolving Credit Facility in 2007 were $2.7 and were recorded as a component of "other assets" on the consolidated statements of financial position, and were expensed to "interest and financing costs, net" on the consolidated statements of earnings (loss) over the term of the Revolving Credit Facility.

13. LONG-TERM DEBT (Continued)

c) *Interest and financing costs, net*

Interest and financing costs, net consists of:

	Year ended December 31,	
	2011	2010
Interest and financing costs on long-term debt	**$ 29.5**	$ 27.8
Interest on short-term obligations and other	**1.4**	0.9
Interest income	**(1.4)**	(0.7)
Interest and financing costs, net	**$ 29.5**	$ 28.0

14. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt and related derivative liabilities;
- Cash and cash equivalents;
- Short-term investments; and
- Outstanding letters of credit.

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.

At December 31, 2011 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	2.85
Senior Debt to Adjusted EBITDA ratio (1)	< 3.50	1.39
Interest Coverage ratio (1)	> 2.25	4.85
Fixed Charge Coverage ratio (2)	> 2.00	4.92

(1) Defined in the long-term debt agreement covering the Term Loan B and Revolving Credit Facility, as amended on July 21, 2011.

(2) Defined in the long-term debt agreement covering the Subordinated Notes. Tested on specified events.

14. CAPITAL DISCLOSURES (Continued)

As part of its capital structure monitoring process, the Company's current independent credit ratings are as follows:

	Moody's [(1)]	Standard & Poor's [(2)]
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Senior Subordinated Notes	B2	BB-

[(1)] On July 22, 2011, Moody's assigned a Ba2 rating to the Company's amended Credit and Guarantee Agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its ratings on the Company's Corporate rating and Subordinated Notes.

[(2)] On September 19, 2011, Standard & Poor's assigned a BBB rating to the Company's amended Credit and Guarantee Agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its rating on the Company's Corporate rating. Standard & Poor's downgraded their rating on the Company's Subordinated Notes from BB to BB-.

15. DERIVATIVES

a) Cross-currency interest rate and principal swaps

The Company has cross-currency interest rate and principal swaps that effectively convert both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt.

On July 21, 2011, in connection with the amendment of the Company's Credit Agreement, the Company discontinued hedge accounting for forty percent of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps. On August 4, 2011, the Company entered into novation agreements that transferred the responsibilities for forty percent of the cash flows associated with the cross-currency interest rate and principal swaps from a former Revolving Credit Facility lender to a continuing Revolving Credit Facility lender. Under IAS 39, this transaction is deemed as a termination of the old agreement with the former swap-counterparty.

During the period from July 21, 2011 to August 4, 2011, hedge accounting no longer applied for these cash flows. As a result, a $0.5 loss associated with changes in fair value was recorded in the "foreign exchange loss and other" expense line of the consolidated statements of earnings (loss) during the year ended December 31, 2011. In addition, foreign exchange losses of $4.5 associated with the translation of the Term Loan B and Subordinated Notes long-term debt were not offset by the gains on derivatives designated as cash flow hedges during this period.

Cumulative losses of $1.9 and the related deferred income tax recovery of $0.5 included in "accumulated other comprehensive income" associated with the portions of the cross-currency interest rate and principal swaps that were discontinued from hedge accounting will be amortized in the "foreign exchange loss and other" and "income taxes" lines of the consolidated statements of earnings (loss) on a straight-line basis over the remaining lives of the underlying Term Loan B and the Subordinated Notes, respectively.

15. DERIVATIVES (Continued)

a) Cross-currency interest rate and principal swaps (Continued)

As at December 31, 2011 the cross-currency interest rate and principal swap agreements were:

	Notional Principal		Interest Rate		
Debt	**Receive (USD)**	**Pay (CAD)**	**Receive (USD)**	**Pay (CAD)**	**Maturity Date**
Term Loan B	$ 97.1 [1]	$ 114.8 [1]	US LIBOR+1.50%	6.1%	February 13, 2014
Term Loan B	$ 64.8 [1]	$ 76.5 [1]	US LIBOR+1.50%	6.7%	February 13, 2014
Subordinated Notes	$ 102.0	$ 120.7	7.25%	6.6%	February 15, 2015
Subordinated Notes	$ 68.0	$ 80.4	7.25%	7.1%	February 15, 2015

[1] The Term Loan B cross-currency interest rate swap's notional principal reduces by 0.25% of the original principal of $170.0 USD quarterly to match the scheduled principal reductions on the Term Loan B.

As at December 31, 2011, the Company’s swap associated with the Term Loan B was in a $41.4 liability position (December 31, 2010 - $44.7 liability) and the swap associated with the Subordinated Notes was in a $24.9 liability position (December 31, 2010 - $22.9 liability). The swaps are recorded in derivative liabilities on the consolidated statements of financial position.

The Company has evaluated these cross-currency interest rate and principal swaps and assessed them as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes. The Company has applied hedge accounting to these swaps as it believes hedge accounting best represents the economic substance of the underlying transactions. Accordingly, the effective portion of the change in fair values of the swaps, has been recorded in “other comprehensive income”, net of income taxes, and the ineffective portion has been recorded in “foreign exchange loss and other” expense.

Gains and losses on cash flow hedges are recorded when the hedged item affects net earnings. During the year ended December 31, 2011, the Company transferred gains on derivatives designated as cash flow hedges from OCI to “foreign exchange loss and other” of $2.8 (2010 - $18.2), and related income taxes of $1.6 (2010 - $3.9). The Company also recorded a gain of $1.7 in “foreign exchange loss and other” related to its cross-currency interest rate and principal swaps during the year ended December 31, 2011 (2010 - $nil).

The fair values of the Company’s cross-currency interest rate and principal swaps at December 31, 2011 and December 31, 2010 were determined based on a credit risk adjusted discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at the respective period ends. The credit risk associated with these cross-currency interest rate and principal swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum “A” credit ratings.

15. DERIVATIVES (Continued)

b) Embedded derivative

The Company's Subordinated Notes agreement has provisions for early redemption during defined periods prior to maturity with the payment of defined premiums. On issuance of the Subordinated Notes on February 14, 2007, the $2.1 fair value of this embedded derivative was recorded as a derivative asset in other assets and as a premium on the long-term debt on the consolidated statements of financial position. The fair value of this embedded derivative included in other assets as at December 31, 2011 was $nil (2010 - $nil). The premium is amortized over the term of the Subordinated Notes using the effective interest method.

