EXHIBIT

7–Exhibit VIII. A.7.b

7 FINANCIAL STATEMENTS

ANNUAL REPORT 2013

CLAIRVEST

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KNOWLEDGE BASED - VALUE FOCUSED

CLAIRVEST

CLAIRVEST IS ONE OF CANADA'S LEADING PROVIDERS OF PRIVATE EQUITY FINANCING TO MID-MARKET COMPANIES AND CURRENTLY HAS APPROXIMATELY C$1.2 BILLION OF CAPITAL UNDER MANAGEMENT.

CLAIRVEST MANAGES ITS OWN CAPITAL AND THAT OF THIRD PARTIES, THROUGH THE CLAIRVEST EQUITY PARTNERS LIMITED PARTNERSHIPS.

CLAIRVEST PARTNERS WITH MANAGEMENT TO INVEST IN PROFITABLE, SMALL AND MID-SIZED NORTH AMERICAN COMPANIES WITH THE GOAL OF HELPING TO BUILD VALUE IN THE BUSINESS AND GENERATE SUPERIOR LONG TERM FINANCIAL RETURNS FOR INVESTORS.

CLAIRVEST SPECIALIZES IN CONSOLIDATING INDUSTRIES WITHIN A SPECIFIED REGION AND IN THE LOCAL MARKET CASINO INDUSTRY.

OUR LONG-TERM APPROACH ONCE AGAIN REWARDED OUR COMPANY AND OUR SHAREHOLDERS

FELLOW SHAREHOLDER,

Consistency and discipline have always been the hallmarks of Clairvest's investment strategy. During the past year, our long-term approach once again rewarded our company and our shareholders. Despite a flat year for the private equity industry, Clairvest was very busy and completed the year with two new portfolio investments, a successful exit for PEER 1 and several significant milestones in the existing portfolio. New investments and the strength of our portfolio contributed to a 10% increase in book value per share for the year ended March 31, 2013, increasing to $23.12, compared to $20.93 in the prior year, despite having average cash balances of 37% of book value during the year.

As the private equity industry enters 2013, the industry is poised to benefit from strengthening credit markets and a revival of the deal-making environment. This means that demand for attractive opportunities will be on the rise, along with valuation multiples. However, while we pay attention to macro trends, Clairvest is not influenced by the ebbs and flows of the deal-making environment. With our focus on growth investments in sectors we know and close working partnerships with experienced entrepreneur partners, our eye is fixed on the long term. We keep our focus on intrinsic value creation and strategic deployment of our investors' capital. As we conclude the fiscal year with a strong balance sheet and a solid liquidity position, we are well positioned to continue putting our proven strategy to work for our investors.

NEW INVESTMENTS

During the fiscal year we added two new investments to the portfolio. Both are within chosen industry niches and the result of a focused and patient approach to proprietary deal flow. The first investment in Contractors Rental Supply builds on our experience in the equipment rental space and the second investment in MAG Defense Services is a result of conscientious research into the a growing sub segment of the specialty aviation industry. In April 2013, subsequent to year end, we completed an investment in County Waste of Virginia, our third investment in the solid waste management industry, a core domain for Clairvest since 2005. We are supporting our former partner from a successful solid waste company investment that we exited in 2011. We are privileged that we were chosen again as partners and look forward to building on our previous success together.

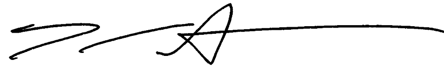
RESULTS

Our value creation performance continues to be greater than many public market indices. Over the past 17 years, Clairvest has consistently delivered growth in its book value per share, producing a compounded annual growth rate of 10% including dividends, on an after-tax basis, compared with 6.6% pre-tax for the S&P 500. This return is the aggregate of high returns on our invested capital and modest money market returns on our cash balances, which have averaged 36% of our book value over the period, providing our shareholders with a solid risk adjusted return.

OUR THANKS

The Company's successes are due to the combined efforts of people in many roles. We acknowledge the consistent hard work and dedications of Clairvest's employees. The exceptional dedication of the management teams of our investee companies must be noted, along with the commitment of our limited partners, plus the advice and counsel of our Board of Directors.

Most of all, we extend our appreciation to Clairvest shareholders, for their continued confidence.



B. Jeffrey Parr
Co-Chief Executive Officer

Ken Rotman
Co-Chief Executive Officer

June 25, 2013

The Management's Discussion and Analysis ["MD&A"] of financial condition and results of operations analyzes significant changes in Clairvest Group Inc.'s consolidated financial results, financial position, risks and opportunities. It should be read in conjunction with the Consolidated Financial Statements.

The following MD&A is the responsibility of Management and is as of June 25, 2013. The Board of Directors carries out its responsibility for review of this disclosure through its Audit Committee. The Audit Committee reviews the disclosure and recommends its approval to the Board of Directors. The Board of Directors has approved this disclosure.

INTRODUCTION

Clairvest Group Inc. ["Clairvest" or the "Company"] is a private equity investor that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ["CEP"], Clairvest Equity Partners III Limited Partnership ["CEP III"], Clairvest Equity Partners IV Limited Partnership ["CEP IV"] and Clairvest Equity Partners IV-A Limited Partnership ["CEP IV-A"] [together, the "CEP Funds"] in a small number of carefully selected companies that have the potential to generate superior returns.

The Company's shares are traded on the Toronto Stock Exchange under the stock symbol "CVG".

At March 31, 2013, Clairvest had 15 core investments in 8 different industries. Three of these investments are joint investments with CEP, five are joint investments with CEP III and six are joint investments with CEP IV and CEP IV-A [together, the "CEP IV Fund"]. Clairvest also holds an investment in Wellington Financial Fund IV ["Wellington Fund IV"].

OVERVIEW OF FISCAL 2013

An overview of the significant events during fiscal 2013 follows:

- Clairvest's book value increased $33.3 million, or $2.19 per share. The increase was primarily due to net income of $2.36 per share, net of $0.2093 per share in dividends paid.
- Clairvest and CEP III sold their interests in PEER 1 Network Enterprises Inc. ["PEER 1"], a global online IT infrastructure provider based in Vancouver, British Columbia, for cash proceeds of $79.8 million. On a combined $25.2 million investment, Clairvest and CEP III generated a pre-tax return of 3.2 times and an internal rate of return of 40% over a 3.5 year investment period. Consistent with its ownership percentage, Clairvest realized $19.9 million on a $6.3 million investment. During fiscal 2013, Clairvest recorded a $9.5 million pre-tax gain on its investment in PEER 1, inclusive of $0.5 million in foreign exchange gain.
- Rivers Casino, a gaming entertainment complex located in Des Plains, Illinois, completed a financing which resulted in a distribution to its investors. As a result of the financing, Clairvest, the CEP IV Fund and co-investors received distributions and promissory note repayments totaling US$83.9 million. In addition, Clairvest, the CEP IV Fund and co-investors also received quarterly distributions, interest and fee payments which brought total cash proceeds in fiscal 2013 to US$125.9 million against an aggregate original investment of US$79.9 million. Consistent with its ownership percentage, Clairvest received US$15.8 million on an original US$8.5 million investment. During fiscal 2013, Clairvest recorded $10.0 million in pre-tax income from its investment in Rivers Casino, comprised primarily of $13.2 million in distributions and interest

income, $0.5 million in fees net of a $3.8 million net unrealized loss as a result of the $13.2 million distributions received.

- Centaur Gaming [formerly Centaur, LLC] completed the acquisition of Indiana Grand Casino and Indiana Downs Racetrack ["Indiana Grand"], and together with its ownership in Hoosier Park Racing Casino, owns both racinos in the Indianapolis region. Clairvest, CEP IV, CEP IV-A and other co-investors [the "investors"] advanced US$9.1 million in promissory notes during the acquisition process and invested US$30.4 million in support of the acquisition. The investment was by way of unsecured term loans with stapled warrants which subject to regulatory approval are convertible upon exercise into 35.8% of the Class B units of Centaur Gaming. Prior to this investment, the investors had an aggregate investment in Centaur Gaming of US$103.5 million in post-petition first and second lien loans, unsecured term loans with stapled warrants and promissory notes from an unrelated investment partner [the "Investment Partner"]. In conjunction of this transaction, Centaur Gaming completed a financing which resulted in full repayment of its post-petition first and second lien loans and promissory notes. The investors received US$91.0 million in principal repayments during fiscal 2013, comprised of a US$58.6 million full repayment of the post-petition first lien secured loans, a US$22.2 million full repayment of the post-petition second lien secured loans, US$9.1 million full repayment of the promissory notes advanced during the acquisition process and US$1.1 million full repayment of the promissory note from the Investment Partner. Consistent with its ownership, Clairvest had an investment in Centaur Gaming of US$29.0 million at March 31, 2012 and advanced a US$7.4 million promissory note during the acquisition process and invested US$8.4 million in unsecured term loans with stapled warrants in support of the acquisition. The warrants, which subject to regulatory approval, are convertible upon exercise to 9.9% of Class B units of Centaur Gaming. Clairvest received total principal repayments of US$30.3 million during fiscal 2013, comprised of US$16.4 million full repayment of the post-petition first lien secured loans, a US$6.2 million full repayment of the post-petition second lien secured loans, US$7.4 million full repayment of the promissory note and US$0.3 million full repayment of the promissory note from the Investment Partner, such that Clairvest's net investment in Centaur Gaming at March 31, 2013 was US$14.5 million. Subsequent to the financing, Clairvest made a treasury investment in Centaur Gaming in the form of a US$6.0 million first lien secured loans and a US$6.0 second lien secured loans, the aggregate carrying value of which at March 31, 2013 was $12.3 million and has been included in temporary investments on the balance sheet. During fiscal 2013, Clairvest recorded $6.0 million in pre-tax income from its investment in Centaur Gaming, comprised primarily of $3.8 million in unrealized gains and $2.0 million in interest income.
- Clairvest, CEP III and co-investors earned $12.5 million in dividends through their investment in Chilean Gaming Holdings, bringing total dividends earned to March 31, 2013 to $17.4 million, or 22% of their invested capital. Consistent with its ownership, Clairvest earned $4.6 million in dividends through its investment in Chilean Gaming Holdings, and together with $6.4 million in unrealized gains and $0.8 million in foreign exchange costs, recorded $10.2 million in pre-tax income from its investment in Chilean Gaming Holdings during fiscal 2013.
- Clairvest made a $6.8 million provision for its investment in Landauer Metropolitan Inc. ["Landauer"], due to an anticipated material adverse change to the profitability of Landauer in the near term as a result of the recently completed Medicare competitive bidding process in the United States.

- Clairvest and the CEP IV Fund invested $39.5 million in CRS Contractors Rental Supply Limited Partnership ["CRS"], a provider of equipment rental services and related merchandise across 21 locations in Ontario, Canada. Clairvest's portion of the investment is $10.6 million.
- Clairvest and the CEP IV Fund invested US$7.0 million in MAG Defense Services ["MAG"], a U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider. Clairvest's portion of the investment is US$1.9 million.
- Clairvest reached a court approved settlement with certain parties with respect to a $10.0 million loan advanced during fiscal 2006 and 2007 which was written off during fiscal 2007. Clairvest recorded pre-tax income of $7.8 million on this settlement, without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2013. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.
- Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 756,204 of its common shares in the 12-month period commencing March 6, 2013. No purchases have been made under this bid to June 25, 2013. As at June 25, 2013, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last ten years. As at June 25, 2013, 15,124,095 common shares are outstanding.
- Clairvest paid an annual ordinary dividend of $0.10 per share and a special dividend of $0.1093 per share, such that in aggregate, the dividends represented 1% of the March 31, 2012 book value. The dividends were paid on July 26, 2012 to common shareholders of record as of July 9, 2012. The dividends were eligible dividends for Canadian income tax purposes.

OUTLOOK

At March 31, 2013, Clairvest's current management team has made 34 platform investments in 10 different industries and has exited 22 investments which have generated 2.6 times invested capital on realized and substantially realized investments. From inception, the Company has invested its own capital in every investment. Clairvest's team of professionals have all invested significant amounts of capital in the Company which allows Clairvest to approach each investment as owners and shareholders.

At March 31, 2013, Clairvest had $174.5 million in cash, cash equivalents and temporary investments, access to $95.0 million in credit facilities and $261.1 million of additional capital available through the CEP Funds to fund new and follow-on investments. With a strong financial position, Clairvest has the ability to support the growth of its investee companies and to continue its active pursuit of new investment opportunities.

At March 31, 2013, Clairvest had approximately $1.2 billion in capital under management, $834 million of which is third-party capital. The third-party capital provides Clairvest with a steady stream of revenue over the next few years and provides the ability for Clairvest to enhance its returns by earning a carried interest.

Clairvest's latest capital pool with the CEP IV Fund totals $467 million, $125 million of which is committed by Clairvest. At March 31, 2013, 40% of this capital pool has been invested in 6 different investments. Subsequent to year end, Clairvest and the CEP IV Fund invested a combined US$15.0 million for a 46.9% ownership in County Waste of Virginia ["County Waste"], a private regional solid waste management company based in West Point, Virginia. Clairvest's portion of the combined investment was US$4.0 million for a 12.6% ownership in County Waste. The investment in County Waste brings capital invested by the CEP IV Fund to approximately 45% of its committed capital.

FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future, considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

REGULATORY FILINGS

The Company's continuous disclosure materials, including interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Canadian System for Electronic Document Analysis and Retrieval ["SEDAR"] at www.sedar.com.

SUMMARY OF CLAIRVEST'S CORPORATE INVESTMENTS AT MARCH 31, 2013

Investment	Industry Segment	Geographic Segment	Ownership Percentage[17]	Cost of Investment [millions]	Net Cash Investment [millions][18]	Fair Value of Investment [millions][19]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS							
Grey Eagle Casino[1]	Gaming	Canada	Equity participation	$ –	$ [5.1]	$ 2.4	A charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary, Alberta. CEP also has an equity participation in the Grey Eagle Casino.
Landauer Metropolitan Inc. ["Landauer"][2]	Healthcare	United States	14.2%	$ 5.1	$ 5.1	$ 0.1	A supplier of home medical equipment in northeastern United States. CEP owns 42.6% of Landauer.
N-Brook Mortgage LP ["N-Brook"][3]	Financial Services	Canada	24.1%	$ 3.1	$ 3.1	$ 0.7	A company that originated adjudicated and underwrote mortgages in Ontario, British Columbia, Manitoba and Alberta, Canada. CEP owns 72.3 % of N-Brook.
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS III							
Casino New Brunswick[4]	Gaming	Canada	22.5%	$ 9.8	$ 9.8	$ 2.4	A gaming entertainment complex located in Moncton, New Brunswick. CEP III owns 67.5% of Casino New Brunswick.
Chilean Gaming Holdings[5]	Gaming	Chile	36.8%	$ 28.7	$ 23.1	$ 39.5	An investment vehicle which holds an equity interest in various gaming entertainment complexes in Chile. CEP III owns 37.7% of Chilean Gaming Holdings.
Kubra Data Transfer Limited ["Kubra"][6]	Business Services	United States	11.5%	$ 2.2	$ [0.8]	$ 12.7	A business process outsourcing company focused on the distribution of household bills on behalf of its customers. CEP III owns 34.5% of Kubra.
Light Tower Rentals Inc. ["Light Tower Rentals"][7]	Equipment Rental	United States	12.6%	$ 8.2	$ 8.2	$ 24.6	An oilfield equipment rental company operating in major oil and gas drilling basins in the United States. CEP III owns 37.8% of Light Tower Rentals.
Lyophilization Services of New England Inc. ["LSNE"][8]	Contract Manufacturing	United States	12.3%	$ 7.5	$ 7.5	$ 7.6	A Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. CEP III owns 36.8% of LSNE.

[1] Clairvest had funded $5.6 million to Grey Eagle Casino by way of 16% debentures which was repaid in full during fiscal 2012. Clairvest continues to hold units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.

[2] Clairvest owns 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares, a US$0.6 million subordinated secured convertible note at 10% interest per annum and US$0.3 million of bridge loans of Landauer.

[3] Clairvest has funded $5.0 million to N-Brook in the form of partnership units and warehouse loans. The net cash investment and fair value is reduced by $1.9 million as a result of cash distributions received to date.

[4] Clairvest has funded $9.8 million to Casino New Brunswick by way of debentures and owns units of a limited partnership which operates Casino New Brunswick.

[5] Clairvest owns 30,446,299 units of Chilean Gaming Holdings which holds a 50% interest in Casino Marina del Sol and a 48.8% interest in each of Casino Osorno and Casino sol Calama.

[6] Clairvest owns 3,250,000 Class A voting common shares of Kubra. The net cash investment is reduced by the $3.0 million in dividends received.

[7] Clairvest owns 5,841,250 Series A convertible preferred shares and 8,428,387 common shares of Light Tower Rentals.

[8] Clairvest owns 6,406,000 Series A 10% cumulative convertible preferred shares, 1,250,000 Series B cumulative preferred shares and a US$0.4 million demand promissory note of LSNE.

Investment	Industry Segment	Geographic Segment	Ownership Percentage[17]	Cost of Investment [millions]	Net Cash Investment [millions][18]	Fair Value of Investment [millions][19]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS IV							
Centaur Gaming [formerly Centaur, LLC][9]	Gaming	United States	Debt interest with stapled warrants	$ 14.6	$ 11.8	$ 18.4	The owner and operator of the Hoosier Park Racing & Casino and the Indiana Grand Casino and Indiana Downs Racetrack in the Indianapolis region. CEP IV and CEP IV-A have debt interests with stapled warrants.
CRS Contractors Rental Supply Limited Partnership ["CRS"][10]	Equipment Rental	Canada	13.9%	$ 10.6	$ 10.6	$ 10.6	A provider of equipment rental services and related merchandise across 21 locations in Ontario, Canada. CEP IV and CEP IV-A own 32.8% and 5.2% of CRS respectively.
Discovery Air Inc. ["Discovery Air"][11]	Specialty Aviation	Canada	Debt interest convertible to 10.5%	$ 22.0	$ 22.0	$ 25.5	A specialty aviation services business operating across Canada and in selected locations internationally. CEP IV and CEP IV-A have a debt interest convertible to 13.2% and 2.1% in Discovery Air respectively.
Linen King, LLC ["Linen King"][12]	Textile Rental Service	United States	21.7%	$ 2.5	$ 2.5	$ 0.8	An Oklahoma based textile rental company that provides commercial laundry services, primarily to hospitals. CEP IV and CEP IV-A own 51.1% and 8.1% of Linen King respectively.
MAG Defense Services ["MAG"][13]	Specialty Aviation	United States	8.0%	$ 1.9	$ 1.9	$ 1.9	A U.S.-based specialty aviation, intelligence, surveillance and reconnnaissance service provider. CEP IV and CEP IV-A have Class A stock convertible to 19.0% and 3.0% interest respectively.
Rivers Casino [14]	Gaming	United States	5.0%	$ 7.4	$ [6.2]	$ 20.7	A gaming entertainment complex located in Des Plains, Illinois. CEP IV and CEP IV-A own 11.8% and 1.9% of Rivers Casino respectively.
STANDALONE INVESTMENTS							
Wellington Financial Fund IV ["Wellington Fund IV"][15]	Financial Services	Canada	12.6%	$ 12.1	$ 11.5	$ 14.9	Provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies in Canada and the United States.
OTHER INVESTMENTS[16]				**$ 0.9**	**$ 0.9**	**$ [6.4]**	
TOTAL INVESTMENTS				**$ 136.7**	**$ 105.9**	**$ 176.4**	

[9] Clairvest invested $14.6 million in Centaur Gaming by way of unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of Class A and Class B units of Centaur Gaming. Clairvest also invested US$6.0 million in first lien secured loans and US$6.0 million in second lien secured loans from its treasury funds which are included in temporary investments.

[10] Clairvest owns 10,572,805 limited partnership units of CRS.

[11] Clairvest invested $22.0 million in Discovery Air by way of 5.5 year term convertible debentures with a stated interest rate of 10% per annum.

[12] Clairvest owns 2,529,209 Class A units of Linen King.

[13] Clairvest owns 18,737 Class A stock of MAG.

[14] Clairvest owns 9,021,917 units of Rivers Casino and 5,000 units of a minority investor in Rivers Casino. The US$1.1 million promissory note advanced to a minority investor had been repaid in full during fiscal 2013.

[15] Clairvest has committed to fund $25.1 million to Wellington Fund IV, $12.1 million of which had been funded at March 31, 2013. The net cash investment is reduced by $0.6 million as a result of income distributions received to date.

[16] Other investments include the fair values attributable to limited partners of Participation III and IV Partnerships as described in note 4[c] and 4[f] to the consolidated financial statements.

[17] Ownership percentage calculated on a fully diluted basis at March 31, 2013.

[18] Net cash investment is comprised of cost net of dividends, interest and other distributions received but excludes advisory and other fees received, foreign income taxes incurred by acquisition entities and foreign exchange gains or losses on foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.

[19] The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments and an estimate of fair value for privately-held investments. The fair value of foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments is not included in this fair value.

FINANCIAL HIGHLIGHTS

Selected Financial Performance Measures

Year ended March 31, [$000's, except number of shares and per share amounts]	2013	2012	2011
Financial Performance Measures			
Net realized gains on corporate investments	**$ 9,009**	$ 545	$ 3,861
Net changes in unrealized gains on corporate investments	**4,598**	16,590	16,249
Net income	**35,763**	22,416	19,564
Basic net income per share	**2.36**	1.46	1.23
Fully diluted net income per share	**2.32**	1.43	1.20
Dividends declared per share	**0.2093**	0.1965	0.10
Financial Condition Measures [as at March 31]			
Total assets	**378,936**	338,424	318,860
Total cash, cash equivalents and temporary investments	**174,513**	97,583	138,338
Total corporate investments	**176,390**	187,876	162,177
Total liabilities	**29,248**	21,997	16,458
Book value	**349,688**	316,427	302,402
Common shares outstanding	**15,124,095**	15,118,095	15,392,695
Book value per share	**23.12**	20.93	19.65

Income Statement Highlights

Clairvest's operating results reflect revenue earned from its corporate investments and cash, cash equivalents and temporary investments and realized and net changes in unrealized gains and losses on its corporate investments. These results are net of all costs incurred to manage these assets. The operating results of the CEP Funds are not included in Clairvest's operating results.

Net income for the year ended March 31, 2013 was $35.8 million, versus $22.4 million for the year ended March 31, 2012 and $19.6 million for the year ended March 31, 2011.

Clairvest had net realized gains of $9.0 million in fiscal 2013 versus $0.5 million in fiscal 2012 and $3.9 million in fiscal 2011. The net realized gains in 2013 resulted primarily from the realization of Clairvest's investment in PEER 1. The net realized gains in 2012 resulted primarily from the realization of Clairvest's investment in Hudson Valley Waste. The net realized gains in 2011 resulted primarily from the realization of Clairvest's investment in Van-Rob. Previously recognized net unrealized gains of these investments are reversed and netted against net realized gains for the respective year.

Clairvest had net changes in unrealized gains on investments of $4.6 million in fiscal 2013 versus $16.6 million in fiscal 2012 and $16.2 million in fiscal 2011. Unrealized gains or losses result from changes in the fair value of the investments from one year to the next and do not reflect foreign exchange revaluations. Clairvest has implemented a hedging strategy to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar by hedging 100% of the fair value of its foreign investments, unless a specific exemption is approved by the Board of Directors. The changes in unrealized gains or losses on corporate investments are summarized as follows:

Net Changes in Unrealized Gains [Losses] on Investments [$000's]

Year ended March 31,	**2013**	2012	2011
Investments in publicly-traded securities			
PEER 1 Network Enterprises Inc.	**$ —**	$ 1,504	$ 3,528
	—	1,504	3,528
Investments in privately-held securities			
Casino New Brunswick	**—**	[2,744]	[4,606]
Centaur Gaming	**3,815**	[2,598]	2,266
Chilean Gaming Holdings	**6,395**	1,559	—
Grey Eagle Casino	**825**	299	459
Hudson Valley Waste Holding, Inc.	**—**	—	8,387
Kubra Data Transfer Limited	**4,614**	[778]	2,156
Landauer Metropolitan Inc.	**[6,907]**	962	[2,936]
Light Tower Rentals Inc.	**2,602**	6,116	7,131
Linen King, LLC	**[1,744]**	—	—
Lyophilization Services of New England Inc.	**2,360**	[1,389]	784
Rivers Casino [1]	**[3,849]**	15,689	—
Wellington Financial Fund II	**[26]**	[56]	23
Wellington Financial Fund III / IV	**711**	206	538
	8,796	17,266	14,202
Other investments [2]	**[4,198]**	[2,180]	[1,481]
	$ 4,598	$ 16,590	$ 16,249

[1] The net unrealized loss on Rivers Casino during fiscal 2013 was the result of $13.2 million in distributions and interest received during the year.