16. DEFERRED CREDITS, PROVISIONS AND OTHER LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred credits	**$ 19.7**	$ 20.3	$ 20.9
Provisions, non-current	**2.4**	4.7	3.9
Other non-current liabilities	**1.6**	0.9	-
	$ 23.7	$ 25.9	$ 24.8

In 2008, the Company entered into definitive 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.

17. SHARE CAPITAL AND CONTRIBUTED SURPLUS

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

a) Normal course issuer bid

On September 8, 2011, the Company received approval from the Toronto Stock Exchange ("TSX") to purchase up to an additional 3,844,359 of its common shares. The amended TSX notice authorized the Company to purchase up to 5,844,359 common shares of the Company from January 27, 2011 to January 26, 2012.

For the year ended December 31, 2011, the Company purchased 1,479,600 common shares at a volume weighted-average price of $7.16 under its normal course issuer bid, which expired on January 26, 2012. During 2010, no common shares were purchased under the normal course issuer bid.

Subsequent to December 31, 2011, the Company received approval from the TSX to commence another normal course issuer bid for up to 5,811,197 of its common shares, representing approximately 10% of the Company's common shares in the public float. This bid commenced on January 27, 2012 and will end on January 26, 2013, 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 37,069 common shares or 25% of the average daily trading volume of 148,277 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) Stock option plan

Under the Company's stock option plan, the maximum number of stock 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 stock 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 stock options vest on a graded schedule over three years and expire five years from the date of grant.

17. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

b) Stock option plan (Continued)

As at December 31, 2011, 2,352,767 stock options remain available for granting.

The changes in stock options under the plan are as follows:

	December 31, 2011		December 31, 2010	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**6,966**	**$ 7.23**	6,025	$ 7.12
Granted	**1,555**	**7.38**	1,940	7.62
Forfeited	**(696)**	**8.88**	(420)	11.03
Expired	**(845)**	**11.87**	(81)	16.92
Exercised	**(1,085)**	**3.12**	(498)	2.67
Outstanding, end of period	**5,895**	**$ 7.16**	6,966	$ 7.23

[1] Option information is presented as options for thousands of common shares.

For the year ended December 31, 2011, the weighted-average share price at the time of exercise was $7.86 (2010 - $7.35).

Options outstanding and exercisable at December 31, 2011 are 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	1,480	1.5 years	$ 2.62	1,424	$ 2.62
$4.01-$7.00	283	2.4 years	4.41	283	4.41
$7.01-$8.00	2,850	3.1 years	7.50	1,591	7.54
$8.01-$13.00	980	0.3 years	11.75	980	11.75
$13.01-$15.00	302	0.9 years	13.96	302	13.96
	5,895	2.1 years	$ 7.16	4,580	$ 7.14

[2] Option information is presented as options for thousands of common shares.

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

	Year ended December 31, 2011	2010
Option award fair value	**$ 2.38**	$ 2.67
Risk-free interest rate	**1.6%**	1.2%
Expected lives	**2.5 years**	2.5 years
Expected volatility [3]	**50.0%**	56.0%
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, 2011, the Company recorded equity-settled stock-based compensation expense of $3.9 (2010 - $4.8).

17. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

c) Deferred Share Units and Restricted Share Unit Plan

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 at the earlier of: the date designated by the unit holder, or by December 31 of the 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 stock 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.

During the year ended December 31, 2011, the Company granted 113,400 DSUs at a weighted-average grant-date fair value of $7.60, and settled 7,500 DSUs at a weighted-average price of $8.34. The Company also granted 6,790 RSUs with a weighted-average grant-date fair value of $8.10. The Company recorded a liability of $0.8 at December 31, 2011 (2010 - $nil), and cash-settled stock-based compensation expense of $1.0 for the year ended December 31, 2011 (2010 - $nil).

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, 2011, 757,335 (2010 – 802,727) common shares were held by employees under the Share Purchase Plan and 29% of employees participated in the Plan (2010 – 32%).

18. ACCUMULATED OTHER COMPREHENSIVE LOSS

	December 31, 2011	December 31, 2010	January 1, 2010
Accumulated loss on derivatives designated as cash flow hedges, net of income taxes	**$ (5.8)**	$ (3.7)	$ (4.6)
Unrealized effect of foreign currency translation of foreign operations	**(0.7)**	(1.2)	-
Accumulated other comprehensive loss	**$ (6.5)**	$ (4.9)	$ (4.6)

19. REVENUES

	Year ended December 31,	
	2011	2010
Gaming revenues	**$ 281.9**	$ 274.9
Facility Development Commission	**32.1**	30.2
Hospitality and other revenues	**70.4**	67.5
Racetrack revenues	**19.5**	23.3
	403.9	395.9
Less: Promotional allowances	**(15.7)**	(12.4)
Revenues	**$ 388.2**	$ 383.5

20. RESTRUCTURING AND OTHER

The following table summarizes the restructuring and other expenses (recoveries) incurred during the last two years:

	Year ended December 31,	
	2011	2010
Severance	**$ 0.1**	$ 0.3
Vacated head office lease	**(0.4)**	0.1
Other	**0.8**	3.0
Restructuring and other expenses	**$ 0.5**	$ 3.4

21. INCOME TAXES

a) Income tax recognized in net earnings (loss)

The Company's income tax expense is as follows:

		Year Ended December 31,		
		2011		2010
Current tax expense	**$**	**10.2**	$	9.5
Deferred tax expense (recovery)		**0.4**		(4.5)
Total tax expense relating to continuing operations	**$**	**10.6**	$	5.0

The Company's income tax expense for the year can be reconciled to net earnings (loss) as follows:

		Year Ended December 31,		
		2011		2010
Applicable federal and provincial statutory income tax rate [1]		**26.50%**		28.50%
Earnings (loss) before income taxes	**$**	**36.8**	$	(2.9)
Expected income tax expense (recovery)		**9.8**		(0.8)
Effect of:				
Non-deductible stock-based compensation		**1.0**		1.5
Impact of deferred income tax rates applied versus current statutory income tax rate		**(0.5)**		(1.9)
Non-deductible impairment of goodwill		**-**		4.4
Tax rate differential on impairment of long-lived assets		**-**		1.5
Change in recognition of deferred tax assets		**-**		0.5
Other items		**0.3**		(0.2)
Total income tax expense recognized in net earnings (loss)	**$**	**10.6**	$	5.0

[1] The applicable federal and provincial statutory income tax rate used for the 2011 and 2010 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, 2011 from 28.5% to 26.5% due to a decrease in federal income tax rates of 1.5% and a decrease in provincial income tax rates of 0.5%.

b) Income tax recognized in OCI

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

		Year Ended December 31,		
		2011		2010
Changes in fair values of derivatives designated as cash flow hedges	**$**	**1.1**	$	(3.4)
Changes in fair values of derivatives designated as cash flow hedges transferred to net earnings		**(1.6)**		3.9
Total income tax (recovery) expense recognized in OCI	**$**	**(0.5)**	$	0.5

21. 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:

2011	Opening balance	Recognized in net earnings (loss)	Recognized in OCI	**Closing balance**
Temporary differences				
Intangible assets	$ (34.2)	$ 3.8	$ -	**$ (30.4)**
Property, plant and equipment	(28.0)	(3.3)	-	**(31.3)**
Deferred partnership income	(2.2)	(0.2)	-	**(2.4)**
Debt refinancing transaction costs	(0.8)	(0.2)	-	**(1.0)**
Deferred compensation costs	0.2	-	-	**0.2**
Vacated head office lease	0.4	(0.2)	-	**0.2**
Deferred credits	0.6	(0.1)	-	**0.5**
Former debt redemption costs	3.2	(0.8)	-	**2.4**
Cross-currency interest rate and principal swaps	1.3	1.1	0.5	**2.9**
Other	(0.5)	-	-	**(0.5)**
	(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)**

2010	Opening balance	Recognized in net earnings (loss)	Recognized in OCI	**Closing balance**
Temporary differences				
Intangible assets	$ (42.1)	$ 7.9	$ -	**$ (34.2)**
Property, plant and equipment	(27.4)	(0.6)	-	**(28.0)**
Deferred partnership income	(3.6)	1.4	-	**(2.2)**
Debt refinancing transaction costs	(0.3)	(0.5)	-	**(0.8)**
Deferred compensation costs	0.6	(0.4)	-	**0.2**
Vacated head office lease	0.6	(0.2)	-	**0.4**
Deferred credits	0.6	-	-	**0.6**
Cross-currency interest rate and principal swaps	1.8	-	(0.5)	**1.3**
Former debt redemption costs	4.0	(0.8)	-	**3.2**
Other	(0.4)	(0.1)	-	**(0.5)**
	(66.2)	6.7	(0.5)	**(60.0)**
Unused tax losses and credits				
Non-capital loss carry-forwards	3.5	(2.3)	-	**1.2**
Capital loss carry-forwards	1.5	0.1	-	**1.6**
	5.0	(2.2)	-	**2.8**
	$ (61.2)	$ 4.5	$ (0.5)	**$ (57.2)**

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

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets	**$ 9.1**	$ 7.8	$ 5.9
Deferred tax liabilities	**(66.2)**	(65.0)	(67.1)
Net deferred tax liabilities	**$ (57.1)**	$ (57.2)	$ (61.2)

21. INCOME TAXES (Continued)

c) Deferred tax balances (Continued)

The Company has recognized a deferred tax asset for non-capital loss carry-forwards of approximately $2.3 (2010 - $4.6) 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:

2026 - 2031	**$**	**2.3**

The Company has recognized a deferred tax asset for capital loss carry-forwards of $13.5 (2010 - $12.8) 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 $1.9 (2010 - $2.1) of capital losses carried forward, 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.

22. SHAREHOLDERS' NET EARNINGS (LOSS) PER COMMON SHARE

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

		Year ended December 31, 2011	2010
Shareholders' net earnings (loss)	(A)	**$ 26.2**	$ (8.1)
Weighted average number of common shares outstanding [1]	(B)	**82,670**	82,641
Dilutive adjustment for stock options [1]		**1,540**	-
Diluted weighted-average number of common shares [1]	(C)	**84,210**	82,641
Shareholders' net earnings (loss) per common share			
Basic	(A/B)	**$ 0.32**	$ (0.10)
Diluted	(A/C)	**$ 0.31**	$ (0.10)

[1] Share information is presented in thousands of common shares.

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

	Year ended December 31, 2011	2010
Options [2]	**4,107**	6,966

[2] Information is presented in thousands.

23. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Year ended December 31, 2011	2010
Restricted cash - operating	**$ (5.6)**	$ 0.2
Accounts receivable	**(0.1)**	(0.1)
Prepaids, deposits and other assets	**(0.6)**	1.2
Accounts payable and accrued liabilities	**5.4**	(3.4)
	$ (0.9)	$ (2.1)

24. 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 ("US"). 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 are as follows:

	Year ended December 31, 2011			Year ended December 31, 2010		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 365.5**	**$ 133.3**	**$ 53.4**	$ 361.4	$ 132.8	$ 21.7
U.S.	**22.7**	**4.5**	**0.3**	22.1	3.6	0.9
	$ 388.2	**$ 137.8**	**$ 53.7**	$ 383.5	$ 136.4	$ 22.6

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

	Year ended December 31,	
	2011	2010
EBITDA	**$ 137.8**	$ 136.4
Amortization	**58.5**	53.7
Stock-based compensation	**4.9**	4.8
Restructuring and other	**0.5**	3.4
	73.9	74.5
Interest and financing costs, net	**29.5**	28.0
Impairment of long-lived assets	**4.4**	35.1
Impairment of goodwill	**-**	14.2
Foreign exchange loss and other	**3.2**	0.1
Earnings (loss) before income taxes	**$ 36.8**	$ (2.9)

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

	December 31, 2011			December 31, 2010		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 650.5**	**$ 16.7**	**$ 950.4**	$ 649.3	$ 16.7	$ 924.4
U.S.	**13.1**	**6.8**	**25.7**	13.7	6.6	21.8
	$ 663.6	**$ 23.5**	**$ 976.1**	$ 663.0	$ 23.3	$ 946.2

25. 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, 2011	2010
Human resources [1]	**$ 2.9**	$ 3.9
Stock-based compensation [2]	**2.8**	3.0
Total	**$ 5.7**	$ 6.9

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

[2] Stock-based compensation includes equity and cash settled stock-based compensation as per Note 17.