[2] Includes fair value attributable to limited partners of Participation III and IV Partnerships as described in note 4[c] and 4[f] to the consolidated financial statements.

Further details on net changes in unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Net income in fiscal 2013 included distributions and interest income of $32.3 million, dividend income of $4.6 million, management fees from CEP and CEP IV-A of $1.0 million, advisory and other fees from Clairvest's investee companies of $1.4 million, a realized gain on temporary investments of $7.8 million, administration and other expenses of $17.9 million, finance and foreign exchange expense of $1.0 million and income tax expense of $6.0 million. Included in distributions and interest income was $7.5 million in priority distributions from CEP III and CEP IV, $0.9 million in General Partner income distributions from CEP and $19.9 million in distributions and interest from Clairvest's investee companies. Included in dividends were dividends totaling $4.6 million from Clairvest's investee companies. Included in administration and other expenses were management and directors compensation expense totaling $12.4 million, $6.8 million of which is performance based.

Net income in fiscal 2012 included distributions and interest income of $19.3 million, dividend income of $4.4 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $2.0 million, administration and other expenses of $15.4 million, finance and foreign exchange expense of $1.7 million and income tax expense of $4.5 million. Included in distributions and interest income was $7.4 million in priority

distributions from CEP III and CEP IV, $2.2 million in General Partner income distributions from CEP and $6.3 million in distributions and interest from Clairvest's investee companies. Included in dividends were dividends totaling $4.3 million from Clairvest's investee companies. Included in administration and other expenses were management and directors compensation expense totaling $10.9 million, $5.3 million of which is performance based.

Net income in fiscal 2011 included distributions and interest income of $14.8 million, dividend income of $0.7 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $14.0 million, finance and foreign exchange expense of $1.1 million and income tax expense of $3.1 million. Included in distributions and interest income was $5.6 million in priority distributions from CEP III and CEP IV, $3.1 million in General Partner income distributions from CEP and $3.0 million in distributions from Clairvest's investee companies. Included in dividends were dividends totaling $0.5 million from Clairvest's investee companies. Included in administration and other expenses were management and directors compensation expense totaling $10.1 million, $4.8 million of which is performance based.

Balance Sheet Highlights

ASSETS

Total assets at March 31, 2013 were $378.9 million, an increase of $40.5 million from $338.4 million at March 31, 2012.

With $174.5 million in cash, cash equivalents and temporary investments ["treasury funds"] and $95.0 million in credit facilities, Clairvest has sufficient capital and liquidity to support its current and anticipated investments.

At March 31, 2013, the Company's treasury funds were held in cash, money market savings accounts rated R1-High, corporate bonds rated not below A+, guaranteed investment certificates and investment savings accounts rated not below A, and a treasury investment in the first and second lien loans of Centaur Gaming [see Notes 3 and 14 to the consolidated financial statements for a detailed discussion of the Company's treasury funds].

Clairvest has a $75.0 million, committed credit facility with a maturity date of April 30, 2020. The credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2013 is $75.0 million.

Clairvest also has a $20.0 million credit facility subject to annual renewals. The credit facility is unsecured and bears interest at the bank prime rate plus 0.5% per annum. The amount available under the credit facility at March 31, 2013 is $20.0 million, which is based on debt covenants within the banking arrangement.

As is typical of a private equity management firm, Clairvest's main asset is its corporate investments. Corporate investments decreased $11.5 million to $176.4 million at March 31, 2013. The decrease is comprised primarily of:

- Net return of capital from Centaur Gaming of $14.8 million;
- Realization of PEER 1 which was carried at $10.4 million at March 31, 2012;
- Repayment of the $4.5 million bridge loan previously advanced to Discovery Air;
- Partial return of capital from N-Brook of $1.9 million;
- Net return of capital from Wellington Fund IV of $1.4 million;
- Partial return of capital from Rivers Casino of $1.1 million; partially offset by
- A $10.6 million investment in CRS;
- A $1.9 million investment in MAG;
- Net follow-on investments totaling $0.1 million in existing investee companies;
- Net changes in unrealized gains on corporate investments of $4.6 million; and
- Interest accrued on debenture investments of $2.5 million and foreign exchange revaluations of $3.1 million.

Corporate investments increased $25.7 million to $187.9 million from March 31, 2011 to March 31, 2012. The increase primarily resulted from a $26.5 million investment in Discovery Air, a $2.5 million investment in Linen King, $2.4 million in follow-on investments in existing investee companies, net changes in unrealized gains on corporate investment of $16.6 million, partially offset by the realization of Hudson Valley Waste which was carried at $16.9 million at March 31,

2011, repayment of debentures and accrued interest of $7.8 million from Grey Eagle Casino and a net return of capital of $6.7 million as a result of Centaur Gaming's emergence from Chapter 11 protection.

The cost and fair value of corporate investments described below do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against the Company's foreign denominated investments. A discussion on the activity in each corporate investment held at March 31, 2013 follows.

INVESTMENTS MADE ALONGSIDE CEP

Grey Eagle Casino

At March 31, 2013, Clairvest holds units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest between 2.8% and 9.6% of the earnings of the casino from the date of commencement of operations, December 19, 2007, for a period of 15 years.

During fiscal 2013, Clairvest earned $0.4 million in profit distributions from Grey Eagle Casino.

The fair value of $2.4 million at March 31, 2013 reflects management's estimated realizable value on the earnings entitlement.

Landauer Metropolitan Inc.

At March 31, 2013, Clairvest owned 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares and $0.2 million in bridge loans which bear interest at a rate of 25% per annum, $0.1 million in bridge loans which bear interest at a rate of 12% per annum and a $0.6 million subordinated secured convertible note with 10% accrued interest per annum. The bridge loans are convertible to common shares of Landauer at a rate of $1.0 per share. The subordinated secured convertible note is convertible to Series B preferred shares at a conversion rate of $1.00 per share or into common shares at a rate of $0.50 per share. The conversion is at Clairvest's discretion.

During fiscal 2013, management determined that the fair value of Landauer should be written down by $6.8 million due to an anticipated material change to the profitability in the near term as a result of the recently completed Medicare competitive bidding process in the United States.

The fair value of $0.1 million at March 31, 2013 compares to a cost of $5.1 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

N-Brook Mortgage LP

During fiscal 2013, Clairvest received cash proceeds totaling $1.9 million from N-Brook Mortgage LP ["N-Brook"], $1.1 million of which was recorded as a full repayment of the variable rate demand debenture and the remaining $0.8 million was recorded as a return of capital on the limited partnership units.

At March 31, 2013, Clairvest owned 3,931,984 Series 1 limited partnership units and 15 Class A ordinary limited partnership units of N-Brook.

The fair value of $0.7 million at March 31, 2013 compares to a cost of $3.1 million. The fair value reflects management's estimated realizable value based on the remaining mortgage portfolio held by N-Brook.

INVESTMENTS MADE ALONGSIDE CEP III

Casino New Brunswick

At March 31, 2013, Clairvest has funded $9.8 million to Casino New Brunswick. Clairvest also holds units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino. Clairvest has also pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in the Off-Balance Sheet Arrangements section of the MD&A.

The fair value of $2.4 million at March 31, 2013 compares to cost of $9.8 million. The fair value reflects management's estimated realizable value as results trail initial estimates when the investment was first completed.

Chilean Gaming Holdings

During fiscal 2013, Clairvest earned dividends totaling $4.6 million through its interest in Chilean Gaming Holdings, bringing total dividends earned to March 31, 2013 to $6.4 million.

The fair value of $39.5 million at March 31, 2013 compares to cost of $28.7 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Kubra Data Transfer Limited

At March 31, 2013, Clairvest owned 3,250,000 Class A voting common shares of Kubra.

The fair value of Kubra of $12.7 million compares to a cost of $2.2 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Light Tower Rentals Inc.

During fiscal 2013, LTR Equipment Inc. ["LTR Equipment"], a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals, was amalgamated into Light Tower Rentals. As a result of the amalgamation, Clairvest exchanged the 2,215,736 common shares of LTR Equipment into 8,428,387 common shares of the combined entity.

At March 31, 2013, Clairvest owned 5,841,250 Series A convertible preferred shares and 8,428,387 common shares in Light Tower Rentals, representing a 12.6% ownership interest on a fully-diluted basis.

The fair value of $24.6 million at March 31, 2013 compares to cost of $8.2 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Lyophilization Services of New England Inc.

During fiscal 2013, Clairvest funded an additional US$0.1 million to LSNE in the form of unsecured loans to further support the growth of LSNE, bringing total unsecured loans advanced to LSNE by Clairvest to US$1.0 million. On March 31, 2013, US$0.6 million of unsecured loans were converted to 1,250,000 Series B 10% cumulative preferred shares and the remaining US$0.4 million of unsecured loans were converted to a promissory note with a stated interest rate of 10% per annum and repayable on demand.

At March 31, 2013, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares which are convertible into a 12.3% ownership interest on a fully-diluted basis, 1,250,000 Series B 10% cumulative preferred shares and US$0.4 million in demand promissory notes.

Also during fiscal 2013, management determined that the fair value of LSNE should be adjusted upward by US$2.4 million.

The fair value of $7.6 million at March 31, 2013 compares to a cost of $7.5 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

INVESTMENTS MADE ALONGSIDE CEP IV

Centaur Gaming

During fiscal 2013, Centaur Gaming acquired Indiana Grand Casino and Indiana Downs Racetrack ["Indiana Grand"], located in Shelbyville, Indiana. Clairvest advanced a US$7.4 million promissory note to Centaur Gaming during the acquisition process and invested an additional US$8.4 million in the form of an unsecured term loan with stapled warrants in support of this acquisition. The promissory note had a stated interest rate of 3.41% per annum and was repaid in full upon completion of the acquisition. The warrants, which subject to regulatory approval, are convertible upon exercise into 9.9% of Class B units of Centaur Gaming.

In conjunction with this acquisition, Centaur Gaming completed a financing and repaid in full the post-petition first and second lien secured notes with interest accrued to February 20, 2013. The promissory note from an unrelated investment partner of Centaur Gaming was also repaid in full upon the completion of the financing. During fiscal 2013,

Clairvest received cash proceeds totaling US$32.3 million, comprised of a US$16.4 million full repayment on the first lien secured notes, a US$6.2 million full repayment on the second lien secured notes, a US$0.3 million full repayment on the promissory note from the unrelated investment partner, a US$7.4 million full repayment on the promissory note advanced during the acquisition process and US$2.0 million in interest. Immediately following these transactions, Clairvest held US$13.6 million in term loans with stapled warrants which are convertible upon exercise to 9.9% of Class A and B units in Centaur Gaming.

The fair value of $18.4 million at March 31, 2013 compares to cost of $14.6 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

CRS Contractors Rental Supply Limited Partnership

During fiscal 2013, Clairvest invested $10.6 million for 10,572,805 limited partnership units of CRS, representing an ownership interest in CRS of 13.9%.

The fair value of $10.6 million at March 31, 2013 compares to a cost of $10.6 million.

Discovery Air Inc.

During fiscal 2013, Discovery Air repaid a $4.5 million bridge loan advanced by Clairvest with a stated interest rate of 9.5% per annum.

At March 31, 2013, Clairvest held $25.4 million in secured convertible debentures ["Debentures"] of Discovery Air. The Debentures, which have a 5.5 year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, had an original principal value of $22.0 million and accrue interest at a rate of 10% per annum and interest is paid in kind quarterly and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air. At March 31, 2013, the conversion price for the Debentures was $8.68 per share and the closing quoted market price of a Discovery Air common share was $2.38 per share.

The fair value of $25.5 million at March 31, 2013 compares to cost of $22.0 million, with the difference being attribute to accrued interest on the Debentures.

Linen King, LLC

At March 31, 2013, Clairvest owned 2,529,209 Class A units of Linen King.

The fair value of $0.8 million at March 31, 2013 compares to a cost of $2.5 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

MAG Defense Services

During fiscal 2013, Clairvest invested $1.9 million to acquire 18,737 Class A stock of MAG, representing an ownership interest in MAG of 8.0%.

The fair value of $1.9 million at March 31, 2013 compares to a cost of $1.9 million.

Rivers Casino

During fiscal 2013, Clairvest earned US$3.6 million in quarterly distributions and US$0.5 million in quarterly fees from Rivers Casino. Clairvest also earned US$0.2 million in interest on the promissory note from a minority investor which invested in Rivers Casino [the "Minority Investor"] and received US$0.4 million in quarterly principal and interest payments from the Minority Investor.

Also during fiscal 2013, Rivers Casino completed a financing and as a result made an additional distribution to its investors. Clairvest received cash proceeds totaling US$9.5 million from this distribution. In addition to the distributions received from Rivers Casino, the Minority Investor made a US$1.0 million full repayment on the promissory note.

At March 31, 2013, Clairvest owned 9,021,917 units of Rivers Casino and 5,000 units of the Minority Investor.

The fair value of $20.7 million at March 31, 2013 compares to a cost of $7.4 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

OTHER INVESTMENTS

Wellington Financial Fund III / IV

During fiscal 2013, Wellington Fund IV, a successor of Wellington Financial Fund III ["Wellington Fund III"], was raised. As part of the closing of Wellington Fund IV, Clairvest transferred its investment and its unfunded commitment in Wellington Fund III to Wellington Fund IV. Clairvest also increased its commitment in Wellington Fund IV by $0.1 million to $25.1 million in support of the final closing of Wellington Fund IV. Clairvest received a net return of capital of $2.1 million as a result of the closing of Wellington Fund IV.

Clairvest, as a limited partner, had funded $12.1 million of its $25.1 million commitment to Wellington Fund IV at March 31, 2013. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund IV. At March 31, 2013, Clairvest has received income distributions totaling $0.6 million from Wellington Fund IV and its General Partner, bringing the net cash investment to $11.5 million. In addition, Clairvest received distributions from Wellington Fund III totaling $8.9 million to March 31, 2013, and is entitled to future profits of up to $0.9 million based on the value of the remaining assets of Wellington Fund III at March 31, 2013.

The fair value of $14.9 million at March 31, 2013 reflects management's estimated realizable value of Clairvest's entitlement as a limited partner and a general partner of Wellington Fund IV.

LIABILITIES

Total liabilities at March 31, 2013 were $29.2 million, an increase of $7.2 million from $22.0 million at March 31, 2012. Performance based compensation accrued and income taxes accrued increased by $3.3 million and $2.9 million respectively year over year.

TRANSACTIONS WITH RELATED PARTIES

As the Manager of CEP, Clairvest is entitled to a management fee from CEP. Effective January 1, 2011, the CEP management fee is calculated annually as 1.5% of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest from corporate investments of CEP. The management fee from CEP ceased effective March 1, 2013. During fiscal 2013, Clairvest earned management fees of $0.3 million from CEP. As per the Management Agreement, fees of $0.1 million from corporate investments of CEP were netted against the management fees.

Clairvest, as General Partner of CEP is entitled to participate in distributions made by CEP equal to 10% of net gains of CEP [the "carried interest"]. During fiscal 2013, Clairvest earned $0.9 million in carried interest from CEP, which brings total carried interest earned by Clairvest from CEP at March 31, 2013 to $11.1 million. If CEP were to sell its corporate investments at their current fair values, Clairvest would receive up to $1.0 million in carried interest from CEP. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP via a limited partnership ["Participation Partnership"], the general partner of which is Clairvest.

As the General Partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of any fees earned by Clairvest from corporate investments of CEP III. During fiscal 2013, CEP III declared to Clairvest priority distributions of $1.9 million. As per the Limited Partnership Agreement, fees of $0.3 million from corporate investments of CEP III were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP III. No carried interest has been earned by Clairvest from CEP III to March 31, 2013. At March 31, 2013, if CEP III were to sell its corporate investments at their current fair values, Clairvest would receive up to $11.6 million in carried interest from CEP III. Principals and employees of Clairvest

are entitled to participate in another 10% of carried interest from CEP III via a limited partnership ["Participation III Partnership"], the general partner of which is Clairvest.

Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Investment Limited Partnership ["CEP III Co-Invest"] was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has two limited partners, one of which is Clairvest, and the other is Participation III Partnership. Participation III Partnership has invested $1.1 million in CEP III Co-Invest and is entitled to an 8.25% carried interest in respect of CEP III Co-Invest.

Clairvest is entitled to participate in additional distributions equal to the realizable value on the $1.1 million invested by Participation III Partnership in CEP III Co-Invest plus the first $0.2 million received by the Participation III Partnership as described above. At March 31, 2013, $0.3 million has been received by Clairvest. At March 31, 2013, if CEP III Co-Invest were to sell its corporate investments at their current fair values, Participation III Partnership would receive up to $4.7 million in carried interest from CEP III Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP III Co-Invest has not made any carried interest payments to Participation III Partnership.

As General Partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. Effective January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV, the priority distribution is calculated monthly as 0.1667% of committed capital, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During fiscal 2013, CEP IV declared to Clairvest priority distributions of $5.6 million. As per the Limited Partnership Agreement, fees of $0.3 million from corporate investments of CEP IV were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP IV. No carried interest has been earned by Clairvest from CEP IV to March 31, 2013. At March 31, 2013, if CEP IV were to sell its corporate investments at their current fair values, Clairvest would receive up to $4.9 million in carried interest from CEP IV. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV via a limited partnership ["Participation IV Partnership"], the general partner of which is Clairvest.

As Manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, the CEP IV-A management fee is calculated monthly as 0.1667% of committed capital; and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During fiscal 2013, Clairvest earned management fees of $0.6 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.3 million was netted against the management fees.

As General Partner of CEP IV-A, Clairvest is also entitled to a 10% carried interest in respect of CEP IV-A. No carried interest has been earned by Clairvest from CEP IV-A to March 31, 2013. At March 31, 2013, if CEP IV-A were to sell its corporate investments at their current fair values, Clairvest would receive up to $0.8 million in carried interest from CEP IV-A. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV-A via Participation IV Partnership.

Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Investment Limited Partnership ["CEP IV Co-Invest"] was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partnerships, one of which is Clairvest, and the other is Participation IV Partnership. Participation IV Partnership has invested $1.6 million in CEP IV Co-Invest and is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the $1.6 million invested by Participation IV Partnership in CEP IV Co-Invest plus the first $0.4 million received by the Participation IV Partnership as described above. No amounts have been received by Clairvest at March 31, 2013. At March 31, 2013, if CEP IV Co-Invest

were to sell its corporate investments at their current fair values, Participation IV Partnership would receive up to $2.5 million in carried interest from CEP IV Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP IV Co-Invest has not made any carried interest payments to Participation IV Partnership.

At March 31, 2013, Clairvest had loans receivable from certain officers of Clairvest [the "Officers"] totaling $1.1 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest owned by the Officers with a market value of $1.4 million. At March 31, 2013, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling $0.6 million. The loans are interest bearing and have full recourse to the individuals. Interest of $35 thousand was earned on these loans during fiscal 2013.

Loans totaling $29.5 million, bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement, were made by the Company to CEP IV during fiscal 2013. During fiscal 2013, $45.6 million of these loans and loans previously advanced were repaid such that $4.5 million remained outstanding at March 31, 2013, the amount of which was repaid in full subsequent to year end. Interest of $1.6 million was earned from loans to CEP IV during fiscal 2013.

Loans totaling $4.7 million, bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement, were made by the Company to CEP IV-A during fiscal 2013. During fiscal 2013, $6.9 million of these loans and loans previously advanced were repaid such that $0.7 million remained outstanding at March 31, 2013, the amount of which was repaid in full subsequent to year end. Interest of $0.2 million was earned from loans to CEP IV-A during fiscal 2013.

During fiscal 2013, Clairvest earned $19.9 million in distributions and interest income, $4.6 million in dividend income and $1.4 million in fee income from its investee companies. At March 31, 2013, Clairvest had accounts receivable from its investee companies totaling $1.2 million, from CEP totaling $38 thousand, from CEP III totaling $1.6 million, from CEP IV totaling $3.4 million and from CEP IV-A totaling $0.5 million.

During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by a director of Clairvest. At March 31, 2013, Clairvest's portion of the net book value of the aircraft of $1.5 million is recorded in accounts receivable and other assets. Clairvest received 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

SUMMARY OF QUARTERLY RESULTS

($000's except per share information)	Gross Revenue $	Net Income [Loss] $	Net Income [Loss] Per Common Share* $	Net Income [Loss] Per Common Share Fully Diluted* $
March 31, 2013	16,086	10,111	0.67	0.66
December 31, 2012	14,673	8,445	0.55	0.54
September 30, 2012	12,202	7,647	0.51	0.50
June 30, 2012	17,673	9,560	0.63	0.62
March 31, 2012	13,045	5,348	0.35	0.34
December 31, 2011	22,546	17,592	1.14	1.12
September 30, 2011	2,557	[1,778]	[0.11]	[0.11]
June 30, 2011	5,825	1,254	0.08	0.08

* The sum of quarterly net income (loss) per common share may not equal to the full year net income per common share due to rounding and the anti-dilutive effect on any quarters where the Company reported a net loss.

Significant variations arise in the quarterly results due to realized gains and losses on corporate investments, net changes in unrealized gains and losses on corporate investments which are re-valued on a quarterly basis when conditions warrant an adjustment to the fair value of the corporate investment, and stock-based compensation due to the movement in the trading price of Clairvest's common shares.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of fiscal 2013 was $10.1 million compared with a net income of $5.3 million for the fourth quarter of fiscal 2012. Net income for the fourth quarter of fiscal 2013 is comprised of $8.6 million of net corporate investment gains, $3.0 million of net operating income, and $1.5 million of income tax expense. This compares with net corporate investment gains of $6.4 million, $0.1 million of net operating loss, and $1.0 million of income tax expense for the fourth quarter of fiscal 2012.

The net corporate investment gains of $8.6 million for the fourth quarter of fiscal 2013 comprised of $9.0 million in net changes in unrealized gains on corporate investments and $0.4 million in realized loss on corporate investments. The net corporate investment gains of $6.4 million for the fourth quarter of fiscal 2012 comprised primarily of net changes in unrealized gains on corporate investments.

Distributions and interest income for the quarter were $6.0 million, compared with $5.7 million for the same quarter last year. Distributions and interest income for the fourth quarter of fiscal 2013 included yield on treasury funds of $0.8 million, priority distributions of $1.8 million from CEP III and CEP IV, General Partner income distributions of $0.1 million from CEP, interest income from loans advanced to the CEP funds of $0.4 million and $2.9 million of income distributions and interest income from Clairvest's investee companies. Distributions and interest income for the fourth quarter of fiscal 2012 included yield on treasury funds of $0.5 million, priority distributions of $1.9 million from CEP III and CEP IV, interest income from loans advanced to the CEP funds of $0.5 million and $2.8 million of income distributions and interest income from Clairvest's investee companies.

Dividend income for the quarter was $0.8 million, compared with $0.3 million for the same quarter last year. Dividend income for the fourth quarter of fiscal 2013 and 2012 was primarily earned through Clairvest's investment in Chilean Gaming Holdings.

Clairvest earned $0.2 million in management fees during the quarter for its services in the administration of CEP and CEP IV-A's portfolio and $0.4 million in advisory and other fees from its corporate investments, compared with $0.3 million and $0.3 million, respectively, for the same quarter last year. The CEP and CEP IV-A management fee is reduced proportionately to fees earned by Clairvest from joint Clairvest/CEP and Clairvest/CEP IV-A corporate investments.

Administration and other expenses for the quarter were $4.1 million, compared with $5.6 million for the same quarter last year. Included in administration and other expenses for the fourth quarter of fiscal 2013 was $1.6 million of performance based compensation expense for management and directors, compared with $2.5 million for the same quarter last year.

Finance and foreign exchange expense of $0.4 million for the quarter included foreign exchange cost of $0.1 million and $0.3 million in interest and fees expensed on the $75.0 million credit facility. Finance and foreign exchange expense of $1.1 million for the fourth quarter of fiscal 2012 included foreign exchange cost of $0.7 million and $0.3 million in interest and fees expensed on the $75.0 million credit facility.

OFF-BALANCE SHEET ARRANGEMENTS

Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million of which remains unfunded at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it concurrently sells a proportionate number of securities of that corporate investment held by CEP.

Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million of which remains unfunded at March 31, 2013. Clairvest may only

sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. Clairvest's total co-investment commitment is $125.0 million, $73.1 million of which remains unfunded at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

Clairvest has also committed $25.1 million to Wellington Fund IV, $13.0 million of which remains unfunded at March 31, 2013.

At March 31, 2013, Clairvest has earned profit distributions totaling $3.3 million through its ownership interest in the General Partners of Wellington Fund III and Wellington Fund IV. Subject to the clawback provisions, Clairvest may be required to repay up to $0.4 million of these distributions in the event the limited partners of Wellington Fund III and Wellington Fund IV do not meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2013, there were no accruals made with respect to the Clawback.

Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian Chartered Bank under CEP's foreign exchange forward contracts with the bank.

Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian Chartered Bank under CEP III's foreign exchange forward contracts with the bank.