As at December 31, 2011, the liabilities of the Company include amounts due to key management personnel of $1.0 (2010 - $1.3) in the "accounts payable and accrued liabilities" and $0.8 (2010 - $nil) in the "deferred credits, provisions and other liabilities" line of the consolidated statements of financial position.

26. 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, 2011 totalled $1.7 (2010 - $1.6).

27. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

The following table summarizes the changes in the Company's Approved Amounts to be recovered by future FDC receipts from BCLC:

	2011	2010
Opening Approved Amounts at January 1,	**$ 445.1**	$ 385.7
Additional Approved Amounts	**11.4**	89.6
FDC receipts	**(31.6)**	(30.2)
Closing Approved Amounts at December 31,	**$ 424.9**	$ 445.1

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

28. COMMITMENTS, CONTINGENCIES AND LITIGATION

a) Letters of credit

As at December 31, 2011, letters of credit in the amount of $32.3 (2010 - $37.3) were outstanding as security in connection with gaming cash floats and construction projects.

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. The notional equity interest entitled the consultant to future remuneration depending on the operating results of Georgian Downs provided that certain services were performed. The consultant had an option to sell his notional equity interest in Georgian Downs to the Company for consideration calculated using a predefined formula based on Georgian Downs' operating results for the twelve month period preceding the option's exercise. The Company had a call option to purchase the consultant's notional equity interest from June 2012 for consideration calculated using the same predefined formula. 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 have significantly different views as to the consultant's monetary entitlement under the agreement. The consultant filed an application in the Ontario Superior Court of Justice that disputes the validity of the termination of the agreement. The Company also filed a suit in the Ontario Superior Court of Justice seeking a declaration that the agreement has been properly terminated by the Company. Management believes that the Company has acted appropriately with respect to both the termination and the tendering of payment to the consultant and intends to vigorously defend its position. On January 9, 2009, the Ontario Superior Court of Justice (Commercial List) granted an Endorsement which ordered that the consultant's application be converted into an action and be consolidated with the Company's action. At this stage, liability or quantum with respect to this litigation cannot be reasonably determined.

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.

28. 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.

29. 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	
Short-term investments	x		x	
Accounts receivable	x			x
Accounts payable and accrued liabilities		x		x
Long-term debt, and other liabilities		x		x
Measured at fair value:				
Cash	x			x
Restricted cash	x			
Derivative liabilities	x	x	x	x

29. 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, 2011	December 31, 2010	January 1, 2010
Cash in banks	**$ 109.4**	$ 45.7	$ 34.6
Cash equivalents	**15.5**	-	-
Short-term investments	**-**	53.0	-
Restricted cash	**7.1**	1.6	5.6
Accounts receivable	**8.9**	9.3	9.0
	$ 140.9	$ 109.6	$ 49.2

Cash in banks, cash equivalents, short-term investments, and restricted cash: Credit risk associated with these assets is minimized substantially by ensuring that these financial assets are placed in the debt instruments of Canadian and U.S. federal governments and well-capitalized financial institutions.

Accounts receivable and long-term 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, 2011, the provision for doubtful accounts receivable totalled $3.2 (2010 - $2.2).

Cross-currency interest rate and principal swaps: At December 31, 2011, the Company's swap associated with the Term Loan B was in a $41.4 liability position (2010 - $44.7) and the swap associated with the Subordinated Notes was in a $24.9 liability position (2010 - $22.9). The credit risk associated with these cross-currency interest rate and principal swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum "A" credit ratings.

29. FINANCIAL INSTRUMENTS (Continued)

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 14), 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 13). 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, 2011				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 59.0	$ -	$ -	$ -	$ 59.0
Payments related to cross-currency interest rate and principal swaps	27.8	231.6	208.0	-	467.4
Receipts related to cross-currency interest rate and principal swaps	(17.5)	(192.1)	(179.2)	-	(388.8)
Term Loan B and Subordinated Notes	17.5	192.1	179.2	-	388.8
Operating leases	5.0	5.1	2.8	8.2	21.1
Provisions	2.1	0.5	1.3	3.4	7.3
Income taxes payable	0.8	-	-	-	0.8
Other contractual commitments	10.0	3.5	0.7	0.4	14.6
Total	$ 104.7	$ 240.7	$ 212.8	$ 12.0	$ 570.2

The expected payments related to the cross-currency interest rate and principal swaps (see Note 15) represent the Canadian dollar fixed interest and principal payments required under these contracts.

The expected receipts related to the cross-currency interest rate and principal swaps represent the U.S. dollar interest and principal payments due on the Term Loan B and Subordinated Notes, converted to Canadian dollars at the December 31, 2011 foreign currency exchange rate.

The Term Loan B and the Subordinated Notes (see Note 13) amounts represent interest and principal payments, converted to Canadian dollars at the December 31, 2011 foreign currency exchange rate. Similarly, as the Term Loan B bears interest at a floating rate (U.S. LIBOR plus 1.50%), the interest rate applicable at December 31, 2011 of 1.95% has been applied to all future periods in the above table. The Subordinated Notes bear interest at a fixed rate of 7.25%.

29. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk (Continued)

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

Other contractual commitments include amounts committed to NSGC to fund responsible gaming programs of $3.9 (2010 – $5.1), the acquisition of property, plant and equipment of $3.3 (2010 – $14.2), and various service contracts of $7.4 (2010 – $6.3).