Under Clairvest's Incentive Bonus Program [the "Program"], a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this plan to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2013, $0.6 million has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $2.0 million would be owing to management under this Program. As no such income and realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the $2.0 million has not been accrued at March 31, 2013. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ["Signature"] and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims. The indemnification was extinguished during fiscal 2013 and no claims against this indemnification had been made.

Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2013, no amounts subject to this guarantee have been funded. Clairvest has pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee and is held in a bank account belonging to Clairvest at the Schedule 1 chartered bank which cannot be withdrawn without consent from the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted temporary investments on the consolidated balance sheets.

An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantees to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2013, no amounts subject to this guarantee have been funded.

As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, had loans totaling $44.6 million at March 31, 2013 through various acquisition entities from an unrelated financial

institution, while another acquisition entity held term deposits totaling $44.6 million at March 31, 2013 with the same financial institution as security for these loans. Clairvest intends to settle the loans, the deposits and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposits and the loans, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 36.8% at March 31, 2013, with CEP III owning 37.7% and the remainder owned by the other co-investors.

Clairvest has committed to invest US$5.4 million in New Meadowlands Racetrack LLC. No amounts have been funded at March 31, 2013.

During fiscal 2013, Clairvest reached a court-approved settlement with certain parties with respect to a $10.0 million loan advanced in two tranches of $5.0 million in each of December 2005 and May 2006. Subsequently, the loan was in default and the collateral arrangements for the loan were mishandled. The loan was written off and Clairvest recorded a realized loss in its financial statements for the year ended March 31, 2007. Clairvest took legal action against several parties to recover the funds and has reached a settlement with certain of these parties resulting in a settlement by these parties to Clairvest of $7.8 million, or 77.5% of the original loan value without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2013. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material loss in connection with such actions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Clairvest's consolidated financial statements in conformity with Canadian generally accepted accounting principles ["GAAP"] requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. On an on-going basis, management reviews its estimates and assumptions. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting estimates that have a material impact on Clairvest's consolidated financial statements are with respect to corporate investments and future tax asset/liability.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for temporary and corporate investments. In accordance with the Canadian Institue of Chartered Accountants ["CICA"] Accounting Guideline 18, "Investment Companies" ["AcG-18"], the Company designated its temporary investments and corporate investments as held-for-trading and carries them at fair value. Clairvest has also designated its receivables and payables as held-for-trading in accordance with CICA Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts at fair value which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a

variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security for which is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an accounting estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and unrealized gains/losses on corporate investments.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for future income taxes. The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. Future income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the future income tax asset will be realized. A change to an accounting estimate with respect to future income taxes would impact future tax liability and provision for income taxes.

RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company is also subject to credit risk on its loans receivables, the majority of which is typically with its CEP Funds. The Company manages this risk through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly.

Market risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would be an increase or decrease of $0.7 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2013.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i] public company multiples for companies in the same or similar businesses; ii] where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii] multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur Gaming, Chilean Gaming Holdings, Kubra, Light Tower Rentals, Linen King, and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $19.3 million or decrease of $19.4 million to the carrying value of corporate investments and net changes in unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2013. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 15 companies in 8 industries and 3 countries as at March 31, 2013. The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, at March 31, 2013, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's carrying value of these

corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of debentures. Significant fluctuations in market interest rates can have a significant impact in the carrying value of these investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-balance sheet arrangement have been previously discussed.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

DERIVATIVE FINANCIAL INSTRUMENTS

Clairvest enters into foreign exchange forward contracts primarily to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. Clairvest is required to mark to market its foreign-denominated investments, as well as the foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.

At March 31, 2013, Clairvest had entered into foreign exchange forward contracts to sell US$91.6 million and buy US$4.2 million at an average rate of Canadian $1.0022 per U.S. dollar through to February 2014 and foreign exchange forward contracts to sell 14.7 billion Chilean Pesos ["CLP"] at an average rate of Canadian $0.002022 per CLP through to January 2014. The fair value of the US dollar contracts at March 31, 2013 is a loss of $1.2 million and the fair value of the CLP contracts at March 31, 2013 is a loss of $1.9 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments.

UPDATED SHARE INFORMATION

At March 31, 2013 and June 25, 2013, Clairvest had 15,124,095 common shares issued and outstanding. At March 31, 2013 and June 25, 2013 Clairvest had 615,000 stock options outstanding, 601,000 of which were exercisable at March 31, 2013 and June 25, 2013. Each option is exercisable for one common share.

During fiscal 2013 and up to June 25, 2013, Clairvest did not purchase or cancel any common shares under its normal course issuer bids. As at June 25, 2013, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last ten years.

During fiscal 2013, 110,000 options were exercised, 6,000 of which were exercised for shares, increasing share capital by $0.1 million. The remaining 104,000 were exercised under the cash settlement plan and had no impact on share capital.

Clairvest paid an ordinary dividend of $0.10 per share on the common shares in each of fiscal 2013, fiscal 2012 and fiscal 2011. During fiscal 2013 and 2012, Clairvest also paid a special dividend of $0.1093 and $0.0965 per share respectively, such that in aggregate with the ordinary dividend, represented 1% of the March 31, 2012 and 2011 book values.

Subsequent to year end, Clairvest declared an annual ordinary dividend of $0.10 per share, and a special dividend of $0.1312 per share, such that in aggregate, the dividends represent 1% of the March 31, 2013 book value. The dividends will be payable to common shareholders of record as of July 9, 2013. The dividend will be paid on July 26, 2013. Both dividends are eligible dividends for Canadian income tax purposes.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ["CSA"], Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of March 31, 2013 and concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management has evaluated Clairvest's design and operational effectiveness of internal controls over financial reporting for the year ended March 31, 2013. Management has concluded that the design of internal controls over financial reporting are effective and operating as designed as of March 31, 2013 based on this evaluation. There were no changes in internal controls during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting. The Company has not identified any weakness that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

During fiscal 2008, the Canadian Accounting Standards Board ["AcSB"] confirmed the use of International Financial Reporting Standards ["IFRS"] for all Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved a three-year deferral from IFRS adoption which would allow Canadian companies that apply AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2014. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2015, which begins on April 1, 2014.

During fiscal 2013, the International Accounting Standards Board ["IASB"] issued final amendments to IFRS for Investment Entities. The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity and require such entities to measure its investee companies at fair value through profit and loss. The Company is optimistic that it will qualify as an investment entity as defined by the IASB and that fair value accounting will continue to be the method for which the Company accounts for its investee companies when it adopts IFRS. The Company is currently reviewing in detail the final amendments to IFRS for Investment Entities and does not expect the adoption of IFRS in fiscal 2015 will result in a significant impact to internal controls over financial reporting or the Company’s information technology systems. Formal communications with the Audit Committee have been established to ensure timely decisions are made on key issues and risks.

Other significant items which may have a significant impact to the Company's financial reporting and financial statements include the accounting for share-based compensation, income taxes and the disclosure requirements for financial instruments and related party transactions.

With respect to the accounting treatment for share-based compensation, the company would be required to cease vesting share-based compensation on a straight-line basis and adopt the prescribed graded vesting method which will likely result in front-loading of expenses during the vesting period. Based on its stock options outstanding at March 31, 2013, the Company currently believes that the effects of this accounting change will not be material.

With respect to income taxes, future income tax positions under IFRS must be evaluated using a probability-based method which is a different measurement methodology compared to the one currently used by the Company. The Company is in the process of quantifying the impacts of this methodology change.

The Company continues to monitor new developments to IFRS which may result in additional significant accounting differences and impacts to internal controls over financial reporting and information technology systems.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Clairvest Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. Under the supervision of Management, an evaluation of the effectiveness of the Company's internal control over financial reporting was carried out for the year ended March 31, 2013. Based on that evaluation, Management concluded that the Company's internal control over financing reporting was effective for the year ended March 31, 2013.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee, which comprised of four non-management Directors during the year ended March 31, 2013, meets periodically with management and with external auditors to discuss the scope and results with respect to financial reporting of the Company. The Audit Committee has reviewed the consolidated financial statements with management and with the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Ernst & Young LLP, appointed external auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.

B. Jeffrey Parr
Co-Chief Executive Officer and Managing Director

Daniel Cheng
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLAIRVEST GROUP INC.

We have audited the accompanying consolidated financial statements of **Clairvest Group Inc.**, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

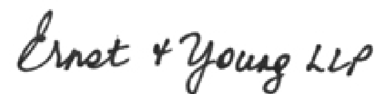
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 auditors' 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 auditors consider 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 **Clairvest Group Inc.** as at March 31, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
June 25, 2013.

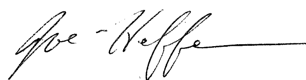
CONSOLIDATED BALANCE SHEETS

As at March 31

$000's		2013		2012
ASSETS				
Cash and cash equivalents [notes 3, 11 and 14]	**$**	**114,805**	$	32,886
Temporary investments [notes 3 and 14]		**59,708**		64,697
Restricted temporary investments [notes 6[d], 13[j] and 14]		**5,425**		5,430
Accounts receivable and other assets [notes 4[g], 4[k] and 7]		**12,048**		15,851
Income taxes recoverable		**5,195**		7,944
Loans receivable [notes 4[h], 4[i] and 14]		**5,365**		23,740
Corporate investments [notes 6 and 14]		**176,390**		187,876
	$	**378,936**	$	338,424
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Accounts payable and accrued liabilities [notes 10 and 13[h]]	**$**	**11,255**	$	9,254
Income taxes payable		**1,993**		1,410
Derivative instruments [note 12[b]]		**3,115**		1,731
Future tax liability [note 8]		**6,474**		4,148
Stock-based compensation [note 10]		**6,411**		5,454
	$	**29,248**	$	21,997
Contingencies, commitments and guarantees [notes 12 and 13]				
Shareholders' equity				
Share capital [note 9]	**$**	**79,101**	$	78,438
Retained earnings		**270,587**		237,989
		349,688		316,427
	$	**378,936**	$	338,424

See accompanying notes

On behalf of the Board:



MICHAEL BREGMAN
Director

JOSEPH J. HEFFERNAN
Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31

$000's [except per share information]		2013		2012
NET INVESTMENT GAINS				
Net realized gains on corporate investments [notes 5 and 6[i]]	**$**	**9,009**	$	545
Net changes in unrealized gains on corporate investments [note 6]		**4,598**		16,590
		13,607		17,135
OTHER INCOME				
Distributions and interest income [notes 4 and 6]		**32,347**		19,325
Dividend income [notes 4[j], 6[e] and 6[f]]		**4,596**		4,359
Management fees [notes 4[a] and 4[e]]		**974**		1,141
Advisory and other fees [note 4[j]]		**1,360**		2,013
Realized gain on temporary investments [note 13[n]]		**7,750**		—
		47,027		26,838
EXPENSES				
Administration and other expense [notes 10 and 13[h]]		**17,899**		15,409
Finance and foreign exchange expense		**961**		1,678
		18,860		17,087
Income before income taxes		**41,774**		26,886
Income tax expense [note 8]		**6,011**		4,470
Net income for the year	**$**	**35,763**	$	22,416
Basic net income per share [note 9]	**$**	**2.36**	$	1.46
Fully-diluted net income per share [note 9]	**$**	**2.32**	$	1.43

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

$000's		2013		2012
Retained earnings, beginning of year	**$**	**237,989**	$	222,491
Net income for the year		**35,763**		22,416
		273,752		244,907
Dividends paid		**[3,165]**		[3,025]
Purchase and cancellation of shares [note 9]		**—**		[3,893]
Retained earnings, end of year	**$**	**270,587**	$	237,989

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

$000's		2013	2012
OPERATING ACTIVITIES			
Net income for the year	**$**	**35,763**	$ 22,416
Add [deduct] items not involving a current cash outlay			
Amortization of fixed assets		**369**	373
Stock-based compensation expense		**1,516**	[33]
Future income tax expense		**2,326**	1,746
Net realized gains on corporate investments		**[9,009]**	[545]
Net changes in unrealized gains on corporate investments		**[4,598]**	[16,590]
Non-cash items relating to foreign exchange forward contracts		**3,283**	2,627
Non-cash items relating to corporate investments		**[6,336]**	[4,646]
		23,314	5,348
Net change in non-cash working capital balances related to operations [note 11]		**8,767**	[5,434]
Cash provided by [used in] operating activities		**32,081**	[86]
INVESTING ACTIVITIES			
Acquisition of corporate investments		**[29,701]**	[36,888]
Proceeds on sale of corporate investments		**31,219**	26,277
Return of capital from corporate investments		**29,911**	6,693
Proceeds on realized foreign exchange forward contracts		**[1,899]**	684
Net proceeds on sale of temporary investments		**4,989**	12,309
Loans advanced [notes 4[h] and 4[i]]		**[34,168]**	[46,431]
Receipt of loans advanced [notes 4[h] and 4[i]]		**52,543**	22,817
Decrease [increase] in restricted temporary investments		**5**	[5,430]
Cash provided by [used in] investing activities		**52,899**	[19,969]
FINANCING ACTIVITIES			
Purchase and cancellation of share capital [note 9]		**—**	[5,577]
Cash dividends paid		**[3,165]**	[3,025]
Issuance of share capital [note 9]		**104**	211
Cash used in financing activities		**[3,061]**	[8,391]
NET INCREASE [DECREASE] IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**81,919**	[28,446]
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**32,886**	61,332
CASH AND CASH EQUIVALENTS, END OF YEAR [NOTE 11]		**114,805**	32,886
SUPPLEMENTAL CASH FLOW INFORMATION			
Income taxes paid	**$**	**2,013**	$ 3,223
Interest paid, on gross basis [note 13[l]]	**$**	**1,407**	$ 1,449

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 and 2012 [tabular dollar amounts in thousands, except per share information]

1. NATURE OF ACTIVITIES

Clairvest Group Inc. ["Clairvest" or the "Company"] is a private equity investor publicly traded on the Toronto Stock Exchange ["TSX"] under symbol CVG. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ["CEP"], Clairvest Equity Partners III Limited Partnership ["CEP III"], Clairvest Equity Partners IV Limited Partnership ["CEP IV"] and Clairvest Equity Partners IV-A Limited Partnership ["CEP IV-A"] [together, the "CEP Funds"]. Clairvest contributes financing and strategic expertise to support the growth and development of its investees in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian gnereally accepted accounting principles ["Canadian GAAP" or "GAAP"] and include the accounts of the Company, its wholly owned subsidiaries and its pro-rata ownership of various acquisition entities that exist for investing purposes. All intercompany amounts and transactions have been eliminated upon consolidation.

In accordance with the Canadian Institute of Chartered Accountants ["CICA"] Accounting Guideline 18 "Investment Companies" ["AcG-18"], the Company designated its temporary investments and its corporate investments as held-for-trading and carries them at fair value. Clairvest also designated its receivables and payables as held-for-trading in accordance with the CICA Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

Future accounting changes

In February 2008, the Canadian Accounting Standards Board ["AcSB"] confirmed that the use of International Financial Reporting Standards ["IFRS"] will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved a three-year deferral from IFRS adoption which would allow Canadian companies that apply AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2014.

During fiscal 2013, the International Accounting Standards Board ["IASB"] issued final amendments to IFRS for Investment Entities. The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity and require such entities to measure its investee companies at fair value through profit and loss.

Clairvest is currently evaluating the impact of adopting IFRS.

Significant accounting policies

The following is a summary of the significant accounting policies of the Company:

[a] **Temporary investments and corporate investments**

The Company carries its temporary investments and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at a value which takes into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and

realizable value of the investments. The amounts at which Clairvest's publicly traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

[b] **Foreign currency translation**

Income and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses are included in income in the period in which they occur.

[c] **Derivative financial instruments**

The Company periodically enters into foreign exchange forward contracts to hedge its exposure to exchange rate fluctuations on its foreign currency denominated investments. These foreign exchange forward contracts and, where applicable, their underlying investments, are valued at exchange rates in effect at the consolidated balance sheet dates.

Foreign exchange forward contracts are included on the consolidated balance sheets as derivative instruments and are valued at fair value representing the estimated amount that the Company would have been required to pay, or received, had the Company settled the outstanding contracts at the consolidated balance sheet dates. Any unrealized gains or losses are included in finance and foreign exchange expense in the consolidated statements of income.

[d] **Income recognition**

Realized gains or losses on disposition of corporate investments and change in unrealized gains or losses in the value of corporate investments are calculated based on weighted average cost and are reflected in the consolidated statements of income. Management fees and advisory and other fees are recorded as income on an accrual basis when earned. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

[e] **Future income taxes**

The Company records future income tax expense or recovery using the asset and liability method. Under this method, future income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective income tax bases, as well as certain carryforward items. Future income tax assets and liabilities are determined for each temporary difference based on the income tax rates that are

expected to be in effect when the asset or liability is settled. Future income tax assets are only recognized to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

[f] **Stock-based compensation plan**

The Company's stock option plan allows for a cash settlement of stock options. As a result, compensation expense is recognized and recorded as a liability based on the intrinsic value of the outstanding stock options at the consolidated balance sheet dates and the proportion of their vesting periods that have elapsed. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to administration and other expense.

[g] **Deferred share unit plan**

Directors of the Company may elect to receive all or a portion of their compensation in deferred share units ["DSUs"]. On the date directors' fees are payable, the number of DSUs to be credited to a participant is determined by dividing the amount of the fees to be received by way of DSUs by the market value of a Clairvest common share on the TSX. Upon redemption of DSUs, the Company pays to the participant a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by the market value of a Clairvest common share on the TSX on the redemption date. A participant may redeem his or her DSUs only following termination of board service.

Under the Company's DSU plan, a change in the fair value of the DSUs is charged to administration and other expense based on the number of DSUs outstanding at the consolidated balance sheet dates multiplied by the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates.

During fiscal 2008, the DSU plan was amended to also facilitate the issuance of Appreciation Deferred Share Units ["Appreciation DSUs"] to the directors of the Company. Upon redemption of the Appreciation DSUs, the Company pays to the participant a lump sum cash payment equal to the number of Appreciation DSUs to be redeemed multiplied by the difference between the market value of a Clairvest common share on the TSX on the redemption date and the market value of a Clairvest common share on the TSX on the grant date. A participant may redeem his or her Appreciation DSUs only following termination of board service. Under the Company's DSU plan, the fair value of the Appreciation DSUs is charged to administration and other expense based on the number of Appreciation DSUs outstanding at the consolidated balance sheet dates multiplied by the difference between the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates and the market value of a Clairvest common share on the TSX on the grant date.

[h] **Book value appreciation rights plan**

The Company may elect to issue all or a portion of a participant's stock option grant by way of book value appreciation rights units ["BVARs"]. Upon redemption of BVARs, the Company pays to the participant a lump sum cash payment equal to the number of BVARs to be redeemed multiplied by the increase in book value per share between the grant date and the redemption date, and grossed up such that the participant's after-tax proceeds equate to an amount as if the proceeds were taxed at the capital gains rate. The BVARs vest over a five-year period and the participant may only redeem his or her BVARs at the earlier of [i] five years from the grant date or [ii] cessation of employment with the Company.

As the Company's BVAR plan is a cash settled plan, the fair value of the BVARs is charged to administration and other expense and recorded as a liability over the BVAR vesting period based on the book value per share at the consolidated balance sheet date of the prior quarter.

[i] **Net income per share**

Basic net income per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Fully-diluted net income per share is determined in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding during the year.

[j] **Use of estimates**

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

3. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of deposits in investment and money market savings accounts and term deposits which have maturities of less than 90 days from the date of acquisition. The yield ranges between 1.1% and 4.8% per annum [2012 – between 0.5% and 4.7%] with a weighted average rate of pre-tax return of 1.2% per annum [2012 – 1.2%].

Temporary investments consist of guaranteed investment certificates and corporate bonds and loans and have maturities greater than 90 days from the date of acquisition and through to February 2020. The yield on these investments ranges between 1.7% and 9.2% per annum [2012 – between 1.6% and 4.9%] with a weighted average rate of pre-tax return of 3.2% per annum [2012 – 2.4%]. The composition of Clairvest's temporary investments at March 31 was as follows:

	2013			2012
	Due in 1 year or less	**Due after 1 year**	**Total**	Total
Guaranteed investment certificates	**$ 16,235**	**$ 28,100**	**$ 44,335**	$ 25,273
Corporate bonds and loans	**3,061**	**12,312**[1]	**15,373**	37,876
Term deposits	—	—	—	51
Preferred shares	—	—	—	1,497
	$ 19,296	**$ 40,412**	**$ 59,708**	$ 64,697

[1] In addition to the corporate investment Clairvest made in Centaur Gaming as described in note 6[j], Clairvest also made a treasury investment in Centaur Gaming during fiscal 2013 in the form of a US$6.0 million first lien secured loans and a US$6.0 million second lien secured loans, the aggregate carrying value of which at March 31, 2013 was $12.3 million.

4. RELATED PARTY TRANSACTIONS

[a] As the Manager of CEP, Clairvest is entitled to a management fee from CEP. Effective January 1, 2011, the CEP management fee is calculated annually as 1.5% of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest from corporate investments of CEP. The management fee from CEP ceased effective March 1, 2013.

During fiscal 2013, Clairvest earned management fees of $0.3 million [2012 – $0.5 million] from CEP. As per the Management Agreement, fees of $0.1 million [2012 – $0.1 million] from corporate investments of CEP were netted against the management fees.

Clairvest, as General Partner of CEP, is entitled to participate in distributions made by CEP equal to 10% of net gains of CEP [the "carried interest"]. During fiscal 2013, Clairvest earned $0.9 million [2012 – $2.2 million] in carried interest from CEP, which brings total carried interest earned by Clairvest from CEP at March 31, 2013 to $11.1 million [2012 - $10.2 million]. If CEP were to sell its corporate investments at their current fair values, Clairvest would receive up to $1.0 million [2012 – $3.6 million] in carried interest from CEP.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP via a limited partnership ["Participation Partnership"], the general partner of which is Clairvest.

[b] As the General Partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by Clairvest from corporate

investments of CEP III. During fiscal 2013, CEP III declared to Clairvest priority distributions of $1.9 million [2012 – $2.0 million]. As per the Limited Partnership Agreement, fees of $0.3 million [2012 – $0.3 million] from corporate investments of CEP III were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP III. No carried interest has been earned by Clairvest from CEP III to March 31, 2013. At March 31, 2013, if CEP III were to sell its corporate investments at their current fair values, Clairvest would receive up to $11.6 million [2012 – $0.3 million] in carried interest from CEP III.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP III via a limited partnership ["Participation III Partnership"], the general partner of which is Clairvest.

[c] As described in note 13 [b], Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Investment Limited Partnership ["CEP III Co-Invest"] was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has two limited partners, one of which is Clairvest, and the other is Participation III Partnership. Participation III Partnership has invested $1.1 million in CEP III Co-Invest and is entitled to an 8.25% carried interest in respect of CEP III Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the $1.1 million invested by Participation III Partnership in CEP III Co-Invest plus the first $0.2 million received by the Participation III Partnership as described above. At March 31, 2013, $0.3 million [March 2012 – $0.3 million] has been received by Clairvest.

At March 31, 2013, if CEP III Co-Invest were to sell its corporate investments at their current fair values, Participation III Partnership would receive up to $4.7 million [2012 – $1.9 million] in carried interest from CEP III Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP III Co-Invest has not made any carried interest payments to Participation III Partnership.

[d] As General Partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. Effective January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV, the priority distribution is calculated monthly as 0.1667% of committed capital, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During fiscal 2013, CEP IV declared to Clairvest priority distributions of $5.6 million [2012 – $5.4 million]. As per the Limited Partnership Agreement, fees of $0.3 million [2012 – $0.5 million] from corporate investments of CEP IV were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP IV. No carried interest has been earned by Clairvest from CEP IV to March 31, 2013. At March 31, 2013, if CEP IV were to sell its corporate investments at their current fair values, Clairvest would receive up to $4.9 million [2012 – $2.8 million] in carried interest from CEP IV.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV via a limited partnership ["Participation IV Partnership"], the general partner of which is Clairvest.

[e] As Manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, the CEP IV-A management fee is calculated monthly as 0.1667% of committed capital; and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During fiscal 2013, Clairvest earned management fees of $0.6 million [2012 – $0.6 million] as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.3 million [2012 – $0.3 million] was netted against the management fees.

As General Partner of CEP IV-A, Clairvest is also entitled to a 10% carried interest in respect of CEP IV-A. No carried interest has been earned by Clairvest from CEP IV-A to March 31, 2013. At March 31, 2013, if CEP IV-A were to sell its corporate investments at their current fair values, Clairvest would receive up to $0.8 million [2012 – $0.4 million] in carried interest from CEP IV-A.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV-A via Participation IV Partnership.

[f] As described in note 13 [c], Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Investment Limited Partnership ["CEP IV Co-Invest"] was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partnerships, one of which is Clairvest, and the other is Participation IV Partnership. Participation IV Partnership has invested $1.6 million in CEP IV Co-Invest and is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the $1.6 million invested by Participation IV Partnership in CEP IV Co-Invest plus the first $0.4 million received by the Participation IV Partnership as described above. No amounts have been received by Clairvest at March 31, 2013.