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. With the exception of its cross-currency interest rate and principal swaps, the carrying amounts of the Company's financial instruments are not subject to interest rate risk. The following table sets out a sensitivity analysis of the effect on the carrying amount of the Company's financial instruments (with the exceptions of its long-term debt and cross-currency interest rate and principal swaps described below) 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]			
		-25%		+25%	
	Carrying amount December 31, 2011	Net earnings (loss)	OCI	Net earnings (loss)	OCI
Financial Assets					
Cash and cash equivalents	$ 134.7	$ (1.3)	$ (1.2)	$ 1.3	$ 1.2
Accounts receivable	8.9	(0.1)	-	0.1	-
Financial Liabilities					
Accounts payable and accrued liabilities	59.0	0.2	0.6	(0.2)	(0.6)
Total (decrease) increase		$ (1.2)	$ (0.6)	$ 1.2	$ 0.6

[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 25% from the actual period end rate.

29. FINANCIAL INSTRUMENTS (Continued)

c) *Market risk (Continued)*

Long-term debt and cross-currency interest rate and principal swaps
The Company is required to make payments on the Term Loan B and Subordinated Notes in U.S. dollars. The Company has mitigated its exposure to fluctuations in interest rates and foreign currency rates related to its U.S. dollar denominated debt. The Company entered into a series of cross-currency interest rate and principal swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt (see Notes 13 and 15). The fair values of the U.S. dollar denominated debt and related cross-currency interest rate and principal swap derivatives fluctuate with changes in market interest rates and foreign exchange rates, but their respective future cash flows do not fluctuate. Consequently, absent early redemption at the Company's option, the market risks of the U.S. dollar denominated debt and cross-currency interest rate and principal swaps are effectively eliminated.

Revolving Credit Facility
The Revolving Credit Facility has interest rates on advanced amounts and a commitment 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 14). The following table summarizes the interest rate and commitment 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	Commitment Fee
>= 4.50	3.500%	2.500%	0.875%
4.00 to < 4.50	3.000%	2.000%	0.750%
3.50 to < 4.00	2.750%	1.750%	0.688%
3.00 to < 3.50	2.375%	1.375%	0.594%
2.50 to < 3.00	2.125%	1.125%	0.531%
2.00 to <2.50	1.875%	0.875%	0.469%
< 2.00	1.625%	0.625%	0.406%

29. FINANCIAL INSTRUMENTS (Continued)

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, short-term investments 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. At December 31, 2011, the fair values of the Company's cash equivalents totaled $15.5 (2010 - $nil), the fair values of the Company's short-term investments totalled $nil (2010 - $53.0), and the fair values of the Company's long-term debt instruments totalled $337.8 (2010 - 334.0).

The fair values of the Company's cross-currency interest rate and principal swaps at December 31, 2011 were in a combined liability position of $66.3 (2010 - $67.6 liability) and were determined based on a credit risk adjusted discounted cash flows. The cross-currency interest rate and principal swaps are considered Level 2 liabilities as the model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at December 31, 2011.

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets, or Level 3 financial assets or liabilities that require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data.

30. 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"). The CBA operated Chilliwack Bingo, a bingo hall located in Chilliwack, British Columbia, whose Bingo Operational Services Agreement ("BOSA") is scheduled for renewal in May 2016. The CBA also owned an approximately five-acre site in Chilliwack, which the Company purchased and intends to utilize for the development of a community gaming centre.

The purchase price included 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 generated by a future community gaming centre. There is no maximum contingent future trailing payment, however, the Company estimates that the undiscounted contingent trailing payments will likely range from $2.4 to $4.0. 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. As at December 31, 2011, the discounted contingent trailing payment liability was $1.0.

The total purchase price of $11.0 was allocated to current assets of $0.4, land of $5.7, intangible assets of $5.3, and current liabilities of $0.4. The acquisition had an insignificant impact on the Company's consolidated financial results.

31. TRANSITION TO IFRS

These consolidated financial statements were prepared in accordance with the accounting policies described in Note 2 and in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The first date at which IFRS was applied was January 1, 2010 (the "Transition Date") and the Company has prepared its IFRS opening consolidated statement of financial position at that date. In accordance with IFRS 1, the Company has:

- applied the same accounting policies throughout all periods presented;
- applied the policies on a retrospective basis, subject to any mandatory exceptions or any optional exemptions elected which require or allow a different basis of application; and
- selected and applied accounting policies based on the IFRSs effective as at the end of the first IFRS annual reporting period, which is December 31, 2011 for the Company and its subsidiaries.

a) Initial elections upon first-time adoption

IFRS 1 includes a number of elective exemptions and mandatory exceptions that allow or require a first-time adopter to implement certain standards in a manner other than full retrospective application. Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS elective exemption options

Business combinations – IFRS 1 provides an option to apply IFRS 3, *Business Combinations*, ("IFRS 3") on a full retrospective basis or prospectively from the Transition Date onwards. The full retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to the Transition Date and such business combinations have not been restated. As required under the IFRS 1 exemption, the Company has performed a goodwill impairment test at the Transition Date. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

Currency translation differences – Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. The Company elected to reset all cumulative translation gains and losses to zero in opening retained earnings at the Transition Date.

31. TRANSITION TO IFRS (Continued)

a) Initial elections upon first-time adoption (Continued)

Share-based payments – IFRS 2, *Share-based Payments*, ("IFRS 2"), encourages application of its provisions to all equity instruments within the scope of IFRS 2, but allows a first-time adopter to apply the requirements only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. Similarly, a first-time adopter may elect to apply IFRS 2 only to liabilities within the scope of IFRS 2, that were not settled at the date of transition. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the Transition Date. Further, the Company applied IFRS 2 only to those liabilities arising from share-based payment transactions that existed at the Transition Date.

Fair value as deemed cost – IFRS 1 permits the Company to take an election to record assets of its choice at their fair value as their deemed cost on transition. The Company elected to apply the exemption to land held for development for more than 24 months and engaged a third party appraiser to prepare valuations for these properties. As a result of this election, the Company has recorded a reduction in the carrying value of property, plant and equipment and a corresponding reduction to retained earnings at the Transition Date.

Borrowing costs – IFRS 1 permits a first-time adopter to elect to apply the transitional provisions of IAS 23, *Borrowing Costs*, ("IAS 23") as an alternative to full retrospective application. The Company has elected to apply this exemption and therefore is not required to restate borrowing costs previously incurred under historical Canadian GAAP.

Leases – Retrospective application of IFRS would require the Company to reevaluate whether its contracts contain a lease as required by IFRIC 4, *Determining whether an Arrangement contains a Lease*, The Company has elected to apply the exemption under IFRS, which does not require this reassessment if these contracts were already evaluated under previous GAAP.