At March 31, 2013, if CEP IV Co-Invest were to sell its corporate investments at their current fair values, Participation IV Partnership would receive up to $2.5 million [2012 – $1.2 million] in carried interest from CEP IV Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP IV Co-Invest has not made any carried interest payments to Participation IV Partnership.

[g] Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company totaling $1.1 million [2012 – $0.5 million]. The share purchase loans bear interest which is paid annually, have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of $1.4 million [2012 – $0.7 million]. Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling $0.6 million [2012 – $0.5 million]. The loans to officers of the affiliated company bear interest which is paid quarterly. Loans are repayable upon departure of the officer. Interest of $35 thousand [2012 – $35 thousand] was earned on these loans during fiscal 2013. Also included in accounts receivable and other assets are receivables from Clairvest's investee companies totaling $1.2 million [2012 – $2.4 million], from CEP totaling $38 thousand [2012 – $0.3 million], from CEP III totaling $1.6 million [2012 – $1.5 million], from CEP IV totaling $3.4 million [2012 – $5.4 million] and from CEP IV-A totaling $0.5 million [2012 – $1.1 million].

[h] Loans totaling $29.5 million [2012 – $36.8 million], bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement, were made by the Company to CEP IV during fiscal 2013. During fiscal 2013, $45.6 million [2012 – $16.2 million] of these loans and loans previously advanced were repaid such that $4.5 million [2012 - $20.6 million] remained outstanding at March 31, 2013 and were repaid in full subsequent to year end. Interest of $1.6 million [2012 – $1.0 million] was earned from loans to CEP IV during fiscal 2013.

[i] Loans totaling $4.7 million [2012 – $6.0 million], bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement, were made by the Company to CEP IV-A during fiscal 2013. During fiscal 2013, $6.9 million [2012 – $3.0 million] of these loans and loans previously advanced were repaid such that $0.7 million [2012 - $3.0 million] remained outstanding at March 31, 2013 and were repaid in full subsequent to year end. Interest of $0.2 million [2012 – $0.1 million] was earned from loans to CEP IV-A during fiscal 2013.

[j] During fiscal 2013, Clairvest earned $19.9 million [2012 – $6.3 million] in distributions and interest income, $4.6 million [2012 – $4.3 million] in dividend income and $1.4 million [2012 – $2.0 million] in advisory and other fees from its investee companies.

[k] During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, 50% of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by a director of Clairvest. At March 31 2013, Clairvest's portion of the net book value of the aircraft of $1.5 million is recorded in accounts receivable and other assets. Clairvest receives 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

5. NET REALIZED GAINS ON CORPORATE INVESTMENTS

Net realized gains on corporate investments for the years ended March 31, 2013 and 2012 are comprised of the following:

	2013	2012
Net realized gains during the year	**$ 13,612**	$ 8,311
Previously recognized net unrealized gains	**[4,603]**	[7,766]
	$ 9,009	$ 545

6. CORPORATE INVESTMENTS

	2013			2012		
	Fair value	**Cost**	**Difference**	Fair value	Cost	Difference
Investments alongside CEP						
Grey Eagle Casino	**$ 2,431**	**$ 1**	**$ 2,430**	$ 1,605	$ 1	$ 1,604
Landauer Metropolitan Inc.	**25**	**5,111**	**[5,086]**	6,834	5,111	1,723
N-Brook Mortgage LP	**713**	**3,124**	**[2,411]**	2,625	5,036	[2,411]
Investments alongside CEP III						
Casino New Brunswick	**2,448**	**9,798**	**[7,350]**	2,448	9,798	[7,350]
Chilean Gaming Holdings[a]	**39,486**	**28,725**	**10,761**	31,202	28,725	2,477
Kubra Data Transfer Limited	**12,678**	**2,150**	**10,528**	7,868	2,150	5,718
Light Tower Rentals Inc.	**24,580**	**8,178**	**16,402**	21,494	8,178	13,316
Lyophilization Services of New England Inc.	**7,573**	**7,451**	**122**	5,098	7,351	[2,253]
PEER 1 Network Enterprises Inc.	**—**	**—**	**—**	10,419	6,291	4,128
Participation III Partnership Entitlements[b]	**[4,683]**	**—**	**[4,683]**	[1,918]	—	[1,918]
Investments alongside CEP IV						
Centaur Gaming [formerly Centaur, LLC]	**18,443**	**14,644**	**3,799**	28,798	28,945	[147]
CRS Contractors Rental Supply Limited Partnership	**10,573**	**10,573**	**—**	—	—	—
Discovery Air Inc.	**25,521**	**22,045**	**3,476**	27,701	26,545	1,156
Linen King, LLC	**788**	**2,525**	**[1,737]**	2,523	2,525	[2]
MAG Defense Services	**1,904**	**1,915**	**[11]**	—	—	—
Rivers Casino	**20,742**	**7,413**	**13,329**	25,536	8,504	17,032
Participation IV Partnership Entitlements[c]	**[2,494]**	**—**	**[2,494]**	[1,172]	—	[1,172]
Wellington Financial Fund II	**20**	**1**	**19**	46	1	45
Wellington Financial Fund III / IV	**14,850**	**12,138**	**2,712**	15,643	13,643	2,000
	175,598	**135,792**	**39,806**	186,750	152,804	33,946
Other investments	**792**	**910**	**[118]**	1,126	1,129	[3]
	$176,390	**$136,702**	**$ 39,688**	$187,876	$153,933	$ 33,943

[a] Comprised of Clairvest's investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama.
[b] Fair value attributable to limited partners of Participation III Partnership as described in note 4[c].
[c] Fair value attributable to limited partners of Participation IV Partnership as described in note 4[f].

The cost and fair value of corporate investments do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against these investments [note 12[b]]. Details of each investment are described below.

[a] **Grey Eagle Casino**

Grey Eagle Casino is a charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the City of Calgary, Alberta. At March 31, 2011, Clairvest held a $5.6 million subordinated debt with a 16% coupon rate. In addition to the subordinated debt, Clairvest also hold units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.

During fiscal 2012, Grey Eagle Casino completed a financing and repaid in full the $5.6 million subordinated debt and $2.2 million of accrued interest owing to Clairvest, $0.4 million of which was earned during fiscal 2012.

During fiscal 2013, Clairvest earned $0.4 million [2012 – nil] in profit distributions from Grey Eagle Casino.

[b] **Landauer Metropolitan Inc. ["Landauer"]**

Landauer is a supplier of home medical equipment operating in the northeastern United States.

At March 31, 2013 and 2012, Clairvest owned 1,906,250 10% cumulative convertible preferred shares and 748,133 common shares of Landauer, representing a 14.2% interest on a fully-diluted basis. Clairvest has also advanced bridge loans totaling US$0.3 million [C$0.3 million] and a US$0.6 million [C$0.6 million] subordinated secured convertible note to Landauer.

The bridge loans comprised of a US$0.2 million [C$0.2 million] bridge loan which bears interest at a rate of 25% per annum, payable monthly, and was repayable on April 16, 2010 but remained outstanding as at March 31, 2013, and a US$0.1 million [C$0.1 million] bridge loan which bears interest at a rate of 12% per annum, payable monthly, and is repayable on September 24, 2015. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loans to common shares of Landauer at a rate of $1.00 per share.

The US$0.6 million subordinated secured convertible note bears interest at a rate of 10% per annum compounding annually. This note is convertible into Series B preferred shares at a conversion rate of $1.00 per share or into common shares at a rate of $0.50 per share. The conversion is at Clairvest's discretion.

The cumulative convertible preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each convertible preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

During fiscal 2013, the fair value of Landauer was decreased by $6.8 million to $0.1 million. The decrease in the fair value was due to an expected material adverse change to the profitability of Landauer in the near term as a result of the recently completed Medicare competitive bidding process in the United States.

[c] **N-Brook Mortgage LP ["N-Brook"]**

N-Brook originated, adjudicated and underwrote first-ranking mortgages on owner-occupied, residential real estate in Ontario, British Columbia and Alberta. During fiscal 2009, N-Brook management made the decision to wind down its mortgage portfolio.

At March 31, 2012 and 2011, Clairvest had a $5.0 million investment in N-Brook. During fiscal 2013, Clairvest received cash distributions totaling $1.9 million [2012 – nil] from N-Brook, $1.1 million of which was recorded as a full repayment of the variable rate demand debenture and the remaining $0.8 million was recorded as a return of capital on the limited partnership units reducing the fair value of N-Brook to $0.7 million. No gain or loss was recorded as a result of the partial realization of Clairvest’s investment in N-Brook. Based on the fair value at March 31, 2013, Clairvest is entitled to receive 24.1% [2012 – 24.1%] of any future recoveries from N-Brook.

[d] **Casino New Brunswick**

Casino New Brunswick is a gaming entertainment complex located in Moncton, New Brunswick. At March 31, 2011, Clairvest had invested $9.2 million in Casino New Brunswick.

During fiscal 2012, Clairvest funded an additional $0.6 million in Casino New Brunswick, bringing the total investment in Casino New Brunswick to $9.8 million. The investment was made in the form of debentures with a stated interest at a rate of 6% per annum. Interest has been waived until further notice effective March 1, 2011. Also during fiscal 2012, management determined that the fair value of Casino New Brunswick should be written down by $2.7 million bringing cumulative write downs to $7.3 million as a result of performance continuing to trend below initial estimates. Also during the fiscal 2012, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in note 13[j].

At March 31, 2013 and 2012, Clairvest also holds units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino.

[e] **Chilean Gaming Holdings**

Chilean Gaming Holdings is a limited partnership which has a 50.0% ownership interest in Casino Marina del Sol ["Casino del Sol"] in Concepcion, Chile, and a 48.8% ownership interest in each of Casino Osorno in Osorno, Chile, and Casino Sol Calama in Calama, Chile.

During fiscal 2012, Chilean Gaming Holdings sold 2.5% of its equity interest in Casino Osorno and Casino Sol Calama to the operator of Casino del Sol. Clairvest received $0.3 million in cash proceeds and realized a $0.1 million gain as a result of the sale.

During fiscal 2013, Clairvest earned dividends totaling $4.6 million [2012 **–** $1.3 million] through its investment in Chilean Gaming Holdings, bringing dividends earned to March 31, 2013 to $6.4 million [2012 - $1.8 million].

At March 31, 2013 and 2012, Clairvest owned 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% equity interest.

[f] **Kubra Data Transfer Limited ["Kubra"]**

Kubra is a business process outsourcing company focused on the distribution of household bills on behalf of its customers.

During fiscal 2012, Clairvest earned dividends totaling $3.0 million from Kubra, against Clairvest's investment in Kubra of $2.2 million.

At March 31, 2013 and 2012, Clairvest owned 3,250,000 Class A voting common shares of Kubra, representing an 11.5% interest on a fully-diluted basis.

[g] **Light Tower Rentals Inc. ["Light Tower Rentals"]**

Light Tower Rentals is an oilfield equipment rental company operating in major oil and gas drilling basins in the United States. At March 31, 2012 and 2011, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals, which could be converted into a 10.3% ownership interest on a fully-diluted basis. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion. Also at March 31, 2012, Clairvest owned 2,215,736 common shares in LTR Equipment Inc. ["LTR Equipment"], a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals, representing a 15.3% interest on a fully-diluted basis.

During fiscal 2013, LTR Equipment was amalgamated into Light Tower Rentals. As a result of the amalgamation, Clairvest exchanged the 2,215,736 common shares of LTR Equipment into 8,428,387 common shares of the combined entity. No gain or loss was recognized as a result of the amalgamation. As a result of the exchange, Clairvest owned 5,841,250 Series A convertible preferred shares and 8,428,387 common shares of Light Tower Rentals, representing a 12.6% ownership interest on a fully-diluted basis.

[h] **Lyophilization Services of New England Inc. ["LSNE"]**

LSNE is a Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. At March 31, 2011, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares of LSNE. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one

common share and the conversion is at Clairvest's discretion. At March 31, 2011, Clairvest had also advanced US$0.3 million [C$0.3 million] in unsecured loans to LSNE.

During fiscal 2013 and 2012, Clairvest funded an additional US$0.1 million [C$0.1 million] and US$0.6 million [C$0.6 million] to LSNE, respectively, in the form of unsecured loans to further support the growth of LSNE, bringing total unsecured loans advanced to LSNE by Clairvest to US$1.0 million [C$1.0 million].

On March 31, 2013, US$0.6 million of unsecured loans were converted into 1,250,000 Series B 10% cumulative preferred shares and the remaining US$0.4 million of unsecured loans were converted into a promissory note with a stated interest rate of 10% per annum and repayable on demand.

During fiscal 2013, the fair market value of Clairvest's investment in LSNE was adjusted upward by $2.4 million as a result of LSNE's recent growth in earnings, such that Clairvest's carrying value of LSNE at March 31, 2013 approximates its cost.

At March 31, 2013, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares which are convertible into a 12.3% ownership interest on a fully-diluted basis, 1,250,000 Series B cumulative preferred shares and US$0.4 million in demand promissory notes.

[i] **PEER 1 Network Enterprises Inc. ["PEER 1"]**

PEER 1 [TSX: PIX] is a global online IT infrastructure provider based in Vancouver, British Columbia. At March 31, 2012 and 2011, Clairvest owned 5,134,618 common shares of PEER 1, representing a 4.2% interest on a fully-diluted basis. The Company also owned 50,000 stock options of PEER 1 with an exercise price of $1.07 per share.

During fiscal 2013, Clairvest sold its investment in PEER 1 at a price of $3.85 per share. Clairvest realized a gain on this investment of $13.6 million on the sale, $4.6 million of which had been previously recognized. Clairvest also recognized a $0.5 million foreign exchange gain on the sale of PEER 1 which was the result of a reversal of foreign exchange revaluations given PEER 1 was considered a foreign denominated investment in prior periods.

[j] **Centaur Gaming [formerly Centaur, LLC]**

Centaur Gaming is the owner and operator of Hoosier Park Racing & Casino in Anderson, Indiana, and Indiana Grand Casino and Indiana Downs Racetrack ["Indiana Grand"] in Shelbyville, Indiana.

At March 31, 2011, Clairvest held US$29.7 million [C$29.9 million] in pre-petition senior secured first lien loans ["Senior Debt"] of Centaur Gaming. As part of the investment, Clairvest also held a US$0.3 million [C$0.3 million] promissory note from an unrelated investment partner [the "Investment Partner"] for this investment.

During fiscal 2012, Clairvest invested an additional US$5.3 million [C$5.5 million] in the Senior Debt of Centaur Gaming, bringing the total investment in Centaur Gaming to US$35.3 million [C$35.7 million]. Subsequently, Centaur Gaming emerged from Chapter 11 protection and implemented its court-approved Plan of Reorganization. As holders of US$39.1 million face principal value of Senior Debt, Clairvest received US$6.4 million [C$6.7 million] in cash, US$16.4 million in post-petition first lien secured notes, US$6.2 million in post-petition second lien secured notes and US$5.1 million in unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class A units of Centaur Gaming. The cash received was recorded as a return of capital and no gain or loss was realized as a result of the exchange.

During fiscal 2013, Centaur Gaming acquired Indiana Grand. Clairvest advanced a US$7.9 million [C$8.0 million] promissory note to Centaur Gaming during the acquisition process and invested an additional US$8.4 million [C$8.5 million] in the form of an unsecured term loan with stapled warrants in support of this acquisition. The stapled warrants, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class B units of Centaur Gaming. The promissory note which had a stated interest rate of 3.41% per annum was repaid in full upon the completion of the acquisition.

In conjunction with this acquisition, Centaur Gaming completed a financing and repaid in full the post-petition first and second lien secured notes with interest accrued to February 20, 2013. The promissory notes were also repaid in full upon the completion of the financing.

During fiscal 2013, Clairvest received cash proceeds totaling US$32.3 million, comprised of a US$16.4 million full repayment on the post-petition first lien secured notes, a US$6.2 million full repayment on the post-petition second lien secured notes, a US$0.3 million full repayment on the promissory note from the Investment Partner, a US$7.4 million full repayment on the promissory note advanced to Centaur Gaming during the acquisition process and US$2.0 million in interest.

At March 31, 2013, Clairvest held US$13.6 million in term loans with stapled warrants which are convertible upon exercise to 9.9% of Class A and Class B units of Centaur Gaming.

As described in note 3, Clairvest also purchased US$6.0 million in new first lien loans and US$6.0 million in new second lien loans for its treasury holdings following the completion of the financing.

[k] **CRS Contractors Rental Supply Limited Partnership ["CRS"]**

CRS is a provider of equipment rental services and related merchandise across 21 locations in Ontario, Canada.

During fiscal 2013, Claivest invested $10.6 million to acquire 10,572,805 limited partnership units of CRS. At March 31, 2013, Clairvest's ownership interest in CRS is 13.9%.

[l] **Discovery Air Inc. ["Discovery Air"]**

Discovery Air is a specialty aviation services company operating across Canada and in select locations internationally.

During fiscal 2012, Clairvest invested $22.0 million in secured convertible debentures ["Debentures"] of Discovery Air. The Debentures, which have a 5.5-year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, accrue interest at a rate of 10% per annum and interest is paid in kind and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air, which, together with the 59,521 Discovery Air shares owned prior to this investment, represents a 10.5% ownership interest in Discovery Air on an "as converted" basis. At March 31, 2013, the conversion price for the Debentures was $8.68 [2012 - $7.89] per share and the closing quoted market price of a Discovery Air common share was $2.38 [2012 - $3.98] per share.

Also during fiscal 2012, Clairvest advanced a $4.5 million bridge loan to Discovery Air with a stated interest rate of 9.5% per annum, which was repaid in full during fiscal 2013.

During fiscal 2013, Clairvest earned $2.4 million [2012 - $1.2 million] in interest from its investments in Discovery Air.

[m]**Linen King, LLC ["Linen King"]**

Linen King is an Oklahoma-based textile rental company that provides commercial laundry services to the healthcare and hospitality industries.

During fiscal 2012, Clairvest invested in 2,529,209 Class A units of Linen King. At March 31, 2013 and 2012, Clairvest's ownership interest in Linen King is 21.7%.

[n] **MAG Defense Services ["MAG"]**

MAG is a U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider.

During fiscal 2013, Clairvest invested US$1.9 million [C$1.9 million] to acquire 18,737 Class A stock of MAG. At March 31, 2013, Clairvest's ownership interest in MAG is 8.0%.

[o] **Rivers Casino**

Rivers Casino is a gaming entertainment complex located in Des Plaines, Illinois.

At March 31, 2011, Clairvest owned 10,627,066 units of Rivers Casino, 1,605,149 units of which represented bridge capital in anticipation of the raising of equity from minority investors as required by the Illinois legislature.

During fiscal 2012, Rivers Casino completed the raising of capital from minority investors whereby Clairvest advanced US$1.1 million [C$1.1 million] in promissory notes to a minority investor [the "Minority Investor"] in support of the completion of the minority fundraising. The promissory notes paid interest at a rate of 24% per annum and matured on June 24, 2041. Clairvest also acquired a minority interest in the Minority Investor. As a result of the completion of minority fundraising, the 1,605,149 units were redeemed at cost.

Clairvest earned quarterly distributions and fees as an investor of Rivers Casino, and interest as a promissory noteholder of the Minority Investor. During fiscal 2013, Clairvest earned $3.6 million [2012 - $1.5 million] in quarterly distributions and $0.5 million [2012 - $0.3 million] in quarterly fees from Rivers Casino. Clairvest also earned $0.2 million [2012 - $0.2 million] in interest on the promissory note and received $0.4 million [2012 - $0.1 million] in quarterly principal and interest payments from the Minority Investor.

Also during fiscal 2013, Rivers Casino completed a financing and as a result made an additional distribution to its investors. Clairvest received cash proceeds totaling $9.5 million from this distribution which has been recorded in distributions and interest income. In addition to the distributions received from Rivers Casino, the Minority Investor made a $1.0 million full repayment on the promissory note.

At March 31, 2013, Clairvest owned 9,021,917 units of Rivers Casino, 5,000 units of the Minority Investor, which in aggregate represents a 5.0% ownership on a fully-diluted basis.

[p] **Wellington Financial Fund II ["Wellington Fund II"]**

Wellington Fund II provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada. Clairvest, as a limited partner, had committed to fund $20.0 million to Wellington Fund II. Clairvest's commitment represented a 24.1% interest in Wellington Fund II. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund II.

During fiscal 2012, Wellington Fund II was liquidated and the remaining assets were distributed to its limited partners. Clairvest received $0.2 million in cash and securities as a result of the liquidation, which approximated the fair value ascribed to Wellington Fund II at March 31, 2011. Clairvest continues to hold an interest in the General Partner of Wellington Fund II at March 31, 2013.

[q] **Wellington Financial Fund III / IV**

Wellington Financial Fund III ["Wellington Fund III"] is a successor fund to Wellington Fund II which provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada and the United States. Clairvest, as a limited partner, committed to fund $25.0 million to Wellington Fund III. Clairvest's commitment represented a 16.7% interest in Wellington Fund III. Clairvest was also entitled to participate in the profits received by the General Partner of Wellington Fund III.

During fiscal 2012, Clairvest invested a further $1.1 million to Wellington Fund III, such that at March 31, 2012, $13.6 million [2011 – $12.5 million] of Clairvest's commitment had been funded.

During fiscal 2013, Wellington Financial Fund IV ["Wellington Fund IV"], a successor fund of Wellington Fund III, was raised. As part of the closing of Wellington Fund IV, Clairvest transferred its investment and its unfunded commitment in Wellington Fund III to Wellington Fund IV. Clairvest also increased its commitment by $0.1 million to $25.1 million in support of the final closing of Wellington Fund IV. Clairvest received a net return of capital of $2.1 million as a result of the closings of Wellington Fund IV.

Also during fiscal 2013, Clairvest funded an additional $0.6 million to Wellington Fund IV, bringing total amount funded to $12.1 million against the $25.1 million commitment. At March 31, 2013, Clairvest's interest in Wellington Fund IV represented a 12.6% ownership in Wellington Fund IV. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund IV.

7. CREDIT FACILITIES

Clairvest has a $75.0 million committed credit facility with a maturity date of April 30, 2020. The credit facility bears interest at 11% per annum on drawn amounts and at 1% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2013 and 2012 is $75.0 million. No amounts were drawn during fiscal 2013 and 2012. Included in accounts receivable and other assets at March 31, 2013 is a capitalized closing fee on this facility totaling $0.6 million [2012 – $0.9 million] which is to be amortized on a straight-line basis to April 2015.

The Company also has a $20.0 million credit facility available, subject to annual renewals, bearing interest at prime plus 0.5% per annum. The prime rate at March 31, 2013 and 2012 was 3.0%. The amount available under the credit facility at March 31, 2013 was $20.0 million [2012 - $17.0 million], which is based on debt covenants within the banking arrangement. No amounts were drawn during fiscal 2013 and 2012.

8. INCOME TAXES

Income tax expense for the years ended March 31, 2013 and 2012 consist of the following:

	2013	2012
Current income tax expense	**$ 3,685**	$ 2,724
Future income tax expense	**2,326**	1,746
	$ 6,011	$ 4,470

A reconciliation of the income tax expense based on the statutory rate in Canada and the effective rate is as follows:

	2013	%	2012	%
Income before income taxes	**$ 41,774**		$ 26,886	
Statutory Canadian income tax rate		**26.50**		27.75
Statutory Canadian income taxes	**11,070**	**26.50**	7,461	27.75
Non-taxable dividends and distributions received	**[6,142]**	**[14.70]**	[5,721]	[21.28]
Taxable portion of net investment gains	**2,421**	**5.80**	314	1.17
Non-taxable portion of losses on temporary investments	**[1,034]**	**[2.48]**	189	0.70
Non-deductible portion of finance recovery	**[454]**	**[1.09]**	[383]	[1.42]
Non-deductible portion of other expenses	**1,010**	**2.42**	603	2.24
Payment [recovery] of prior years' taxes	**[1,663]**	**[3.98]**	455	1.69
Foreign income tax rate differences	**150**	**0.36**	1,428	5.31
Other	**653**	**1.56**	124	0.47
	$ 6,011	**14.39**	$ 4,470	16.63

Future tax liabilities relate to temporary differences on corporate and temporary investments, derivative instruments, accounts payable and accrued liabilities and income as follows:

	2013	2012
Temporary differences on corporate and temporary investments	**$ 5,459**	$ 4,075
Temporary differences on derivative instruments	**[413]**	[229]
Temporary differences on accounts payable and accrued liabilities	**[2,138]**	[1,445]
Temporary differences on income	**2,066**	947
Other	**1,500**	800
	$ 6,474	$ 4,148

9. SHARE CAPITAL

Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions, and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares

10,000,000 non-voting shares

Issued and outstanding	2013		2012	
	Shares	Amount	Shares	Amount
Common shares, beginning of year	**15,118,095**	**$ 78,438**	15,392,695	$ 79,911
Issued on exercise of stock options	**6,000**	**104**	50,000	211
Prior period adjustment relating to share issuances	–	**559**	–	–
Purchased and cancelled under normal course issuer bid	–	–	[324,600]	[1,684]
Common shares, end of year	**15,124,095**	**$ 79,101**	15,118,095	$ 78,438

During fiscal 2012, the Company purchased and cancelled 324,600 common shares under various normal course issuer bids for a total purchase cost of $5.6 million. The excess of the purchase cost of the 324,600 shares purchased and cancelled during fiscal 2012 over the average paid-in amount was $3.9 million, the amount of which was charged to retained earnings.

During fiscal 2013, the Company filed a normal course issuer bid enabling it to make market purchases of up to 756,204 [2012 – 772,135] of its common shares in the 12-month period commencing March 6, 2013 [2012 – March 6, 2012]. During fiscal 2013, the Company made no purchases or cancellations under its normal course issuer bids. In total, 3,429,895 common shares at a cost of $35.3 million have been purchased under all previous normal course issuer bids as at March 31, 2013 and 2012. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

15,124,095 [2012 - 15,118,095] common shares were outstanding at March 31, 2013.

The weighted average number of common shares outstanding during fiscal 2013 was 15,123,635 [2012 - 15,397,724]. The weighted average number of fully-diluted shares outstanding during fiscal 2013 was 15,404,526 [2012 - 15,675,287].

The difference between the basic and fully-diluted net income per share computations for 2013 and 2012 consists of the following:

	2013			2012		
	Net income	Weighted average number of shares	Per share amount	Net income	Weighted average number of shares	Per share amount
Basic net income per share	**$ 35,763**	**15,123,635**	**$ 2.36**	$ 22,416	15,397,724	$ 1.46
Effect of dilutive securities stock options		**280,891**			277,563	
Fully-diluted net income per share	**$ 35,763**	**15,404,526**	**$ 2.32**	$ 22,416	15,675,287	$ 1.43

Under the Company's stock option plan, 1,173,856 [2012 – 1,283,856] common shares of the Company have been made available for issuance to eligible participants. At March 31, 2013, 615,000 [2012 – 725,000] options were outstanding under the plan, and an additional 558,856 [2012 – 558,856] are available for future grants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest over a period of five years. Once vested, options are exercisable at any time until their expiry 10 years after the grant date.

During fiscal 2013, 110,000 [2012 – 252,000] options were exercised, 6,000 [2012 – 50,000] of which were exercised for shares, increasing share capital by $0.1 million [2012 – $0.2 million]. The remaining 104,000 [2012 – 202,000] options were exercised under the cash settlement plan and had no impact on share capital. No options were granted during fiscal 2013 and 2012.

A summary of the status of the Company's stock option plan as at March 31, 2013 and 2012 and changes during the years then ended are presented below:

	Number of options	**Weighted average exercise price per share***
Options outstanding, March 31, 2011	977,000	$ 8.88
Options exercised	[252,000]	5.57
Options outstanding, March 31, 2012	725,000	9.72
Options exercised	[110,000]	5.13
Options outstanding, March 31, 2013	**615,000**	**$ 10.43**
Options exercisable, March 31, 2013	**601,000**	**$ 10.39**

*Adjusted for special dividends where applicable

The following table summarizes information about stock options outstanding and exercisable at March 31, 2013:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life [yrs]	Weighted average exercise price*	Number exercisable	Weighted average exercise price*
$7.00 to $7.99	50,000	0.2	$ 7.07	50,000	$ 7.07
$9.00 to $9.99	330,000	2.6	9.32	330,000	9.32
$12.00 to $12.99	235,000	4.5	12.72	221,000	12.73
	615,000			601,000	

* Adjusted for special dividends where applicable

10. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

As a result of a cash settlement feature in Clairvest's stock option plan, Clairvest is required to recognize compensation expense based upon the intrinsic value of the outstanding stock options at the consolidated balance sheet dates, and the proportion of their vesting periods that have elapsed. For the year ended March 31, 2013, Clairvest recognized a stock-based compensation expense of $2.9 million (2012 – $1.5 million) as a result of options being vested and an increase in the trading price of Clairvest common shares. As at March 31, 2013, $6.4 million (2012 – $5.5 million) has been accrued under the Company's stock option plan, and a further $0.1 million (2012 – $0.3 million) not accrued as those options have not vested.

As at March 31, 2013, a total of 232,215 [2012 – 212,420] DSUs were held by directors of the Company, the accrual in respect of which was $5.0 million [2012 – $3.8 million] and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2013, Clairvest recognized an expense of $1.2 million [2012 – $1.0 million] with respect to DSUs.

As at March 31, 2013, 120,000 [2012 – 120,000] Appreciation DSUs were held by directors of the Company, the accrual in respect of which is $1.0 million [2012 – $0.6 million] and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2013, Clairvest recognized an expense of $0.4 million [2012 – $0.3 million] with respect to Appreciation DSUs.

As at March 31, 2013, a total of 1,238,680 [2012 – 957,601] BVARs were held by employees of Clairvest, the accrual in respect of which was $2.1 million [2012 – $1.1 million] and has been included in accounts payable and accrued liabilities, and a further $3.8 million [2012 – $2.4 million] not accrued as those BVARs have not vested. For the year ended March 31, 2013, Clairvest recognized an expense of $1.6 million [2012 – $1.6 million] with respect to BVARs.

11. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations is detailed as follows:

	2013	2012
Accounts receivable and other assets	**$ 3,434**	$ [6,307]
Income taxes recoverable	**2,749**	[2,135]
Accounts payable and accrued liabilities	**2,001**	1,598
Income taxes payable	**583**	1,410
	$ 8,767	$ [5,434]

Cash and cash equivalents at March 31, 2013 and 2012 are comprised of the following:

	2013	2012
Cash	**$ 3,022**	$ 3,063
Cash equivalents	**111,783**	29,823
	$ 114,805	$ 32,886

12.FINANCIAL INSTRUMENTS

[a] **Fair value of financial instruments**

Cash, cash equivalents, receivables, payables, temporary investments and corporate investments are being carried at fair value in accordance with the Company's accounting policy as described in note 2 to the consolidated financial statements.

[b] **Foreign exchange forward contracts**

As at March 31, 2013, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Foreign exchange forward contracts to sell US$91.6 million [2012 – US$102.0 million] and buy US$4.2 million [2012 – US$1.4 million] at an average rate of Canadian $1.0022 [2012 – $0.9957] per U.S. dollar through to February 2014. The fair value of these contracts at March 31, 2013 is a loss of $1.2 million [2012 – $0.2 million] and has been recognized on the consolidated balance sheets as derivative instruments.

Foreign exchange forward contracts to sell Chilean Pesos ["CLP"] 14.7 billion [2012 – CLP 14.7 billion] at an average rate of Canadian $0.002022 [2012 – $0.001938] through to January 2014. The fair value of these contracts at March 31, 2013 is a loss of $1.9 million [2012 – $1.5 million] and has been recognized on the consolidated balance sheets as derivative instruments.

13. CONTINGENCIES, COMMITMENTS AND GUARANTEES

[a] Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million [2012 – $3.5 million] of which remains outstanding at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it concurrently sells a proportionate number of securities of that corporate investment held by CEP.

[b] Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million [2012 – $15.2 million] of which remains unfunded at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

[c] Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A Clairvest's total co-investment commitment is $125.0 million, $73.1 million [2012 – $75.5 million] of which remains unfunded at March 31, 2013. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

[d] Clairvest has also committed $25.1 million to Wellington Fund IV [2012 - $25.0 million to Wellington Fund III], $13.0 million [2012 - $11.4 million] of which remained unfunded at March 31, 2013.

[e] At March 31, 2013, Clairvest has received profit distributions totaling $3.3 million [2012 – $2.6 million] through its ownership interest in the General Partner of Wellington Fund III and Wellington Fund IV. Subject to clawback provisions, Clairvest may be required to repay up to a net $0.4 million [2012 - $1.3 million] of these distributions in the event the limited partners of Wellington Fund III and Wellington Fund IV do not meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2013 and 2012, there were no accruals made with respect to the Clawback.

[f] Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian chartered bank under CEP's foreign exchange forward contracts with the bank.

[g] Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank.

[h] Under Clairvest's Incentive Bonus Program [the "Program"], a bonus of 10% of after-tax cash income and realizations on certain of Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2013, $0.6 million [2012 – $0.8 million] has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $2.0 million [2012 – $1.1 million] would be owing to management under this Program. As no such realizations have occurred and the terms of the Program with respect to these corporate investments have not yet been fulfilled, the $2.0 million [2012 – $1.1 million] has not been accrued at March 31, 2013. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

[i] During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ["Signature"] and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims. The indemnification was extinguished during fiscal 2013 and no claims against this indemnification had been made.

[j] Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to

Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2013, no amounts subject to this guarantee have been funded. Clairvest has pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee and is held in a bank account belonging to Clairvest at the Schedule 1 Canadian chartered bank which cannot be withdrawn without consent from the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted temporary investments on the consolidated balance sheets.

[k] An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2013, no amounts subject to this guarantee have been funded.

[l] As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, had loans totaling $44.6 million at March 31, 2013 through various acquisition entities from an unrelated financial institution, while another acquisition entity held term deposits totaling $44.6 million at March 31, 2013 with the same financial institution as security for these loans. Clairvest intends to settle the loans, the deposits and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposits and the loans, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition entities was 36.8% at March 31, 2013, with CEP III owning 37.7% and the remainder owned by the other co-investors.

[m] Clairvest has committed to invest US$5.4 million in New Meadowlands Racetrack LLC, which operates the Meadowlands, North America's premier standardbred horse racing track located in East Rutherford, New Jersey. No amounts have been funded at March 31, 2013.

[n] During fiscal 2013, Clairvest reached a court-approved settlement with certain parties with respect to a $10.0 million loan advanced in two tranches of $5.0 million in each of December 2005 and May 2006. Subsequently, the loan was in default and the collateral arrangements for the loan were mishandled. The loan was written off and Clairvest recorded a realized loss in its consolidated financial statements for the year ended March 31, 2007. Clairvest took legal action against several parties to recover the funds and has reached a settlement with certain of these parties resulting in a settlement by these parties to Clairvest of $7.8 million, or 77.5% of the original loan value without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2013. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.

[o] In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

14. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the years ended March 31, 2013 and 2012, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at March 31, 2013 and 2012, net of any allowances for losses, were as follows:

	2013	2012
Financial assets		
Cash and cash equivalents	**$ 114,805**	$ 32,886
Temporary investments	**59,708**	64,697
Restricted cash and temporary investments	**5,425**	5,430
Accounts receivable	**8,873**	11,946
Loans receivable	**5,365**	23,740
Corporate investments	**176,390**	187,876
	$ 370,566	$ 326,575
Financial liabilities		
Accounts payable	**$ 133**	$ 377
Derivative instruments	**3,115**	1,731
	$ 3,248	$ 2,108

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company is also subject to credit risk on its loans receivables, the majority of which is typically with its CEP Funds. The Company manages this risk through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. As at March 31, 2013 and 2012, the credit ratings, based on the Dominion Bond Rating Services ["DBRS"] rating scale, with the exception of loans rated below A- which are based on the Standard and Poor's ["S&P"] rating scale, for the Company's cash, cash equivalents and temporary investments were as follows:

	2013	2012
Cash and term deposits	**$ 3,022**	$ 3,386
Money market savings accounts		
R1-High	**93,463**	17,814
Guaranteed investment certificates, investment savings accounts and mutual fund deposits, including restricted temporary investments		
AA	**59,844**	39,272
AA-	**152**	3,168
A+	**5,052**	—
A	**3,032**	—
Corporate bonds and loans		
AA	**—**	15,212
AA-	**2,552**	—
A+	**508**	7,980
A	**—**	2,929
A-	**—**	11,755
B+	**6,117**[1]	—
CCC+	**6,196**[1]	—
Preferred shares		
P-2 low	—	1,497
Total cash, cash equivalents, temporary investments and restricted Temporary investments	**$ 179,938**	$ 103,013

[1] Pertains to Clairvest's treasury investment in Centaur Gaming as described in notes 3 and 6[j].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 and 2012 [tabular dollar amounts in thousands, except per share information]

Market risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy set out in CICA Handbook Section 3862:

	2013			
	Fair value measurements using			Assets / liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	$ 93,463	$ —	$ —	$ 93,463
Investment savings accounts	18,240	—	—	18,240
Mutual fund deposits	80	—	—	80
	111,783	—	—	111,783
Temporary investments				
Guaranteed investment certificates	—	44,335	—	44,335
Corporate bonds and loans	3,061	12,312	—	15,373
	3,061	56,647	—	59,708
Restricted temporary investments	—	5,425	—	5,425
Accounts receivable	—	—	8,873	8,873
Loans receivable	—	—	5,365	5,365
Corporate investments	126	—	176,264	176,390
	$ 114,970	$ 62,072	$ 190,502	$ 367,544
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 133	$ 133
Derivative instruments	—	3,115	—	3,115
	$ —	$ 3,115	$ 133	$ 3,248

	2012			
	Fair value measurements using			Assets / liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	$ 17,814	$ —	$ —	$ 17,814
Investment savings accounts	11,737	—	—	11,737
Term deposits	272	—	—	272
	29,823	—	—	29,823
Temporary investments				
Term deposits	51	—	—	51
Guaranteed investment certificates	—	25,273	—	25,273
Corporate bonds and loans	37,876	—	—	37,876
Preferred shares	1,497	—	—	1,497
	39,424	25,273	—	64,697
Restricted temporary investments	—	5,430	—	5,430
Accounts receivable	—	—	11,946	11,946
Loans receivable	—	—	23,740	23,740
Corporate investments	10,671	—	177,205	187,876
	$ 79,918	$ 30,703	$ 212,891	$ 323,512
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 377	$ 377
Derivative instruments	—	1,731	—	1,731
	$ —	$ 1,731	$ 377	$ 2,108

The following table presents the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in CICA Handbook Section 3862:

	Fair value April 1, 2012	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2013	Unrealized gains and foreign exchange revaluations included in earnings for assets and liabilities for the year ended March 31, 2013 for positions still held
Financial assets						
Accounts receivable	**$ 11,946**	**$ —**	**$ 71,304**	**$ [74,377]**	**$ 8,873**	**$ —**
Loans receivable	**23,740**	**—**	**34,168**	**[52,543]**	**5,365**	**—**
Corporate investments	**177,205**	**10,555**	**29,701**	**[41,197]**	**176,264**	**10,555**
	212,891	**10,555**	**135,173**	**[168,117]**	**190,502**	**10,555**
Financial liabilities						
Accounts payable	**377**	**—**	**1,908**	**[2,152]**	**133**	**—**
	$ 377	**$ —**	**$ 1,908**	**$ [2,152]**	**$ 133**	**$ —**

	Fair value April 1, 2011	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2012	Unrealized gains and foreign exchange revaluations included in earnings for assets and liabilities for the year ended March 31, 2012 for positions still held
Financial assets						
Accounts receivable	$ 5,366	$ —	$ 47,458	$ [40,878]	$ 11,946	$ —
Loans receivable	126	—	46,431	[22,817]	23,740	—
Corporate investments	153,247	20,040	36,888	[32,970]	177,205	19,138
	158,739	20,040	130,777	[96,665]	212,891	19,138
Financial liabilities						
Accounts payable	176	—	1,496	[1,295]	377	—
	$ 176	$ —	$ 1,496	$ [1,295]	$ 377	$ —

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change

when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1% per annum, the potential effect would be an increase or decrease of $0.7 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2013.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i] public company multiples for companies in the same or similar businesses; ii] where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii] multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur Gaming, Chilean Gaming Holdings, Kubra, Light Tower Rentals, Linen King, and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $19.3 million or decrease of $19.4 million to the carrying value of corporate investments and net changes in unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2013. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 15 companies in 8 industries and 3 countries as at March 31, 2013. Concentration risk by industry and by country is as follows:

	2013				2012			
	Canada	**United States**	**Chile**	**Fair value**	Canada	United States	Chile	Fair value
Business services	**$ —**	**$ 12,678**	**$ —**	**$ 12,678**	$ —	$ 7,868	$ —	$ 7,868
Contract manufacturing	**—**	**7,573**	**—**	**7,573**	—	5,098	—	5,098
Equipment rental	**10,573**	**24,580**	**—**	**35,153**	—	21,494	—	21,494
Financial services	**15,583**	**—**	**—**	**15,583**	18,314	—	—	18,314
Gaming	**4,879**	**39,185**	**39,486**	**83,550**	4,053	54,334	31,202	89,589
Health and medical elated	**—**	**25**	**—**	**25**	—	6,834	—	6,834
Information technology	**—**	**—**	**—**	**—**	—	10,419	—	10,419
Specialty Aviation	**25,521**	**1,904**	**—**	**27,425**	27,701	—	—	27,701
Textile rental service	**—**	**788**	**—**	**788**	—	2,523	—	2,523
Other	**[6,385]**	**—**	**—**	**[6,385]**	[1,964]	—	—	[1,964]
Total	**$ 50,171**	**$ 86,733**	**$ 39,486**	**$ 176,390**	$ 48,104	$ 108,570	$ 31,202	$ 187,876

The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's fair value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact on the fair value of these investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Note 13 describes the Company's contingencies, commitments and guarantees.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

15. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages the third-party capital committed or invested in the CEP Funds and co-investments made by other investors. Total capital managed by Clairvest as at March 31, 2013, measured at fair market value and including capital committed by third-party investors but not yet invested, was $1.2 billion [2012 - $1.2 billion].

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity such that funds are available to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing corporate investments;
- Achieve an appropriate risk-adjusted return on capital;
- Build the long-term value of its corporate investments; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by earning a carried interest.

At March 31, 2013, Clairvest had non-restricted cash, cash equivalents and temporary investments of $174.5 million [2012 – $97.6 million] and access to $95.0 million [2012 – $92.0 million] through its credit facilities to support its current and anticipated corporate investments. Clairvest also had $261.1 million [2012 – $291.0 million] of uncalled committed third-party capital through the CEP Funds at March 31, 2013 to invest along with Clairvest’s capital.

At March 31, 2013 and 2012, Clairvest had no external capital requirements, other than as disclosed in note 13.

16. SUBSEQUENT EVENT

Subsequent to year end, the Company invested US$4.0 million [C$4.1 million] in County Waste of Virginia, LLC ["County Waste"] a private regional solid waste management company based in West Point, Virginia. The Company’s ownership interest in County Waste is 12.6%.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2013 consolidated financial statements.

SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2013

SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. Annual and quarterly reports are provided as part of this process and the company releases information on material events through the press, as required. Further disclosure can be found on the company's website, www.clairvest.com.

VALUATION MEASURES

Clairvest's focus is on building the long–term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments. The fair value method, however, is not without limitations. Clairvest's investments are often carried at values which may vary from the actual realizations.

OUTSTANDING SECURITIES

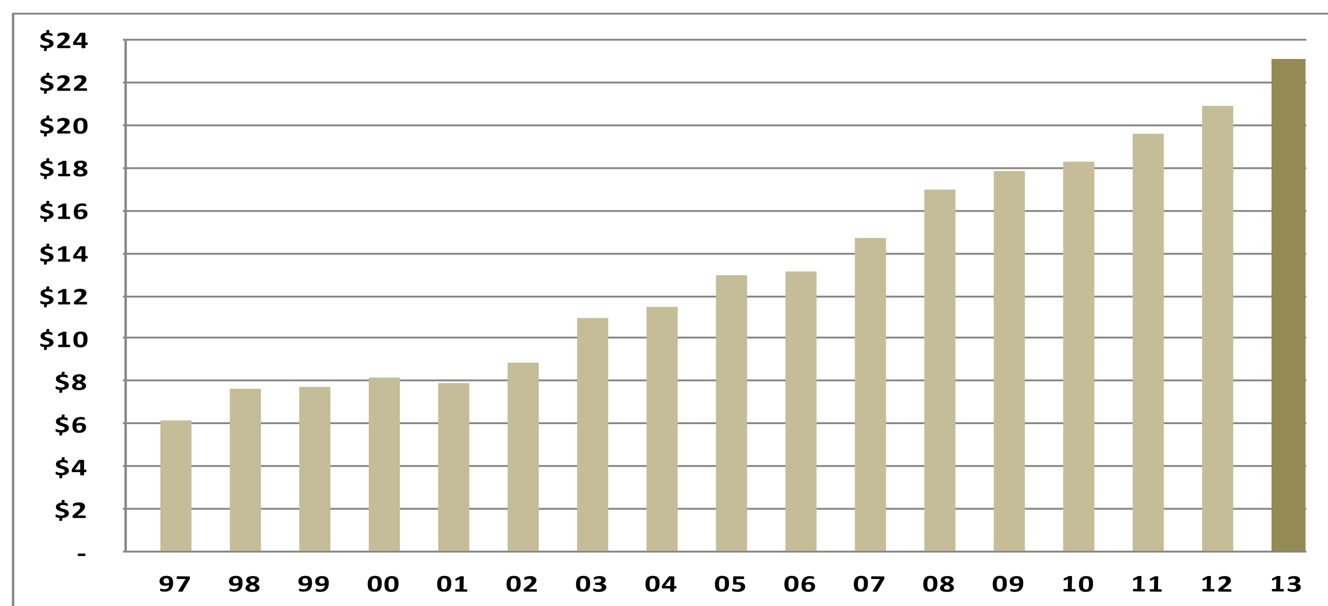
Share structure	Common Shares[3]		
Common shares outstanding			15,124,095
Less holders of 10% or more			9,972,222
Public float[1,2]			5,151,873
Market capitalization[1]		$	332,427,608
Market value of public float[1,2]		$	113,238,169
Stock market	Toronto Stock Exchange		
Stock symbol	CVG		

[1] As at May 31, 2013. [2] Excludes holders of 10% or more of the outstanding common shares. (3) During the year, Clairvest filed a new Normal Course Issuer Bid.

DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last twenty-two years. Over the last twenty years the annual ordinary dividend has been $0.10 per common share. It is Clairvest's current intention to continue to pay an annual ordinary dividend.

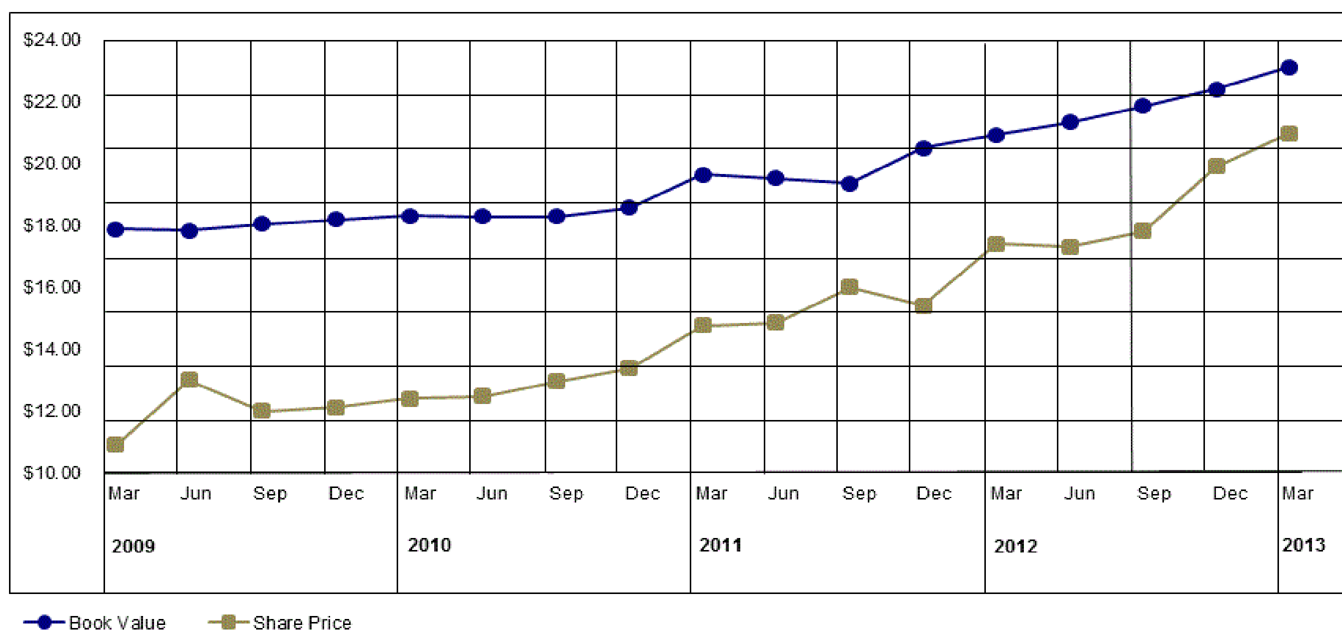
BOOK VALUE PER SHARE AT MARCH 31



SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2013

SHARE PRICE VS BOOK VALUE PER SHARE



SHARE TRADING VOLUME FISCAL 2013

Common shares	High	Low	Close	Volume
Year to March 31, 2013				
First Quarter	**18.06**	**17.01**	**17.30**	**13,563**
Second Quarter	**18.00**	**17.30**	**17.80**	**19,090**
Third Quarter	**19.98**	**17.70**	**19.90**	**68,439**
Fourth Quarter	**23.50**	**19.90**	**20.98**	**12,043**
Year to March 31, 2012				
First Quarter	15.25	14.60	14.85	101,734
Second Quarter	16.00	15.25	16.00	79,570
Third Quarter	16.00	15.40	15.40	33,378
Fourth Quarter	19.67	16.75	17.41	394,075

SHAREHOLDER INQUIRIES

Maria Klyuev, Director, Investor Relations & Marketing

tel: 416.925.9270

fax: 416.925.5753

email: mariak@clairvest.com

TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact
CIBC Mellon Trust Company
for information regarding their security holdings.
Note: Canadian Stock Transfer Company Inc. acts as the
Administrative Agent for CIBC Mellon Trust Company.