31. TRANSITION TO IFRS (Continued)

a) Initial elections upon first-time adoption (Continued)

IFRS mandatory exceptions

Set forth below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from Canadian GAAP to IFRS.

Hedge accounting – Hedge accounting can only be applied prospectively from the Transition Date to financial instruments that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of the Transition Date are reflected as hedges in the Company's results under IFRS. All derivatives were recorded at fair value in the consolidated statements of financial position.

Estimates – Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

Non-controlling interests – Certain requirements of IAS 27 (2008) are required to be applied on a prospective basis unless IFRS 3 is applied retrospectively. As the Company has elected not to apply IFRS 3 retrospectively, prospective application of IAS 27 (2008) is required for the provisions related to accounting for changes in ownership interests and the allocation of comprehensive income between non-controlling interest and the parent.

31. TRANSITION TO IFRS (Continued)

b) Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income from historical Canadian GAAP to IFRS at the Transition Date and as at, and for the period ending on, the last Canadian GAAP reporting date. The following represents the reconciliations from historical Canadian GAAP to IFRS for the respective periods noted for equity, net loss and comprehensive loss:

Reconciliation of Equity

As at	Note	December 31, 2010	January 1, 2010
Shareholders' equity under Canadian GAAP		$ 419.1	$ 434.4
Differences increasing (decreasing) reported shareholders' equity:			
Impairments of long-lived assets	i	(10.6)	(26.8)
Fair value as deemed cost	ii	(10.9)	(10.9)
Contingent consideration	iii	(1.1)	-
Amortization	iv	2.2	-
Income taxes	vii	2.4	6.7
Shareholders' equity under IFRS		$ 401.1	$ 403.4

Reconciliation of Net Loss

For the year ended	Note	December 31, 2010
Net loss under Canadian GAAP		$ (21.9)
Differences in GAAP decreasing (increasing) reported net loss:		
Impairments	i	16.2
Contingent consideration	iii	(1.1)
Amortization	iv	2.2
Foreign currency translation adjustment	v	0.4
Stock-based compensation	vi	0.6
Income taxes	vii	(4.3)
Net loss under IFRS		$ (7.9)

Reconciliation of Comprehensive Loss

For the year ended	December 31, 2010
Comprehensive loss under Canadian GAAP	$ (21.8)
Differences in GAAP decreasing (increasing) reported comprehensive loss:	
Differences in net loss, net of tax	14.0
Foreign currency translation adjustments	(0.4)
Comprehensive loss under IFRS	$ (8.2)

31. TRANSITION TO IFRS (Continued)

b) Reconciliation of Canadian GAAP to IFRS (Continued)

(i) Impairments of long-lived assets

Recoverable Amount

Historical Canadian GAAP policy – A recoverability test for long-lived assets was performed by first comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If the undiscounted cash flows of the asset were less than its carrying value, an impairment loss was calculated as the excess of the asset's carrying amount over its fair value. The best evidence of fair value was the value obtained from an active market or binding sale agreement. Where neither exists, fair value was based on the best information available to reflect the amount the Company could receive for the asset in an arm's length transaction. This amount was often estimated using discounted cash flow techniques.

Current IFRS policy – The impairment loss is calculated as the excess of the asset's (or CGU's) carrying amount over its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Under the value in use calculation, the expected future cash flows from the asset (or CGU) are discounted to their net present value. IFRS does not include the evaluation of the undiscounted expected future cash flows.

Impact – At the Transition Date, the Company recognized an impairment related to Hastings Racecourse, which resulted in a lower impairment recognized during the fourth quarter of 2010 under IFRS than that under Canadian GAAP. In accordance with IFRS, the Company recognized additional impairments related to Flamboro Downs during the fourth quarter of 2010.

(ii) Fair value as deemed cost

As previously noted in the section entitled "IFRS elective exemption options", the Company has applied the one-time exemption to restate the carrying values of $27.1 of land held for development for more than 24 months to their fair value of $16.2 as deemed cost.

(iii) Contingent consideration

Historical Canadian GAAP policy – For business combinations prior to January 1, 2010, contingent consideration was recognized as part of the cost of the purchase when it could be reasonably estimated, and the outcome of the contingency could be determined beyond reasonable doubt. Subsequent adjustments in relation to contingent consideration were reflected in goodwill.

Current IFRS policy – Contingent consideration is measured at fair value at the acquisition date, and subsequent goodwill adjustments associated with changes in the fair value of contingent consideration are prohibited. Subsequent adjustments to the fair value of contingent consideration are recorded in the consolidated statements of earnings (loss) in the period they occur.

Impact – The Company recognized an expense for the contingent trailing payments associated with its 2008 acquisition of Maple Ridge Community Gaming Centre (formerly Haney Bingo Plex), which was previously treated as an increase in goodwill.

31. TRANSITION TO IFRS (Continued)

b) Reconciliation of Canadian GAAP to IFRS (Continued)

(iv) Amortization

As previously noted in the "impairments of long-lived assets" section, the Company recorded an IFRS impairment adjustment at the Transition Date, resulting in a decrease in the carrying amount of certain assets. Consequently, under IFRS, the amortization expense decreased during the year ended December 31, 2010.

(v) Foreign currency translation adjustment

As previously noted in the section entitled "IFRS elective exemption options," the Company has applied the one-time exemption to set the foreign currency cumulative translation adjustment ("CTA") to zero as of January 1, 2010. The application of the exemption resulted in an adjustment in accumulated other comprehensive loss and retained earnings, with a $nil impact on total equity. Additionally, deferred foreign currency gains and losses on loans repaid that are reclassified into earnings from CTA will differ under IFRS since they exclude the translation differences that arose before the Transition Date.

(vi) Stock-based compensation

Recognition of Expense

Historical Canadian GAAP policy – Certain share-based awards made by the Company were subject to graded vesting conditions wherein the awards vest in discrete tranches over the vesting period of the award. The total fair value of these awards was expensed on a straight-line basis over the expected life of the stock option.

Current IFRS policy – Where an award contains graded vesting conditions, each tranche in the award is considered a separate grant at each vesting date, with its own fair value.