Information can be obtained at:
P.O. Box 700, Station B
Montreal, Québec H3B 3K3
Answerline: 1.800.387.0825
Web: www.canstockta.com
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Web: www.clairvest.com

AUDITORS
Ernst & Young LLP

THE ANNUAL MEETING OF SHAREHOLDERS
August 13, 2013
St. Andrews Club & Conference Centre,
150 King Street West, 27th Floor
Toronto, Ontario Canada

All Shareholders are encouraged to attend.

ANNUAL REPORT 2012

CLAIRVEST

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KNOWLEDGE BASED – VALUE FOCUSED

CLAIRVEST

CLAIRVEST IS ONE OF CANADA'S LEADING PROVIDERS OF PRIVATE EQUITY FINANCING TO MID-MARKET COMPANIES AND CURRENTLY HAS APPROXIMATELY C$1 BILLION OF CAPITAL UNDER MANAGEMENT.

CLAIRVEST MANAGES ITS OWN CAPITAL AND THAT OF THIRD PARTIES, THROUGH THE CLAIRVEST EQUITY PARTNERS LIMITED PARTNERSHIPS.

CLAIRVEST PARTNERS WITH MANAGEMENT TO INVEST IN PROFITABLE, SMALL AND MID-SIZED NORTH AMERICAN COMPANIES WITH THE GOAL OF HELPING TO BUILD VALUE IN THE BUSINESS AND GENERATE SUPERIOR LONG TERM FINANCIAL RETURNS FOR INVESTORS.

CLAIRVEST SPECIALIZES IN CONSOLIDATING INDUSTRIES WITHIN A SPECIFIED REGION AND IN THE LOCAL MARKET CASINO INDUSTRY.

CLAIRVEST CONCLUDES ANOTHER YEAR OF GROWTH AND CELEBRATES 25 YEARS IN BUSINESS

FELLOW SHAREHOLDER,

Fiscal 2012 was another strong year for Clairvest. Despite market volatility and an uncertain economic environment, Clairvest's portfolio companies continued to perform and grow. Over the last 12 months, Clairvest held to its proven domain origination approach and successfully deployed its capital towards three new investments, all of which represent a unique value opportunity.

As in prior years, Clairvest retained its balanced approach to leverage and concluded fiscal 2012 with a strong balance sheet and a very comfortable liquidity position. With a focused strategy, capital to invest and a team of dedicated professionals, we are well positioned to capitalize on current market dynamics to seek opportunities others may not see and continue to deliver attractive returns to our limited partners and shareholders.

PORTFOLIO

Concerns related to the sovereign debt crisis in Europe, questions regarding the stability of the euro and fears of a double dip recession in the US and Europe contributed to an uncertain environment over the past year. Despite this back drop, all of our portfolio companies grew and we were able to generate three new investment opportunities in addition to six add-on investments to the current portfolio.

Fiscal 2012 brought some notable milestones. KUBRA won several significant contracts which are a testament to the success of its continued investment in technology and service enhancement. PEER 1 emerged from an extensive investment phase as one of the leading independent global hosting companies, achieving record results. Light Tower Rentals continued to expand its geographic reach and service offering and substantially exceeded industry performance.

Our investment focus in local market gaming was supported by the strong performance of our seven casino properties. Rivers Casino opened its doors in July 2011, surpassing expectations, and is now the leading casino in the state of Illinois. Our Chilean properties continue to grow and together are the leading casino group in terms of operating profitability in the country. Casino New Brunswick, which we previously identified as a challenge, has seen a substantial improvement in performance during the year. While we are pleased with its progress, we remain cautious and have decided to write down the investment to 25% of cost. Building on our extensive experience in the gaming space, Clairvest and CEP IV allocated US $20 million to invest in the Meadowlands Racetrack in New Jersey, North America's premier standardbred horse racing track with attractive upside potential.

Linen King and Discovery Air Inc, are two new investments both of which encompass many of the attractive characteristics that we seek through our rigorous investment criteria. Linen King is a growing healthcare linen services company in mid-continent United States with numerous expansion opportunities both organically and by way of acquisition. Discovery Air Inc. is a leading speciality aviation company based in Canada and operating internationally with substantial growth opportunities within its market.

RESULTS

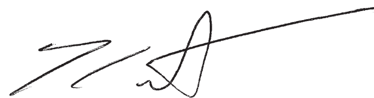
For the 12 months ended March 31, 2012, Clairvest's book value per share grew to $20.93 from $19.65 a year earlier. Our value creation performance continues to be superior to many public market indices. Over the past 10 years, Clairvest has consistently delivered growth in its book value per share, producing a compounded annual growth rate of approximately 10% including dividends on an after-tax basis, compared with 3.6% pre-tax for the S&P 500. This return is the aggregate of high returns on our invested capital and modest money market returns on our cash balances, which have averaged 45% of our book value over the period, providing our shareholders with a solid risk adjusted return.

PROMISING OUTLOOK

With 25 years of industry experience and a deep track record of value creation, we are convinced that we derive a significant competitive advantage from our approach, which is based on partnership with solid management teams who are material owners in their respective businesses and emphasizes growth as the principal driver of value creation. Clairvest will continue to use its time tested investment discipline, looking for best-in-class companies, led by proven managers in industries for which we have a strong thesis.

Our success to date is attributed to the strength of our investee partners, the energy and leadership of our employees and the invaluable guidance from our board of directors. We thank our shareholders and limited partners for their continued support. We are dedicated to continue to build value for Clairvest and its partners.

Jeff Parr
Co-Chief Executive Officer



Ken Rotman
Co-Chief Executive Officer

June 26, 2012

The Management's Discussion and Analysis ("MD&A") of financial condition and results of operations analyzes significant changes in Clairvest Group Inc.'s consolidated financial results, financial position, risks and opportunities. It should be read in conjunction with the Consolidated Financial Statements.

The following MD&A is the responsibility of Management and is as of June 26, 2012. The Board of Directors carries out its responsibility for review of this disclosure through its Audit Committee. The Audit Committee reviews the disclosure and recommends its approval to the Board of Directors. The Board of Directors has approved this disclosure.

INTRODUCTION

Clairvest Group Inc. ("Clairvest" or the "Company") is a private equity investor that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), Clairvest Equity Partners III Limited Partnership ("CEP III"), Clairvest Equity Partners IV Limited Partnership ("CEP IV") and Clairvest Equity Partners IV-A Limited Partnership ("CEP IV-A") (together, the "CEP Funds") in a small number of carefully selected companies that have the potential to generate superior returns.

The Company's shares are traded on the Toronto Stock Exchange under the stock symbol "CVG".

At March 31, 2012, Clairvest had 14 core investments in 9 different industries. Three of these investments are joint investments with CEP, six are joint investments with CEP III and four are joint investments with CEP IV and CEP IV-A (together, the "CEP IV Fund"). Clairvest also holds an investment in Wellington Financial Fund III ("Wellington Fund III").

OVERVIEW OF FISCAL 2012

An overview of the significant events during fiscal 2012 follows:

- Clairvest and CEP III sold their interests in Hudson Valley Waste Holding, Inc. ("Hudson Valley Waste"), a regional solid waste company based in the northeastern United States, for cash proceeds of US$70.0 million (C$67.6 million). On a combined US$35.3 million (C$36.9 million) investment, Clairvest and CEP III generated a pre-tax return of 2.0 times in U.S. dollars and an internal rate of return of 87% over this 13 month investment. Consistent with its ownership percentage, Clairvest realized 25% of this amount, or C$16.9 million on a C$9.2 million investment. As a result of the sale, Clairvest realized a $0.6 million incremental gain in fiscal 2012.
- Grey Eagle Casino (formerly Tsuu T'ina Gaming Limited Partnership), a charitable casino on Tsuu T'ina First Nation reserve lands located southwest of the city of Calgary, completed a financing and repaid in full its debentures plus accrued interest totaling $31.1 million owing to Clairvest and CEP. Consistent with its ownership percentage, Clairvest received 25% of this amount, or $7.8 million, the same as the March 31, 2011 carrying value for the debenture investment. Clairvest continues to hold an equity participation interest in the Grey Eagle Casino, enabling it to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.

- Clairvest, the CEP IV Fund, and co-investors invested $70 million in Discovery Air Inc. ("Discovery Air"), a speciality aviation services company operating across Canada and in select locations internationally. The investment was by way of secured convertible debentures (the "Debentures") which accrue interest at a rate of 10% per annum, payable in kind quarterly and compounded annually, and have a 5.5 year term from issuance which is subject to certain early redemption rights in favor of Discovery Air. The Debentures and the accrued interest are convertible into 9,333,334 common shares of Discovery Air, representing a 32.8% equity interest on an "as converted" basis. Clairvest's portion of the investment in Discovery Air was $22.0 million which is convertible into 2,939,300 common shares of Discovery Air, which, together with the 59,521 Discovery Air shares Clairvest owned prior to this investment, represents a 10.5% equity interest on an "as converted" basis. In addition to the Debentures, Clairvest advanced a $4.5 million 90-day bridge loan to Discovery Air at a stated interest rate of 9.5% per annum, which was repaid in full subsequent to year end.
- Clairvest and co-investors invested a further US$12.9 million in pre-petition senior secured first lien debt ("Senior Debt") of Centaur, LLC ("Centaur"), which holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana. Clairvest's portion of the investment was US$5.3 million (C$5.5 million), bringing Clairvest's total investment in the Senior Debt of Centaur to US$35.3 million (C$35.7 million). Subsequently, Centaur emerged from Chapter 11 protection and implemented its court-approved Plan of Reorganization. As holders of US$141.0 million in pre-petition first lien debt, Clairvest, the CEP IV Fund and co-investors received US$23.0 million in cash, US$59.2 million in new first lien secured notes, US$22.2 million in new second lien secured notes and US$18.5 million in unsecured term loan with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 35.8% of Centaur's Class A units. Clairvest received US$6.4 million (C$6.7 million) in cash, US$16.4 million in new first lien secured notes, US$6.2 million in new second lien secured notes and US$5.1 million in unsecured term loan with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of Centaur's Class A units. No gain or loss was realized as a result of the exchange.
- Rivers Casino (formerly Midwest Gaming Holdings LLC), a gaming entertainment complex located in Des Plaines, Illinois, completed the raising of capital from minority investors and commenced operations in July 2011. Clairvest, the CEP IV Fund, and co-investors (the "Group"), through various acquisition entities, advanced US$8.7 million in promissory notes to a minority investor in support of the completion of the minority fundraising for Rivers Casino. In addition to this investment, the Group acquired a minority interest in this investor. As a result of the completion of the minority fundraising, the Group received a return of capital from Rivers Casino totalling US$13.7 million. Clairvest advanced US$1.1 million in promissory notes in support of and received a $1.7 million return of capital upon the completion of the minority fundraising.
- Clairvest and the CEP IV Fund invested US$9.4 million in Linen King, LLC ("Linen King"), an Oklahoma based textile rental company that provides commercial laundry services to the healthcare and hospitality industries. Clairvest's portion of the investment is US$2.5 million.

- Kubra Data Transfer Ltd. ("Kubra"), a business process outsourcing company, completed a financing and paid a US$20 million dividend to its shareholders. Clairvest and CEP III received US$2.9 million (C$3.0 million) and US$8.7 million (C$9.0 million) respectively from this dividend against their C$13.0 million original investment.
- Clairvest and the CEP IV Fund committed to invest US$20.0 million in New Meadowlands Racetrack LLC, which operates the Meadowlands, North America's premier standardbred horse racing track located in East Rutherford, New Jersey. Clairvest's portion of the commitment is US$5.4 million, none of which has been funded at March 31, 2012 and as at June 26, 2012.
- Clairvest purchased and cancelled 201,000 of its common shares for a cost of $3.4 million under its normal course issuer bid expiring March 5, 2012. Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 772,135 of its common shares in the 12-month period commencing March 6, 2012. Clairvest purchased and cancelled 123,600 of its common shares for $2.2 million under this bid to June 26, 2012. As at June 26, 2012, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last nine years. As at June 26, 2012, 15,124,095 common shares are outstanding.
- Clairvest paid an annual ordinary dividend of $0.10 per share and a special dividend of $0.0965 per share, such that in aggregate, the dividends represent 1% of the March 31, 2011 book value. The dividends were paid on July 25, 2011 to common shareholders of record as of July 8, 2011. The dividends were eligible dividends for Canadian income tax purposes.

OUTLOOK

The Company continues to deploy its resources to maximize shareholder value. At March 31, 2012, cash, cash equivalents and temporary investments represent approximately 31% of Clairvest's net book value, a significant reduction to the 46% at March 31, 2011. With the continuing deployment of the Company's treasury funds into strategic investments, the Company is well positioned to benefit from a global economic recovery.

On June 12, 2012, Clairvest reached a court approved settlement with certain parties with respect to a $10 million loan advanced in two tranches of $5 million in each of December 2005 and May 2006. Subsequently, the loan was in default and the collateral arrangements for the loan were mishandled. The loan was written off and Clairvest recorded a realized loss in its financial statements for the year ended March 31, 2007. Clairvest took legal action against several parties to recover the funds and has reached a settlement with certain of these parties resulting in a settlement by these parties to Clairvest of approximately $7.75 million, or approximately 77.5% of the original loan value without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2012. The funds recovered will be recorded into income when received. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.

At March 31, 2012, Clairvest had approximately $1 billion in capital under management, a significant amount of which is third-party capital. The third-party capital provides Clairvest with a steady stream of revenue over the next few years and provides the ability for Clairvest to enhance its returns by earning a carried interest.

At March 31, 2012, Clairvest had $97.6 million in cash, cash equivalents and temporary investments, access to $92.0 million in credit facilities and $262.5 million of additional capital available through the CEP Funds to fund new and follow-on investments. With this capital, Clairvest is in a strong position to support the growth of its investee companies and to continue its active pursuit of new investment opportunities using a domain-based proprietary research to explore a number of industries and uncover new potential investments.

FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future, considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

REGULATORY FILINGS

The Company's continuous disclosure materials, including interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

SUMMARY OF CLAIRVEST'S CORPORATE INVESTMENTS AT MARCH 31, 2012

Investment	Industry Segment	Geographic Segment	Ownership Percentage[16]	Cost of Investment (millions)	Net Cash Investment (millions)[17]	Fair Value of Investment (millions)[18]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS							
Grey Eagle Casino[1]	Gaming	Canada	Equity participation	$ —	$ (4.7)	$ 1.6	A charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary, Alberta. CEP also has an equity participation in the Grey Eagle Casino.
Landauer Metropolitan Inc. ("Landauer")[2]	Healthcare	United States	14.2%	$ 5.1	$ 5.1	$ 6.8	A supplier of home medical equipment in northeastern United States. CEP owns 42.6% of Landauer.
N-Brook Mortgage LP ("N-Brook")[3]	Financial Services	Canada	14.7%	$ 5.0	$ 5.0	$ 2.6	A company that originated, adjudicated and underwrote mortgages in Ontario, British Columbia, Manitoba and Alberta, Canada. CEP owns 44.1 % of N-Brook.
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS III							
Casino New Brunswick[4]	Gaming	Canada	22.5%	$ 9.8	$ 9.8	$ 2.4	A gaming entertainment complex located in Moncton, New Brunswick. CEP III owns 67.5% of Casino New Brunswick.
Chilean Gaming Holdings[5]	Gaming	Chile	36.8%	$ 28.7	$ 27.4	$ 31.2	An investment vehicle which holds approximately 50% equity interest in various gaming entertainment complexes in Chile. CEP III owns 37.7% of Chilean Gaming Holdings.
Kubra Data Transfer Ltd. ("Kubra")[6]	Business Services	United States	11.5%	$ 2.2	$ (0.8)	$ 7.9	A business process outsourcing company focused on the distribution of household bills on behalf of its customers. CEP III owns 34.5% of Kubra.
Light Tower Rentals Inc. ("Light Tower Rentals") and LTR Equipment Inc. ("LTR Equipment")[7]	Oil Field Service	United States	10.3% and 15.3%	$ 8.2	$ 8.2	$ 21.5	An oilfield equipment rental company operating in major oil and gas drilling basins in the United States. CEP III owns 30.8% and 45.8% of the respective companies.
Lyophilization Services of New England Inc. ("LSNE")[8]	Contract Manufacturing	United States	12.3%	$ 7.4	$ 7.4	$ 5.1	A Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. CEP III owns 36.8% of LSNE.
PEER 1 Network Enterprises Inc. ("PEER 1")[9]	Information Technology	Canada and United States	4.2%	$ 6.3	$ 6.3	$ 10.4	A publicly traded (TSX: PIX) global online IT infrastructure provider based in Vancouver, British Columbia. CEP III owns 12.6% of PEER 1.

(1) Clairvest holds units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.
(2) Clairvest owns 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares, a US$0.6 million subordinated secured convertible note at 10% interest per annum and US$0.3 million of bridge loans of Landauer.
(3) Clairvest has funded $5.0 million to N-Brook in the form of partnership units and warehouse loans.
(4) Clairvest has funded $9.8 million to Casino New Brunswick by way of debentures and owns units of a limited partnership which operates Casino New Brunswick.
(5) Clairvest owns 30,446,299 units of Chilean Gaming Holdings which holds a 50% interest in Casino Marina del Sol and a 47.5% interest in each of Casino Osorno and Casino sol Calama.
(6) Clairvest owns 3,250,000 Class A voting common shares of Kubra. The net cash investment is reduced by the $3.0 million in dividends received.
(7) Clairvest owns 5,841,250 Series A convertible preferred shares of Light Tower Rentals and 2,215,736 common shares of LTR Equipment Inc., a company affiliated with Light Tower Rentals.
(8) Clairvest owns 6,406,000 Series A 10% cumulative convertible preferred shares and a US$0.9 million unsecured loan of LSNE.
(9) Clairvest owns 5,134,617 common shares and 50,000 options for common shares of PEER 1.

Investment	Industry Segment	Geographic Segment	Ownership Percentage[16]	Cost of Investment (millions)	Net Cash Investment (millions)[17]	Fair Value of Investment (millions)[18]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS IV							
Centaur, LLC ("Centaur")[10]	Gaming	United States	Debt interest and 9.9% upon exercise of warrants	$ 28.9	$ 28.2	$ 28.8	The operator of the Hoosier Park Racing & Casino in Indianapolis, Indiana. CEP IV and CEP IV-A have debt interests and warrants convertible upon exercise into 16.3% and 2.6% in ownership of Centaur respectively.
Discovery Air Inc. ("Discovery Air")[11]	Aviation Services	Canada	Debt interest convertible to 10.5%	$ 26.5	$ 26.5	$ 27.7	A specialty aviation services business operating across Canada and in selected locations internationally. CEP IV and CEP IV-A have a debt interest convertible to 13.2% and 2.1% in Discovery Air respectively.
Linen King, LLC ("Linen King")[12]	Textile Rental Service	United States	21.7%	$ 2.5	$ 2.5	$ 2.5	An Oklahoma based textile rental company that provides commercial laundry services, primarily to hospitals. CEP IV and CEP IV-A own 51.1% and 8.1% interest of Linen King respectively.
Rivers Casino[13]	Gaming	United States	5.0%	$ 8.5	$ 8.5	$ 25.5	A gaming entertainment complex located in Des Plains, Illinois. CEP IV and CEP IV-A own 11.8% and 1.9% ultimate interest of Rivers Casino respectively.
STANDALONE INVESTMENTS							
Wellington Financial Fund III ("Wellington Fund III")[14]	Financial Services	Canada	16.7%	$ 13.6	$ 5.9	$ 15.6	Provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies in Canada and the United States.
OTHER INVESTMENTS[15]				**$ 1.2**	**$ (4.0)**	**$ (1.7)**	
TOTAL INVESTMENTS				**$ 153.9**	**$ 131.3**	**$ 187.9**	

(10) Clairvest invested $28.9 million in Centaur by way of US$16.4 million in first lien loans, US$6.2 million in second lien loans and US$5.1 million in unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class A units of Centaur.

(11) Clairvest invested $26.5 million in Discovery Air by way of a $22.0 million 5.5 year term convertible debentures with a stated interest rate of 10% per annum and and a $4.5 million 90-day bridge loan with a stated interest of 9.5% per annum.

(12) Clairvest owns 2,529,209 Class A units of Linen King.

(13) Clairvest owns 9,021,917 units of Rivers Casino and funded US$1.1 million by way of promissory note to a minority investor with a stated interest rate of 24% per annum.

(14) Clairvest has committed to fund $25.0 million to Wellington Fund III, $13.6 million of which had been funded at March 31, 2012. The net cash investment is reduced by $7.7 million as a result of income distributions received to date.

(15) Other investments include the fair values attributable to limited partners of Participation III and IV Partnerships as described in note 4(e) and 4(j) to the consolidated financial statements.

(16) Ownership percentage calculated on a fully diluted basis at March 31, 2012.

(17) Net cash investment is comprised of cost net of dividends, interest and other distributions received but excludes advisory and other fees received and foreign exchange gains or losses on foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.

(18) The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments and an estimate of fair value for privately-held investments. The fair value of foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments is not included in this fair value.

FINANCIAL HIGHLIGHTS

Selected Financial Performance Measures

Year ended March 31, ($000's, except per share amounts)	2012	2011	2010
Financial performance measures			
Net realized gains on corporate investments	**$ 545**	$ 3,861	$ 153
Net changes in unrealized gains on corporate investments	**16,590**	16,249	7,880
Net income	**22,416**	19,564	8,497
Basic net income per share	**1.46**	1.23	0.53
Fully diluted net income per share	**1.43**	1.20	0.52
Dividends declared per share	**0.1965**	0.10	0.10
Financial condition measures (as at March 31)			
Total assets	**$ 338,424**	$ 318,860	$ 305,960
Total cash, cash equivalents and temporary investments	**97,553**	138,338	152,228
Total corporate investments	**187,876**	162,177	118,881
Total liabilities	**21,997**	16,458	13,675
Book value	**316,427**	302,402	292,285
Common shares outstanding	**15,118,095**	15,392,695	15,953,566
Book value per share	**20.93**	19.65	18.32

Income Statement Highlights

Clairvest's operating results reflect revenue earned from its corporate investments and cash, cash equivalents and temporary investments and realized and net changes in unrealized gains and losses on its corporate investments. These results are net of all costs incurred to manage these assets. The operating results of the CEP Funds are not included in Clairvest's operating results.

Net income for the year ended March 31, 2012 was $22.4 million, versus $19.6 million for the year ended March 31, 2011 and $8.5 million for the year ended March 31, 2010.

Clairvest had net realized gains of $0.5 million in fiscal 2012 versus net realized gains of $3.9 million in fiscal 2011 and net realized gains of $0.2 million in fiscal 2010. The net realized gains in 2012 resulted primarily from the realization of Clairvest's interest in Hudson Valley Waste. The net realized gains in 2011 resulted primarily from the realization of Clairvest's interest in Van-Rob. The net realized gains in 2010 resulted primarily from the early repayment of a $4.4 million promissory note from the acquirer of Shepell•fgi.