Impact – The Company increased the cumulative expense recognized for share-based awards at the Transition Date. Due to this accelerated recognition of the expense, the Company decreased stock-based compensation expense during the year ended December 31, 2010.

Forfeitures

Historical Canadian GAAP policy – Forfeitures of awards were recognized as they occurred.

Current IFRS policy – At the grant date, an estimate is made of the number of awards expected to vest and is revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.

Impact – The Company decreased its expense for unvested share-based awards during the year ended December 31, 2010.

31. TRANSITION TO IFRS (Continued)

b) Reconciliation of Canadian GAAP to IFRS (Continued)

(vi) Stock-based compensation

Transactions with parties other than employees

Historical Canadian GAAP policy – An individual meets the definition of an employee if the Company represents that individual to be an employee under law. Goods and services received from non-employees are generally measured at the grant date, and re-measured until the goods have been received, or services have been rendered.

Current IFRS policy – An individual meets the definition of an employee if the Company represents that individual to be an employee under law, or if the individual provides services similar to those rendered by employees. Goods or services received from non-employees are measured at the date the Company receives the relevant goods or services.

Impact – More individuals were considered employees under IFRS. The Company decreased its expense for unvested share-based awards associated with non-employees during the year ended December 31, 2010.

(vii) Income taxes

Initial acquisition of assets and liabilities

Historical Canadian GAAP policy – When an asset was acquired other than in a business combination and the tax basis of that asset was less than its cost, the cost of deferred taxes recognized at the time of acquisition was added to the cost of the asset. Conversely, when an asset was acquired other than in a business combination and the tax basis of that asset was greater than its cost, the benefit related to deferred taxes recognized at the time of acquisition was deducted from the cost of the asset.

Current IFRS policy – Deferred taxes are not recognized on the initial acquisition of an asset or liability, unless the asset or liability was acquired in a business combination or the transaction affected accounting earnings or taxable income.

Impact – The Company derecognized deferred taxes associated with assets and liabilities with temporary differences that were initially acquired outside of a business combination and did not affect accounting earnings or taxable income.

31. TRANSITION TO IFRS (Continued)

b) Reconciliation of Canadian GAAP to IFRS (Continued)

(vii) Income taxes (Continued)

Items recognized outside earnings

Historical Canadian GAAP policy – Costs related to the issue of share capital and the related deferred taxes were charged to share capital and contributed surplus when incurred. Changes in deferred tax balances recognized as a result of changes in tax laws or rates were included in income because such changes are considered to be a result of normal business activities, regardless of whether the deferred tax balances relate to transactions that were originally recorded to equity accounts or earnings.

Current IFRS policy – Income taxes relating to transactions originally recorded to equity accounts are credited or charged to the respective equity account.

Impact – The Company decreased share capital and contributed surplus and increased retained earnings for income tax expense relating to prior periods' changes in deferred tax balances recognized as a result of changes in tax rates for share issue costs originally recorded in share capital and contributed surplus.

Income tax effect of other reconciling differences between Canadian GAAP and IFRS

Differences for income taxes include the effect of recording, where applicable, the deferred tax effect of other differences between Canadian GAAP and IFRS.

c) Presentation Reclassifications

(i) Provisions

Historical Canadian GAAP presentation – Provisions that were current in nature were presented as part of “accounts payable and accrued liabilities”.

Current IFRS presentation – Provisions that are current in nature are presented as part of “other liabilities”.

(ii) Statement of cash flows

Historical Canadian GAAP presentation – Cash flows relating to income taxes, interest received and paid were previously disclosed as a supplemental disclosure to the consolidated statements of cash flows.

Current IFRS presentation – Cash flows relating to income taxes, interest received and paid are separately disclosed within the statement classifications. “Income taxes” is classified as “cash flows from operating activities.” “Interest received” is classified as “cash flows from investing activities” as it primarily relates to interest income from the Company’s cash equivalents and short-term investments. “Interest paid” is classified as “cash flows from financing activities” as it primarily relates to interest expense on the Company’s borrowings.

31. TRANSITION TO IFRS (Continued)

The following tables present the measurement and presentation differences between the Company's historical Canadian GAAP consolidated statements of financial position, consolidated statement of earnings (loss) and consolidated statement of comprehensive income (loss) compared to those required under its current IFRS policies for the periods presented.

Reconciliation of the consolidated statement of financial position as at January 1, 2010

Canadian GAAP Accounts	Under Canadian GAAP	Measurement adjustments	Presentation and other adjustments	Under IFRS	IFRS Accounts
ASSETS					**ASSETS**
CURRENT					CURRENT
Cash and cash equivalents	$ 34.6	$ -	$ -	$ 34.6	Cash and cash equivalents
Restricted cash	5.6	-	-	5.6	Restricted cash
Accounts receivable	9.0	-	-	9.0	Accounts receivable
Prepaids, deposits and other assets	7.2	-	-	7.2	Prepaids, deposits and other assets
	56.4	-	-	56.4	
Property, plant and equipment	735.6	(27.4)	-	708.2	Property, plant and equipment
Intangible assets	167.6	(11.2)	-	156.4	Intangible assets
Goodwill	37.9	-	-	37.9	Goodwill
Future income taxes	2.0	3.9	-	5.9	Deferred tax assets
Other assets	4.6	-	-	4.6	Other assets
	$ 1,004.1	$ (34.7)	$ -	$ 969.4	
LIABILITIES					**LIABILITIES**
CURRENT					CURRENT
Accounts payable and accrued liabilities	$ 63.4	$ -	$ (0.7)	$ 62.7	Accounts payable and accrued liabilities
Income taxes payable	0.1	-	-	0.1	Income taxes payable
Long-term debt, deferred credits and other liabilities, current	2.9	-	0.7	3.6	Other liabilities
	66.4	-	-	66.4	
Long-term debt	356.9	-	-	356.9	Long-term debt
Derivative liabilities	50.8	-	-	50.8	Derivative liabilities
Deferred credits and other liabilities	27.0	(2.2)	-	24.8	Deferred credits, provisions and other liabilities
Future income taxes	68.6	(1.5)	-	67.1	Deferred tax liabilities
	569.7	(3.7)	-	566.0	
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**
Share capital and contributed surplus	347.6	1.2	-	348.8	Share capital and contributed surplus
Accumulated other comprehensive loss	(10.4)	5.8	-	(4.6)	Accumulated other comprehensive loss
Retained earnings	97.2	(38.0)	-	59.2	Retained earnings
	434.4	(31.0)	-	403.4	
	$ 1,004.1	$ (34.7)	$ -	$ 969.4	

31. TRANSITION TO IFRS (Continued)

Reconciliation of the consolidated statement of financial position as at December 31, 2010

Canadian GAAP Accounts	Under Canadian GAAP	Measurement adjustments	Presentation and other adjustments	Under IFRS	IFRS Accounts
ASSETS					**ASSETS**
CURRENT					CURRENT
Cash and cash equivalents	$ 50.9	$ -	$ -	$ 50.9	Cash and cash equivalents
Short-term investments	53.0	-	-	53.0	Short-term investments
Restricted cash	1.6	-	-	1.6	Restricted cash
Accounts receivable	9.3	-	-	9.3	Accounts receivable
Prepaids, deposits and other assets	5.9	-	-	5.9	Prepaids, deposits and other assets
	120.7	-	-	120.7	
Property, plant and equipment	675.9	(12.9)	-	663.0	Property, plant and equipment
Intangible assets	136.7	(7.3)	-	129.4	Intangible assets
Goodwill	24.4	(1.1)	-	23.3	Goodwill
Future income taxes	7.7	0.1	-	7.8	Deferred tax assets
Other assets	2.0	-	-	2.0	Other assets
	$ 967.4	$ (21.2)	$ -	$ 946.2	
LIABILITIES					**LIABILITIES**
CURRENT					CURRENT
Accounts payable and accrued liabilities	$ 52.3	$ -	$ (1.0)	$ 51.3	Accounts payable and accrued liabilities
Income taxes payable	5.4	-	-	5.4	Income taxes payable
Long-term debt, deferred credits and other liabilities, current	3.1	-	1.0	4.1	Other liabilities
	60.8	-	-	60.8	
Long-term debt	325.8	-	-	325.8	Long-term debt
Derivative liabilities	67.6	-	-	67.6	Derivative liabilities
Deferred credits and other liabilities	28.1	(2.2)	-	25.9	Deferred credits, provisions and other liabilities
Future income taxes	66.0	(1.0)	-	65.0	Deferred tax liabilities
	548.3	(3.2)	-	545.1	
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**
Share capital and contributed surplus	354.3	0.6	-	354.9	Share capital and contributed surplus
Accumulated other comprehensive loss	(10.3)	5.4	-	(4.9)	Accumulated other comprehensive loss
Retained earnings	75.1	(24.0)	-	51.1	Retained earnings
	419.1	(18.0)	-	401.1	
	$ 967.4	$ (21.2)	$ -	$ 946.2	

31. TRANSITION TO IFRS (Continued)

Reconciliation of the consolidated statement of earnings (loss) for the year ended December 31, 2010

Canadian GAAP Accounts	Under Canadian GAAP	Measurement adjustments	Under IFRS	IFRS Accounts
REVENUES	$ 383.5	$ -	$ 383.5	REVENUES
EXPENSES				EXPENSES
Human resources	153.2	-	153.2	Human resources
Property, marketing and administration	93.9	-	93.9	Property, marketing and administration
Amortization	55.9	(2.2)	53.7	Amortization
Stock-based compensation	5.4	(0.6)	4.8	Stock-based compensation
Restructuring and other	2.3	1.1	3.4	Restructuring and other
	310.7	(1.7)	309.0	
	72.8	1.7	74.5	
Interest and financing costs, net	28.0	-	28.0	Interest and financing costs, net
Impairment of long-lived assets	51.3	(16.2)	35.1	Impairment of long-lived assets
Impairment of goodwill	14.2	-	14.2	Impairment of goodwill
Foreign exchange loss (gain) and other	0.5	(0.4)	0.1	Foreign exchange loss (gain) and other
(LOSS) EARNINGS BEFORE INCOME TAXES	(21.2)	18.3	(2.9)	(LOSS) EARNINGS BEFORE INCOME TAXES
Income taxes	0.7	4.3	5.0	Income taxes
NET (LOSS) EARNINGS	$ (21.9)	$ 14.0	$ (7.9)	NET (LOSS) EARNINGS
NET (LOSS) EARNINGS ATTRIBUTABLE TO:				NET (LOSS) EARNINGS ATTRIBUTABLE TO:
Shareholders of the Company	$ (22.1)	$ 14.0	$ (8.1)	Shareholders of the Company
Non-controlling interests	0.2	-	0.2	Non-controlling interests
	$ (21.9)	$ 14.0	$ (7.9)	
SHAREHOLDERS' NET LOSS PER COMMON SHARE				SHAREHOLDERS' NET LOSS PER COMMON SHARE
Basic	$ (0.27)		$ (0.10)	Basic
Diluted	$ (0.27)		$ (0.10)	Diluted

Reconciliation of the consolidated statement of comprehensive income (loss) for the year ended December 31, 2010

Canadian GAAP Accounts	Under Canadian GAAP	Measurement adjustments	Under IFRS	IFRS Accounts
Net (loss) earnings	$ (21.9)	$ 14.0	$ (7.9)	Net (loss) earnings
Other comprehensive (loss) income, net of tax				Other comprehensive (loss) income, net of tax
Changes in fair values of derivatives	(13.4)	-	(13.4)	Changes in fair values of derivatives
Loss on derivatives	14.3	-	14.3	Loss on derivatives
Changes in foreign currency translation adjustments	(0.8)	(0.4)	(1.2)	Changes in foreign currency translation adjustments
Other comprehensive income (loss)	0.1	(0.4)	(0.3)	Other comprehensive income (loss)
Comprehensive (loss) income	$ (21.8)	$ 13.6	$ (8.2)	Comprehensive (loss) income
Comprehensive (loss) income attributable to:				Comprehensive (loss) income attributable to:
Shareholders of the Company	$ (22.0)	$ 13.6	$ (8.4)	Shareholders of the Company
Non-controlling interests	0.2	-	0.2	Non-controlling interests
	$ (21.8)	$ 13.6	$ (8.2)	