Clairvest had net changes in unrealized gains on investments of $16.6 million in fiscal 2012 versus net changes in unrealized gains on investments of $16.2 million in fiscal 2011 and net changes in unrealized gains on investments of $7.9 million in fiscal 2010. Unrealized gains or losses result from changes in the fair value of the investments from one year to the next and do not reflect foreign exchange revaluations. Clairvest has implemented a hedging strategy to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar by hedging 100% of the fair value of its foreign investments. The changes in unrealized gains or losses on corporate investments are summarized as follows:

Net Changes in Unrealized Gains (Losses) on Investments ($000's)

Year ended March 31,	2012	2011	2010
Investments in publicly-traded securities			
PEER 1 Network Enterprises Inc.	**$ 1,504**	$ 3,528	$ (438)
	1,504	3,528	(438)
Investments in privately-held securities			
Casino New Brunswick	**(2,744)**	(4,606)	—
Centaur, LLC	**(2,598)**	2,266	—
Chilean Gaming Holdings	**1,559**	—	—
Grey Eagle Casino	**299**	459	529
Hudson Valley Waste Holding, Inc.	**—**	8,387	—
Kubra Data Transfer Limited	**(778)**	2,156	1,843
Landauer Metropolitan Inc.	**962**	(2,936)	3,041
Light Tower Rentals Inc.	**6,116**	7,131	—
Lyophilization Services of New England Inc.	**(1,389)**	784	—
N-Brook Mortgage LP	**—**	—	(490)
Rivers Casino	**15,689**	—	—
Van-Rob Inc.	**—**	—	1,103
Wellington Financial Fund II	**(56)**	23	(49)
Wellington Financial Fund III	**206**	538	623
	17,266	14,202	6,600
Other investments[1]	**(2,180)**	(1,481)	1,718
	$ 16,590	$ 16,249	$ 7,880

[1] Includes fair value attributable to limited partners of Participation III and IV Partnerships as described in note 4(e) and 4(j) to the consolidated financial statements.

Further details on net changes in unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Net income in fiscal 2012 included distributions and interest income of $19.3 million, dividend income of $4.4 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $2.0 million, administration and other expenses of $15.4 million, finance and foreign exchange expense of $1.7 million and income tax expense of $4.5 million. Included in distributions and interest income was $7.4 million in priority distributions from CEP III and CEP IV, $2.2 million in General Partner income distributions from CEP and $6.3 million in distributions and interest from Clairvest's investee companies. Included in dividends were dividends totaling $4.3 million from Clairvest's investee companies. Included in administration and other expenses were management bonuses and management share-based compensation expense totaling $6.1 million.

Net income in fiscal 2011 included distributions and interest income of $14.8 million, dividend income of $0.7 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $14.0 million, finance and foreign exchange expense of $1.1 million and income tax expense of $3.1 million. Included in distributions and interest income was $5.6 million in priority distributions from CEP III and CEP IV, $3.1 million in General Partner income distributions from CEP and $3.0 million in distributions from Clairvest's investee companies. Included in dividends were dividends totaling $0.5 million from Clairvest's investee companies. Included in administration and other expenses were management bonuses and management share-based compensation expense totaling $5.8 million.

Net income in fiscal 2010 included distributions and interest income of $14.4 million, dividend income of $0.3 million, management fees from CEP of $1.0 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $18.7 million, finance and foreign exchange expense recovery of $0.9 million and income tax expense recovery of $1.5 million. Included in distributions and interest income was $4.1 million in priority distributions from CEP III, $3.4 million in General Partner income distributions from CEP and $3.3 million in distributions from Clairvest's investee companies. Included in administration and other expenses were management bonuses and management share-based compensation expense totaling $7.8 million.

Balance Sheet Highlights

ASSETS

Total assets at March 31, 2012 were $338.4 million, an increase of $19.5 million from $318.9 million at March 31, 2011.

With $97.6 million in cash, cash equivalents and temporary investments ("treasury funds") and $92.0 million in credit facilities, Clairvest has sufficient capital and liquidity to support its current and anticipated investments.

At March 31, 2012, the Company's treasury funds were held in cash and term deposits, money market savings accounts rated R1-High, corporate bonds rated not below A-, guaranteed investment certificates and investment savings accounts rated not below AA- and preferred shares rated not below P-2 low (see Notes 3 and 14 to the consolidated financial statements for a detailed discussion of the Company's treasury funds).

Clairvest has a $75.0 million, committed credit facility with a maturity date of April 30, 2020. The credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2012 is $75.0 million.

Clairvest also has a $20.0 million credit facility subject to annual renewals. The credit facility is unsecured and bears interest at the bank prime rate plus 0.5% per annum. The amount available under the credit facility at March 31, 2012 is $17.0 million, which is based on debt covenants within the banking arrangement.

As is typical of a private equity management firm, Clairvest's main asset is its corporate investments. Corporate investments increased $25.7 million to $187.9 million at March 31, 2012. The increase is comprised primarily of:

- A $26.5 million investment in Discovery Air;
- A $2.5 million investment in Linen King;
- Net follow-on investments totaling $2.4 million in existing investee companies;
- Net changes in unrealized gains on corporate investments of $16.6 million; partially offset by
- Realization of Hudson Valley Waste which was carried at $16.9 million at March 31, 2011; and
- Repayment of debentures and accrued interest of $7.8 million from Grey Eagle Casino;
- Net return of capital of $6.7 million as a result of Centaur's emergence from bankruptcy.

Corporate investments increased $43.3 million to $162.2 million from March 31, 2010 to March 31, 2011. The increase primarily resulted from a $30.2 million investment in Centaur, a $9.1 million investment in Rivers Casino, $6.5 million in follow-on investments in existing investee companies, net changes in unrealized gains on corporate investment of $16.2 million, partially offset by a return of capital from Chilean Gaming Holdings of $12.7 million, realization of Van-Rob which was carried at $4.9 million at March 31, 2010 and repayment of $1.1 million in promissory notes from the acquirer of Shepell•fgi.

The cost and fair value of corporate investments described below do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against the Company's foreign denominated investments. A discussion on the activity in each corporate investment held at March 31, 2012 follows.

Casino New Brunswick

During fiscal 2012, Clairvest funded an additional $0.6 million in Casino New Brunswick. The investments were made in the form of debentures, which have a stated interest rate of 6% per annum. Interest on the debentures has been waived until further notice.

Also during fiscal 2012, management determined that the fair value of Casino New Brunswick should be written down by an additional $2.7 million, bringing cumulative write downs to $7.3 million as a result of performance continuing below initial estimates when the investment was first completed.

Also during fiscal 2012, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in the Off-Balance Sheet Arrangements section of the MD&A.

At March 31, 2012, Clairvest has funded $9.8 million to Casino New Brunswick. Clairvest also holds units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino.

The fair value of $2.4 million at March 31, 2012 compares to cost of $9.8 million. The fair value reflects management's estimated realizable value as results trail initial estimates when the investment was first completed.

Centaur, LLC

During fiscal 2012, Clairvest invested a further $5.5 million in pre-petition senior secured first lien loans ("Senior Debt") of Centaur, bringing total investment in Centaur to $35.7 million. Subsequently Centaur emerged from Chapter 11 protection and implemented its court-approved Plan of Reorganization. As holders of US$39.1 million face principal value of Senior Debt, Clairvest received US$6.4 million (C$6.7 million) in cash, US$16.4 million in new first lien secured notes, US$6.2 million in new second lien secured notes and US$5.1 million in unsecured term loan with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class A units of Centaur. The cash received was recorded as a return of capital and no gain or loss was realized as a result of the exchange.

The new first lien secured notes pay cash interest quarterly at a rate of either i) prime rate plus 5.5% or ii) LIBOR plus 6.5%, at the borrower's option, with a minimum interest rate of 8% per annum, and matures on October 1, 2016. The new second lien secured notes pay interest quarterly at a rate of the mid-term U.S. Applicable Federal Rates plus 4.99%, 2% of which is payable in cash and the remaining paid in kind, and mature on October 1, 2018. The unsecured term loans pay interest quarterly at a rate of the short-term U.S. Applicable Federal Rates and is payable in kind. The loans mature on October 1, 2026 and may be extended for 3 year periods upon the written consent of 50% of the holders of the unsecured term loans.

The fair value of $28.8 million at March 31, 2012 compares to cost of $28.9 million, with the difference being attributable to foreign exchange adjustments.

Chilean Gaming Holdings

During fiscal 2012, Chilean Gaming Holdings sold 2.5% of its equity interest in Casino Osorno and Casino Sol Calama to the operator of Casino Marina del Sol. Clairvest received $0.3 million in cash proceeds and realized a $0.1 million gain as a result of the sale.

Also during fiscal 2012, Clairvest earned dividends totaling $1.3 million through its interest in Chilean Gaming Holdings.

The fair value of $31.2 million at March 31, 2012 compares to cost of $28.7 million. The fair value reflects management's estimated realizable value as a result of continuing growth in Casino Marina del Sol, Casino Osorno and Casino Calama and is adjusted for foreign exchange fluctuations.

Discovery Air Inc.

During fiscal 2012, Clairvest invested $22.0 million in secured convertible debentures ("Debentures") of Discovery Air. The Debentures, which have a 5.5 year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, accrue interest at a rate of 10% per annum and interest is paid in kind quarterly and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air. At March 31, 2012, the conversion price for the Debentures was $7.50 per share and the closing quoted market price of a Discovery Air common share was $3.98 per share.

Also during fiscal 2012, Clairvest advanced a $4.5 million bridge loan to Discovery Air with a stated interest rate of 9.5% per annum. The loan was repaid in full subsequent to year end.

The fair value of $27.7 million at March 31, 2012 compares to cost of $26.5 million, with the difference being attribute to accrued interest on the Debentures and the bridge loan.

Grey Eagle Casino (formerly Tsuu T'ina Gaming Limited Partnership)

During fiscal 2012, Grey Eagle Casino completed a financing and repaid in full its $5.6 million in debentures and $2.2 million of accrued interest owing to Clairvest, $0.4 million of which was earned during fiscal 2012. Clairvest continues to hold units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest between 2.8% and 9.6% of the earnings of the casino from the date of commencement of operations, December 19, 2007, for a period of 15 years.

The fair value of $1.6 million at March 31, 2012 reflects management's estimated realizable value on the earnings entitlement.

Kubra Data Transfer Limited

At March 31, 2012, Clairvest owned 3,250,000 Class A voting common shares of Kubra.

During fiscal 2012, Clairvest earned dividends totaling $3.0 million from Kubra, against Clairvest's investment in Kubra of $2.2 million.

The fair value of Kubra of $7.9 million compares to a cost of $2.2 million. The fair value reflects management's estimated realizable value as a result of the continuing growth in Kubra and is adjusted for foreign exchange fluctuations.

Landauer Metropolitan Inc.

At March 31, 2012, Clairvest owned 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares and $0.2 million in bridge loans which bear interest at a rate of 25% per annum, $0.1 million in bridge loans which bear interest at a rate of 12% per annum and a $0.6 million subordinated secured convertible note with 10% accrued interest per annum. The bridge loans are convertible to common shares of Landauer at a rate of $1.00 per share. The subordinated secured convertible note is convertible to senior convertible preferred shares which have a two times liquidation preference in lieu of interest. Each senior convertible preferred share is convertible into common shares at a rate of $0.50 per share in lieu of two times the liquidation preference and the conversion is at Clairvest's discretion.

The fair value of $6.8 million at March 31, 2012 compares to a cost of $5.1 million. The fair value reflects management's estimated realizable value considering the status of the preferred shares, the bridge loans and subordinated secured debentures and is adjusted for foreign exchange fluctuations.

Light Tower Rentals Inc.

At March 31, 2012, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals and 2,215,736 common shares of LTR Equipment Inc. ("LTR Equipment"), a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals.

On an aggregate basis, the fair value of Light Tower Rentals and LTR Equipment (together, "LTR") of $21.5 million at March 31, 2012 compares to cost of $8.2 million. The fair value reflects management's estimated realizable value as a result of the historic growth of LTR and is adjusted for foreign exchange fluctuations.

Subsequent to year end, LTR Equipment was amalgamated into Light Tower Rentals. As a result of the amalgamation, Clairvest received a 13.1% ownership interest in the combined entity. No gain or loss was recognized as a result of the amalgamation.

Linen King, LLC

During fiscal 2012, Clairvest invested $2.5 million to acquire 2,529,209 Class A units of Linen King.

The fair value of $2.5 million at March 31, 2012, which is adjusted for foreign exchange fluctuations, compares to a cost of $2.5 million.

Lyophilization Services of New England Inc.

At March 31, 2012, Clairvest owned 6,406,000 Series A 10% cumulative convertible preferred shares of LSNE and US$0.3 million in unsecured loans.

During fiscal 2012, Clairvest funded an additional US$0.6 million in the form of unsecured loans to further support the growth of LSNE. Also during fiscal 2012, management determined that the fair value of LSNE should be written down by an additional US$1.4 million, bringing cumulative write downs to US$2.7 million due to growth lagging expectations despite its improving performance and significant growth potential including recent material contract awards.

The fair value of $5.1 million at March 31, 2012 compares to a cost of $7.4 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

N-Brook Mortgage LP

At March 31, 2012, Clairvest owned 4,000,000 Series 1 limited partnership units and 15 Class A ordinary limited partnership units of N-Brook and had advanced a $1.1 million variable rate demand debenture to N-Brook.

The fair value of $2.6 million at March 31, 2012 compares to a cost of $5.0 million. The fair value reflects management's estimated realizable value based on the remaining mortgage portfolio held by N-Brook.

PEER 1 Network Enterprises Inc.

At March 31, 2012, Clairvest owned 5,134,617 common shares and 50,000 stock options for common shares of PEER 1.

The fair value of $10.4 million at March 31, 2012 compares to cost of $6.3 million. The fair value reflects the last bid price of PEER 1's publicly traded common shares at the balance sheet date.

Rivers Casino (formerly Midwest Gaming Holdings LLC)

During fiscal 2012, Rivers Casino completed the raising of capital from minority investors whereby Clairvest advanced US$1.1 million in promissory notes to a minority investor in support of the completion of the minority fundraising. The promissory notes pay interest at a rate of 24% per annum and mature on June 24, 2041. Clairvest also acquired a minority interest in this investor. As a result of the completion of minority fundraising, 1,605,149 units of Rivers Casino was redeemed at cost for $1.7 million. Subsequently, Rivers Casino commenced operations.

In addition to US$1.1 million promissory notes funded to a minority investor at March 31, 2012, Clairvest owned 9,021,917 units of Rivers Casino.

The fair value of $25.5 million at March 31, 2012 compares to a cost of $8.5 million. The fair value reflects management's estimated realizable value as a result of strong results at the Rivers Casino and is adjusted for foreign exchange fluctuations.

Wellington Financial Fund III

Clairvest, as a limited partner, had funded $13.6 million of its $25.0 million commitment to Wellington Fund III at March 31, 2012. The commitment to fund capital calls extinguishes in January 2014. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund III. At March 31, 2012, Clairvest has received income distributions totaling $7.7 million from Wellington Fund III and its General Partner, bringing the net cash investment to $5.9 million.

The fair value of $15.6 million at March 31, 2012 reflects management's estimated realizable value of Clairvest's entitlement as a limited partner and a general partner of Wellington Fund III.

LIABILITIES

Total liabilities at March 31, 2012 were $22.0 million, an increase of $5.5 million from $16.5 million at March 31, 2011. The increase in total liabilities was primarily due to a $1.5 million increase in share-based compensation liability due to an increase in the closing price of Clairvest's common shares, a $1.4 million increase in income taxes payable as a result of carried interest received from CEP and income allocated from Rivers Casino and a $1.7 million increase in future income tax liabilities as a result of net changes in unrealized gains on Clairvest's corporate investments.

TRANSACTIONS WITH RELATED PARTIES

A wholly owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of CEP, appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until August 21, 2006, the fifth anniversary of the last closing of CEP, and thereafter at 2% of contributed capital less distributions on account of capital and write-downs of capital invested. Effective January 1, 2011, the CEP management fee was reduced to 1.5% per annum of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest of GP I from corporate investments of CEP. During fiscal 2012, GP I earned management fees of $0.5 million as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of $0.1 million from corporate investments of CEP were netted against the management fees.

The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. The distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP will be allocated 50% to each of its limited partners, one of which is another wholly owned subsidiary of Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors.

During fiscal 2012, CEP declared distributions to the General Partner totaling $4.4 million, 50% of which, or $2.2 million, was allocated to Clairvest. At March 31, 2012, CEP had declared and paid distributions to the General Partner totaling $20.3 million, 50% of which, or $10.2 million, was allocated to Clairvest. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further $7.2 million of distributions, 50% of which, or $3.6 million, would be allocated to Clairvest.

Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to a priority distribution from CEP III. The priority distribution was calculated monthly as 0.1667% of commitment capital until January 13, 2011, the date on which CEP III is closed to new investments, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of any fees earned by GP I from corporate investments of CEP III.

During fiscal 2012, CEP III declared to GP I priority distributions of $2.0 million. As per the Limited Partnership Agreement, fees of $0.3 million from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of gains of CEP III determined as described below. To date, CEP III has not made any distributions to GP I other than priority distributions. If CEP III were to sell its corporate investments at their current fair values, GP I would receive up to $0.1 million of distributions, all of which would be allocated to Clairvest.

GP II, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. The distributions relating to gains of CEP III to GP II, and to GP I as noted above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. If CEP III were to sell its corporate investments at their current fair values, GP I and GP II would not receive any distributions other than the priority distributions described above. Any distributions received by GP II will be allocated to its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I (the "Participation III Investors"). The Participation III Investors have purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors. If CEP III were to sell its corporate investments at their current fair values, GP II would receive up to $0.5 million of distributions, 44.4% of which, or $0.2 million, would be allocated to Clairvest.

Another wholly owned subsidiary of Clairvest ("GP III"), as the General Partner of the Participation III Partnership, is entitled to participate in additional distributions equal to the exit value of the first $1.1 million contributed by the Participation III Investors into the Participation III Partnership plus the first $0.2 million received by the Participation III Partnership as described above. At March 31, 2011, $0.3 million has been received by GP III.

GP II is also entitled to 8.25% carried interest in respect of CEP III Co-Investment Limited Partnership ("CEP III Co-Invest"). CEP III Co-Invest was established in fiscal 2007 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership. If CEP III Co-Invest were to sell its corporate investments at their current fair values, GP II would receive up to $1.9 million of distributions from CEP III Co-Invest which would be entirely allocated to the Participation III Partnership. To date, CEP III Co-Invest has not made any distributions.

Clairvest is also the parent company of the two General Partners of CEP IV (GP I and "GP IV"). GP I is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by GP I from corporate investments of CEP IV.

During fiscal 2012, CEP IV declared to GP I priority distributions of $5.4 million. As per the Limited Partnership Agreement, fees of $0.5 million from corporate investments of CEP IV were netted against the priority distributions. GP I is also entitled to distributions made by CEP IV equal to 2% of gains of CEP IV determined as described below. To date, CEP IV has not made any distributions to GP I other than priority distributions. If CEP IV were to sell its corporate investments at their current fair values, GP I would receive up to $0.6 million of distributions, all of which would be allocated to Clairvest.

GP IV, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. These distributions relating to gains of CEP IV to GP IV, and to GP I as noted above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV has not made any distributions to GP IV. Any distributions received by GP IV will be allocated to each of its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors. If CEP IV were to sell its corporate investments at their current fair values, GP IV would receive up to $5.0 million of distributions, 44.4% of which, or $2.2 million would be allocated to Clairvest.

GP III, the General Partner of Participation IV, is entitled to participate in additional distributions equal to the exit value on the first $1.6 million contributed by the Participation IV Investors into the Participation IV Partnership plus the first $0.4 million received by the Participation IV Partnership as described above. No amounts have been received by GP III at March 31, 2012.

GP IV is also the General Partner of CEP IV-A. GP IV has appointed GP I as the Manager of CEP IV-A. The Limited Partnership Agreement of CEP IV-A provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP IV-A. The fee is calculated as follows: i) from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by GP I from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement.

During fiscal 2011, GP I earned management fees of $0.6 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.3 million was netted against the management fees.

GP IV is entitled to participate in distributions made by CEP IV-A equal to 20% of net gains of CEP IV-A. These distributions will be determined based on the overall performance of CEP IV-A. No such distributions are permitted until CEP IV-A's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV-A has not made any distributions to GP IV. Any distributions received by GP IV will be allocated to each of its two limited partners, one of which is Clairvest which will receive 50% of such distributions, and the other of which is Participation IV Partnership which will receive 50% of such distributions. If CEP IV-A were to sell its corporate investments at their current fair values, GP IV would receive up to $1.0 million of distributions, 50% of which, or $0.5 million would be allocated to Clairvest.

GP IV is also entitled to an 8.25% carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest"). CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle through which Clairvest would co-invest alongside CEP IV. Distributions received by GP IV from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership. If CEP IV Co-Invest were sell its corporate investments at their current fair values, GP IV would receive up to $1.2 million of distributions from CEP IV Co-Invest which would be entirely allocated to the Participation IV Partnership. To date, CEP IV Co-Invest has not made any distributions.

At March 31, 2012, Clairvest had loans receivable from certain officers of the Company and GP I (the "Officers") totaling $0.5 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest owned by the Officers with a market value of $0.7 million. At March 31, 2012, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling $0.5 million. The loans are interest bearing and have full recourse to the individual. Interest of $35 thousand was earned on these loans during fiscal 2012.

Loans totaling $3.6 million, bearing interest at the prime rate, made by the Company to CEP III during fiscal 2012 were repaid in full during the year. Interest of $5 thousand was earned from loans to CEP during fiscal 2012.

Loans totaling $31.4 million, bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement, were made by the Company to CEP IV during fiscal 2012. During fiscal 2012, $10.8 million of these loans were repaid. Interest of $1.0 million was earned from loans to CEP IV during fiscal 2012.

Loans totaling $6.0 million, bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement, were made by the Company to CEP IV-A during fiscal 2012. During fiscal 2012, $3.0 million of these loans were repaid. Interest of $0.1 million was earned from loans to CEP IV-A during fiscal 2012.

During fiscal 2012, Clairvest earned $6.2 million in distributions and interest income, $4.3 million in dividends income and $2.0 million in fee income from its investee companies. At March 31, 2012, Clairvest had accounts receivable from its investee companies totaling $2.4 million, from CEP totaling $0.3 million, from CEP III totaling $1.5 million, from CEP IV totaling $5.4 million and from CEP IV-A totaling $1.1 million.

During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by the director of Clairvest. At March 31, 2012, Clairvest's portion of the net book value of the aircraft of $1.6 million is recorded in accounts receivable and other assets. Clairvest received 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

SUMMARY OF QUARTERLY RESULTS

($000's except per share information)	Gross Revenue $	Net Income (Loss) $	Net Income (Loss) Per Common Share* $	Net Income (Loss) Per Common Share Fully Diluted* $
March 31, 2012	13,045	5,348	0.35	0.34
December 31, 2011	22,546	17,592	1.14	1.12
September 30, 2011	2,557	(1,778)	(0.11)	(0.11)
June 30, 2011	5,825	1,254	0.08	0.08
March 31, 2011	21,122	13,952	0.88	0.86
December 31, 2010	8,439	4,652	0.29	0.29
September 30, 2010	3,704	69	—	—
June 30, 2010	4,501	891	0.06	0.05

* The sum of quarterly net income (loss) per common share may not equal to the full year net income per common share due to rounding and the anti-dilutive effect on any quarters where the Company reported a net loss.

Significant variations arise in the quarterly results due to realized gains and losses on corporate investments, net changes in unrealized gains and losses on corporate investments which are re-valued on a quarterly basis when conditions warrant an adjustment to the fair value of the corporate investment, and stock-based compensation due to the movement in the trading price of Clairvest's common shares.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of fiscal 2012 was $5.3 million compared with a net income of $14.0 million for the fourth quarter of fiscal 2011. Net income for the fourth quarter of fiscal 2012 is comprised of $6.4 million of net corporate investment gains, $0.1 million of net operating loss, and $1.0 million of income tax expense. This compares with net corporate investment gains of $13.6 million, $1.8 million of net operating income, and $1.4 million of income tax expense for the fourth quarter of fiscal 2011.

The net corporate investment gains of $6.4 million for the fourth quarter of fiscal 2012 comprised primarily of $6.4 million in net changes in unrealized gains on corporate investments. The net corporate investment gains of $13.6 million for the fourth quarter of fiscal 2011 comprised of $4.3 million in realized gains on the sale of Van-Rob and $9.3 million in net changes in unrealized gains on corporate investments.

Distributions and interest income for the quarter was $5.7 million, compared with $6.4 million for the same quarter last year. Distributions and interest income for the fourth quarter of fiscal 2012 included yield on cash, cash equivalents and temporary investments of $0.5 million, priority distributions of $1.9 million from CEP III and CEP IV, interest income from loans advanced to the CEP funds of $0.5 million and $2.7 million of income distributions and interest income from Clairvest's investee companies. Distributions and interest income for the fourth quarter of fiscal 2011 included yield on cash, cash equivalents and temporary investments of $0.7 million, General Partner income distributions of $2.4 million from CEP, net priority distributions of $2.1 million from CEP III and CEP IV and $0.7 million in income distributions from the Wellington Funds.

Dividend income for the quarter was $0.3 million, compared with $0.5 million for the same quarter last year. Dividend income for the fourth quarter of fiscal 2012 and 2011 was primarily dividends Clairvest earned through its investment in Chilean Gaming Holdings.

Clairvest earned $0.3 million in management fees during the quarter for its services in the administration of CEP and CEP IV-A's portfolio and $0.3 million in advisory and other fees from its corporate investments, compared with $0.4 million and $0.2 million, respectively, for the same quarter last year. The CEP and CEP IV-A management fee is reduced proportionately to fees earned by Clairvest from joint Clairvest/CEP and Clairvest/CEP IV-A corporate investments.

Administration and other expenses for the quarter were $5.6 million, compared with $5.1 million for the same quarter last year. Included in administration and other expenses for the fourth quarter of fiscal 2012 was $2.5 million of share based compensation expense as a result of an increase in the trading price of Clairvest's common shares and book value, compared with $1.8 million for the same quarter last year.

Finance and foreign exchange expense of $1.1 million for the quarter included foreign exchange cost of $0.7 million and $0.3 million in interest and fees expensed on the $75 million credit facility. Finance and foreign exchange expense of $0.6 million for the fourth quarter of fiscal 2011 included foreign exchange cost of $0.3 million and $0.3 million in interest and fees expensed on the $75 million credit facility.

OFF-BALANCE SHEET ARRANGEMENTS

Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. Clairvest's total co-investment commitment is $125.0 million, $75.5 million of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if the manager of CEP IV and CEP IV-A, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

Clairvest has committed to invest US$5.4 million in New Meadowlands Racetrack LLC, which operates the Meadowlands, North America's premier standardbred horse racing track located in East Rutherford, New Jersey. No amounts have been funded at March 31, 2012.

Clairvest has committed $25.0 million to Wellington Fund III, $11.4 million of which remains unfunded to March 31, 2012.

At March 31, 2012, Clairvest has earned profit distributions totaling $1.6 million through its ownership interest in the General Partnes of the Wellington Financial Fund II ("Wellington Fund II") and $2.6 million through its ownership interest in the General Partnes of the Wellington Fund III. Clairvest has guaranteed, up to the amounts received from the respective General Partners, the clawback provisions (the "Clawback") entered into by the general partners in the event the limited partners of the Wellington Funds do not meet their return threshold as specified in the respective Limited Partnership Agreements. As a result of the liquidation of Wellington Fund II during the year ended March 31, 2012, the guarantee made by Clairvest to the General Partner of Wellington Fund II has extinguished. At March 31, 2012, there were no accruals made with respect to the Clawback.

Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian Chartered Bank under CEP's foreign exchange forward contracts with the bank.

Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian Chartered Bank under CEP III's foreign exchange forward contracts with the bank.

Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this plan to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2012, $0.8 million has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $1.1 million would be owing to management under this Program. As no such income and realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the $1.1 million has not been accrued at March 31, 2012. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims which will reduce over time. No claims have been made to March 31, 2012.

Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2012, no amounts subject to this guarantee have been funded. Clairvest has pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee and is held in a bank account belonging to Clairvest at the Schedule 1 chartered bank which cannot be withdrawn without consent from the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted cash and temporary investments on the consolidated balance sheet.

Clairvest, together with the CEP IV, CEP IV-A and other investors of Rivers Casino, had entered into a US$20 million joint and several guarantee to fund cost overruns during the construction of the casino in Des Plaines, Illinois. The guarantee was extinguished during the year ended March 31, 2012. No amounts subject to this guarantee were funded.

An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2012, no amounts subject to this guarantee have been funded.

As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, borrowed $55.2 million through various acquisition entities from an unrelated financial institution, while another acquisition entity deposited $55.2 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 36.8% at March 31, 2012, with CEP III owning 37.7% and the remainder owned by the other co-investors.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material loss in connection with such actions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Clairvest's consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. On an on-going basis, management reviews its estimates and assumptions. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting estimates that have a material impact on Clairvest's consolidated financial statements are with respect to corporate investments and future tax asset/liability.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for temporary and corporate investments. In accordance with Accounting Guideline 18, "Investment Companies" ("AcG-18"), the Company designates its temporary investments and corporate investments as held-for-trading and carries them at fair value. Clairvest has also designated its receivables and payables as held-for-trading in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts at fair value which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security for which is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an accounting estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and net changes in unrealized gains/losses on corporate investments.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for future income taxes. The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. Future income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the future income tax asset will be realized. A change to an accounting estimate with respect to future income taxes would impact future tax liability and income taxes expense.

RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies, by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company is also subject to credit risk on its loans receivables, the majority of which is typically with its CEP Funds. The Company manages this risk through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly.

Market Risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would be an increase or decrease of $0.8 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2012.

As at March 31, 2012, approximately 5.7% of the fair value of the Company's corporate investments was in publicly traded companies. If market prices were higher or lower by 5% as at March 31, 2012, the potential effect would be an increase or decrease of $0.5 million to the carrying value of corporate investments and net changes in unrealized gains (losses) on corporate investments on a pre-tax basis for the year ended March 31, 2012.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur, Chilean Gaming Holdings, Kubra, Landauer, Light Tower Rentals, LSNE, and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $14.6 million or decrease of $14.9 million to the carrying value of corporate investments and net changes in unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2012. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 14 companies in 9 industries and 3 countries as at March 31, 2012. The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, at March 31, 2012, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's carrying value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of debentures. Significant fluctuations in market interest rates can have a significant impact in the carrying value of these investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-balance sheet arrangement have been previously discussed.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

DERIVATIVE FINANCIAL INSTRUMENTS

Clairvest enters into foreign exchange forward contracts primarily to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. Clairvest is required to mark to market its foreign-denominated investments, as well as the foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.

At March 31, 2012, Clairvest had entered into foreign exchange forward contracts to sell US$102.0 million and buy US$1.4 million at an average rate of Canadian $0.9957 per U.S. dollar through March 2013 and foreign exchange forward contracts to sell 14.7 billion Chilean Pesos ("CLP") at an average rate of Canadian $0.001938 per CLP through January 2013. The fair value of the US dollar contracts at March 31, 2012 is a loss of $0.2 million and the fair value of the CLP contracts at March 31, 2012 is a loss of $1.5 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments.

UPDATED SHARE INFORMATION

At March 31, 2012, Clairvest had 15,118,095 common shares issued and outstanding. At March 31, 2012, Clairvest had 725,000 stock options outstanding, 664,000 of which were exercisable at March 31, 2012. Each option is exercisable for one common share.

During fiscal 2012, Clairvest purchased and cancelled 201,000 common shares under its previous normal course issuer bid which allowed Clairvest to make market purchases up to 797,678 of its common shares and which expired on March 5, 2012, for a total purchase cost of $3.4 million. Also during fiscal 2012, Clairvest purchased and cancelled 123,600 common shares under its current normal course issuer bid enabling it to make market purchases of up to 772,135 of its common shares in the 12-month period commencing March 6, 2012, for a total purchase cost of $2.2 million. No further purchases nor cancellations occurred subsequent to year end up to June 26, 2012, As at June 26, 2012, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last nine years.

During fiscal 2012, 252,000 options were exercised, 50,000 of which were exercised for shares, increasing share capital by $0.2 million. The remaining 202,000 were exercised under the cash settlement plan and had no impact on share capital.

Clairvest paid a ordinary dividend of $0.10 per share on the common shares in each of fiscal 2012, fiscal 2011 and fiscal 2010. During fiscal 2012, Clairvest also paid a one-time special dividend of $0.0965 per share, such that in aggregate with the ordinary dividend, represent 1% of the March 31, 2011 book value.

Subsequent to year end, Clairvest declared an annual ordinary dividend of $0.10 per share, and a special dividend of $0.1093 per share, such that in aggregate, the dividends represent 1% of the March 31, 2012 book value. The dividends will be payable to common shareholders of record as of July 9, 2012. The dividend will be paid on July 26, 2012. Both dividends are eligible dividends for Canadian income tax purposes.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA"), Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of March 31, 2012 and concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management has evaluated Clairvest's design and operational effectiveness of internal controls over financial reporting for the year ended March 31, 2012. Management has concluded that the design of internal controls over financial reporting are effective and operating as designed as of March 31, 2012 based on this evaluation. There were no changes in internal controls during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting. The Company has not identified any weakness that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

During fiscal 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the use of International Financial Reporting Standards ("IFRS") for all Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. During fiscal 2011, the AcSB approved an optional two-year deferral from IFRS adoption which would allow Canadian companies that currently follow AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2013. During fiscal 2012, the AcSB approved a further one year extension to this deferral which would allow for existing Canadian GAAP until fiscal years beginning on or after January 1, 2014. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2015, which begins on April 1, 2014.

The Company continues to be optimistic that fair value accounting will continue to be the method for which the Company accounts for its investee companies when it adopts IFRS. The Company reviewed the IFRS exposure draft on Investment Entities and continues to monitor ongoing changes to IFRS and will adjust its transition and implementation plans accordingly. Formal communications with the Audit Committee have been established to ensure timely decisions are made on key issues and risks.

The Company will evaluate the impact to its financial reporting process and its financial statements if IFRS requires the Company to consolidate certain of its investee companies. Other significant items which may have a significant impact to the Company's financial reporting and financial statements include the accounting for share-based compensation, income taxes and the disclosure requirements for financial instruments.

With respect to the accounting treatment for share-based compensation, the company would be required to adopt a new methodology for valuing stock options given the intrinsic method is not an acceptable methodology under existing IFRS. The Company may be required to value its stock options using the Black-Scholes method which is an acceptable methodology under existing IFRS. The Company may also be required to cease vesting share-based compensation on a straight-line basis and adopt the prescribed graded vesting method which will likely result in front-loading of expenses during the vesting period. Based on its stock options outstanding at March 31, 2012, the Company currently believes that the effects of this accounting change will not be material.

With respect to income taxes, future income tax positions under IFRS must be evaluated using the probability method which differs from the more likely than not test prescribed under existing Canadian GAAP. The Company is in the process of quantifying the impacts of this methodology change.

The Company continues to monitor new developments to IFRS which may result in additional significant accounting differences. The Company does not expect current IFRS to have a significant impact on internal controls over financial reporting nor the Company's information technology systems.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Clairvest Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. Under the supervision of Management, an evaluation of the effectiveness of the Company's internal control over financial reporting was carrried out for the year ended March 31, 2012. Based on that evaluation, Management concluded that the Company's internal control over financing reporting was effective for the year ended March 31, 2012.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee, comprised of four non-management Directors, meets periodically with management and with external auditors to discuss the scope and results with respect to financial reporting of the Company. The Audit Committee has reviewed the consolidated financial statements with management and with the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Ernst & Young LLP, appointed external auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.

B. Jeffrey Parr
Co-Chief Executive Officer and Managing Director

Daniel Cheng
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLAIRVEST GROUP INC.

We have audited the accompanying consolidated financial statements of Clairvest Group Inc., which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' 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 auditors' 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 auditors consider 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 Clairvest Group Inc. as at March 31, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
June 26, 2012.

Chartered Accountants
Licensed Public Accountants

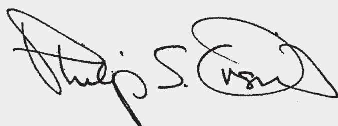
CONSOLIDATED BALANCE SHEETS

As at March 31

$000's	2012	2011
ASSETS		
Cash and cash equivalents (notes 3, 11 and 14)	**$ 32,856**	$ 61,332
Temporary investments (notes 3 and 14)	**64,697**	77,006
Restricted cash and temporary investments (notes 6(d) and 13(k))	**5,460**	—
Accounts receivable and other assets (notes 4(k), 4(p) and 7)	**15,851**	9,917
Income taxes recoverable	**7,944**	5,809
Loans receivable (notes 4(l), 4(m) and 4(n))	**23,740**	126
Derivative instruments (note 12(b))	**—**	2,493
Corporate investments (notes 6 and 14)	**187,876**	162,177
	$ 338,424	$ 318,860
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities (notes 10 and 13(i))	**$ 9,254**	$ 7,656
Income taxes payable	**1,410**	—
Derivative instruments (note 12(b))	**1,731**	913
Future tax liability (note 8)	**4,148**	2,402
Stock-based compensation (note 10)	**5,454**	5,487
	$ 21,997	$ 16,458
Contingencies, commitments and guarantees (notes 12 and 13)		
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**$ 78,438**	$ 79,911
Retained earnings	**237,989**	222,491
	316,427	302,402
	$ 338,424	$ 318,860

See accompanying notes

On behalf of the Board:



PHILIP S. ORSINO
Director

JOSEPH J. HEFFERNAN
Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31

$000's (except per share information)	2012	2011
NET INVESTMENT GAINS		
Net realized gains on corporate investments (note 5)	**$ 545**	$ 3,861
Net changes in unrealized gains on corporate investments (note 6)	**16,590**	16,249
	17,135	20,110
OTHER INCOME		
Distributions and interest income (notes 4 and 6)	**19,325**	14,827
Dividend income (notes 6(e) and 6(g))	**4,359**	731
Management fees (note 4(a) and 4(h))	**1,141**	1,142
Advisory and other fees (note 4(o))	**2,013**	956
	26,838	17,656
EXPENSES		
Administration and other expense (note 10 and 13(i))	**15,409**	14,004
Finance and foreign exchange expense	**1,678**	1,132
	17,087	15,136
Income before income taxes	**26,886**	22,630
Income tax expense (notes 6(n) and 8)	**4,470**	3,066
Net income for the year	**$ 22,416**	$ 19,564
Basic net income per share (note 9)	**$ 1.46**	$ 1.23
Fully-diluted net income per share (note 9)	**$ 1.43**	$ 1.20

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

$000's	2012	2011
Retained earnings, beginning of year	**$ 222,491**	$ 209,462
Net income for the year	**22,416**	19,564
	244,907	229,026
Dividends paid	**(3,025)**	(1,595)
Purchase and cancellation of shares (note 9)	**(3,893)**	(4,940)
Retained earnings, end of year	**$ 237,989**	$ 222,491

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

$000's	2012	2011
OPERATING ACTIVITIES		
Net income for the year	**$ 22,416**	$ 19,564
Add (deduct) items not involving a current cash outlay		
Amortization of fixed assets	**373**	372
Stock-based compensation expense (recovery)	**(33)**	1,284
Future income tax expense	**1,746**	1,655
Net realized gains on corporate investments	**(545)**	(3,861)
Net changes in unrealized gains on corporate investments	**(16,590)**	(16,249)
Non-cash items relating to foreign exchange forward contracts	**2,627**	(2,446)
Non-cash items relating to corporate investments	**(4,646)**	(854)
	5,348	(535)
Net change in non-cash working capital balances related to operations (note 11)	**(5,434)**	11,086
Cash provided by (used in) operating activities	**(86)**	10,551
INVESTING ACTIVITIES		
Acquisition of corporate investments	**(36,888)**	(54,270)
Proceeds on sale of corporate investments	**26,277**	31,938
Return of capital from corporate investments	**6,693**	—
Proceeds on realized foreign exchange forward contracts	**684**	6,766
Net proceeds on sale (acquisition) of temporary investments	**12,309**	31,538
Loans advanced (notes 4(l), 4(m) and 4(n))	**(46,431)**	(55,876)
Receipt of loans advanced (notes 4(l), 4(m) and 4(n))	**22,817**	56,448
Increase in restricted cash and temporary investments	**(5,460)**	—
Cash provided by (used in) investing activities	**(19,999)**	16,544
FINANCING ACTIVITIES		
Purchase and cancellation of share capital (note 9)	**(5,577)**	(7,852)
Cash dividends paid	**(3,025)**	(1,595)
Issuance of share capital (note 9)	**211**	—
Cash used in financing activities	**(8,391)**	(9,447)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**(28,476)**	17,648
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**61,332**	43,684
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 11)	**32,856**	61,332
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid	**$ 3,223**	$ 218
Interest paid, on gross basis (note 13(n))	**$ 1,449**	$ 1,045

See accompanying notes

1. NATURE OF ACTIVITIES

Clairvest Group Inc. ("Clairvest" or the "Company") is a private equity investor publicly traded on the Toronto Stock Exchange ("TSX"). The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), Clairvest Equity Partners III Limited Partnership ("CEP III"), Clairvest Equity Partners IV Limited Partnership ("CEP IV") and Clairvest Equity Partners IV-A Limited Partnership ("CEP IV-A") (together, the "CEP Funds"). Clairvest contributes financing and strategic expertise to support the growth and development of its investees in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and its pro-rata ownership of various acquisition entities that exist for investing purposes. All intercompany amounts and transactions have been eliminated upon consolidation.

In accordance with Accounting Guideline 18 ("AcG-18"), the Company designated its temporary investments and its corporate investments as held-for-trading and carries them at fair value. Clairvest also designated its receivables and payables as held-for-trading in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

Future Accounting Changes

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved an optional two-year deferral from IFRS adoption which would allow Canadian companies that currently follow AcG-18 to continue to use existing Canadian generally accepted accounting principles ("GAAP") until fiscal years beginning on or after January 1, 2013.

In December 2011, the AcSB approved an additional one-year deferral from IFRS adoption such that Canadian companies that currently follow AcG-18 has the option to continue to use Canadian GAAP until fiscal years beginning on or after January 1, 2014. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2015, which begins on April 1, 2014.

Clairvest is currently evaluating the impact of adopting IFRS.

Significant Accounting Policies

The following is a summary of the significant accounting policies of the Company:

(a) Temporary Investments and Corporate Investments

The Company carries its temporary investments and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at a value which takes into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee

company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

(b) Foreign Currency Translation

Income and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses are included in income in the period in which they occur.

(c) Derivative Financial Instruments

The Company periodically enters into foreign exchange forward contracts, primarily to hedge its exposure to exchange rate fluctuations on its foreign currency denominated investments. These foreign exchange forward contracts and, where applicable, their underlying investments, are valued at exchange rates in effect at the consolidated balance sheet dates.

Foreign exchange forward contracts are included on the consolidated balance sheets as derivative instruments and are valued at fair value representing the estimated amount that the Company would have been required to pay, or received, had the Company settled the outstanding contracts at the consolidated balance sheet dates. Any unrealized gains or losses are included in finance and foreign exchange expense in the consolidated statements of income.

(d) Income Recognition

Realized gains or losses on disposition of corporate investments and change in unrealized gains or losses in the value of corporate investments are calculated based on weighted average cost and are reflected in the consolidated statements of income. Management fees and advisory and other fees are recorded as income on an accrual basis when the services are performed. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

(e) Future Income Taxes

The Company records future income tax expense or recovery using the asset and liability method. Under this method, future income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective income tax bases, as well as certain carryforward items. Future income tax assets and liabilities are determined for each temporary difference based on the income tax rates that are expected to be in effect when the asset or liability is settled. Future income tax assets are only recognized to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

(f) Stock-based Compensation Plan

The Company's stock option plan allows for a cash settlement of stock options. As a result, compensation expense is recognized and recorded as a liability based on the intrinsic value of the outstanding stock options at the consolidated balance sheet dates and the proportion of their vesting periods that have elapsed. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to administration and other expense.

(g) Deferred Share Unit Plan

Directors of the Company may elect to receive all or a portion of their compensation in deferred share units ("DSUs"). On the date directors' fees are payable, the number of DSUs to be credited to a participant is determined by dividing the amount of the fees to be received by way of DSUs by the market value of a Clairvest common share on the TSX. Upon redemption of DSUs, the Company pays to the participant a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by the market value of a Clairvest common share on the TSX on the redemption date. A participant may redeem his or her DSUs only following termination of board service.

Under the Company's DSU plan, a change in the fair value of the DSUs is charged to administration and other expense based on the number of DSUs outstanding at the consolidated balance sheet dates multiplied by the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates.

During fiscal 2008, the DSU plan was amended to also facilitate the issuance of Appreciation Deferred Share Units ("Appreciation DSUs") to the directors of the Company. Upon redemption of the Appreciation DSUs, the Company pays to the participant a lump sum cash payment equal to the number of Appreciation DSUs to be redeemed multiplied by the difference between the market value of a Clairvest common share on the TSX on the redemption date and the market value of a Clairvest common share on the TSX on the grant date. A participant may redeem his or her Appreciation DSUs only following termination of board service. Under the Company's DSU plan, the fair value of the Appreciation DSUs is charged to administration and other expense based on the number of Appreciation DSUs outstanding at the consolidated balance sheet dates multiplied by the difference between the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates and the market value of a Clairvest common share on the TSX on the grant date.

(h) Book Value Appreciation Rights Plan

The Company may elect to issue all or a portion of a participant's stock option grant by way of book value appreciation rights units ("BVARs"). Upon redemption of BVARs, the Company pays to the participant a lump sum cash payment equal to the number of BVARs to be redeemed multiplied by the increase in book value per share between the grant date and the redemption date, and grossed up such that the participant's after-tax proceeds equate to an amount as if the proceeds were taxed at the capital gains rate. The BVARs vest over a five-year period and the participant may only redeem his or her BVARs at the earlier of (i) five years from the grant date or (ii) cessation of employment with the Company.

As the Company's BVAR plan is a cash settled plan, the fair value of the BVARs is charged to administration and other expense and recorded as a liability over the BVAR vesting period based on the book value per share at the consolidated balance sheet date of the prior quarter.

(i) Net Income Per Share

Basic net income per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Fully-diluted net income per share is determined in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding during the year.

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

3. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of deposits in investment and money market savings accounts and term deposits which have maturities of less than 90 days from the date of acquisition. The yield ranges between 0.5% and 4.7% per annum (2011 – between 0.9% and 1.2%) with a weighted average rate of pre-tax return of 1.2% per annum (2011 – 1.2%).

Temporary investments consist of term deposits, guaranteed investment certificates, corporate bonds and preferred shares and have maturities greater than 90 days from the date of acquisition and through to June 2014. The yield on these investments ranges between 1.6% and 4.9% per annum (2011 – between 1.6% and 4.9%) with a weighted average rate of pre-tax return of 2.4% per annum (2011 – 2.4%). The composition of Clairvest's temporary investments at March 31 was as follows:

	2012			2011
	Due in 1 year or less	**Due after 1 year**	**Total**	Total
Term deposits	**$ 51**	**$ —**	**$ 51**	$ —
Guaranteed investment certificates	**12,454**	**12,819**	**25,273**	37,161
Corporate bonds	**26,824**	**11,052**	**37,876**	38,346
Preferred shares	**1,497**	**—**	**1,497**	1,499
	$ 40,826	**$ 23,871**	**$ 64,697**	$ 77,006

4. RELATED PARTY TRANSACTIONS

(a) A wholly owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of CEP, appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until August 21, 2006, the fifth anniversary of the last closing of CEP, and thereafter at 2% of contributed capital less distributions on account of capital and any write-downs of capital invested. Effective January 1, 2011, the CEP management fee was reduced to 1.5% per annum of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP.

During fiscal 2012, GP I earned management fees of $0.5 million (2011 – $0.9 million) as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of $0.1 million (2011 – $0.2 million) from corporate investments of CEP were netted against the management fees.

(b) The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. The distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP are allocated 50% to each of its limited partners, one of which is another wholly owned subsidiary of Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors.

During fiscal 2012, CEP declared distributions to the General Partner totaling $4.4 million (2011 – $6.2 million), 50% of which, or $2.2 million (2011 – $3.1 million), was allocated to Clairvest. At March 31, 2012, CEP had declared and paid distributions to the General Partner totaling $20.3 million (2011 – $15.9 million), 50% of which, or $10.2 million (2011 – $8.0 million), was allocated to Clairvest. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further $7.2 million (2011 – $10.7 million) of distributions, 50% of which, or $3.6 million (2011 – $5.3 million), would be allocated to Clairvest.

(c) Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to a priority distribution from CEP III. The priority distribution was calculated monthly as 0.1667% of committed capital until January 13, 2011, being the date on which CEP III is closed to new investments, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP III.

During fiscal 2012, CEP III declared to GP I priority distributions of $2.0 million (2011 – $3.8 million). As per the Limited Partnership Agreement, fees of $0.3 million (2011 – $0.4 million) from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of gains of CEP III determined as described in note 4(d) below. To date, CEP III has not made any distributions to GP I other than priority distributions. At March 31, 2012, if CEP III were to sell its corporate investments at their current fair values, GP I would receive up to $0.1 million (2011 – nil) of distributions, all of which would be allocated to Clairvest.

(d) GP II, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. The distributions relating to gain of CEP III to GP II, and to GP I as noted in note 4(c) above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. Any distributions received by GP II will be allocated to its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I (the "Participation III Investors"). The Participation III Investors have purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors. At March 31, 2012, if CEP III were to sell its corporate investments at their current fair values, GP II would receive up to $0.5 million (2011 – nil) of distributions, 44.4% of which, or $0.2 million (2011 – nil), would be allocated to Clairvest.

Another wholly owned subsidiary of Clairvest ("GP III"), as the General Partner of the Participation III Partnership, is entitled to participate in additional distributions equal to the exit value on the first $1.1 million contributed by the Participation III Investors into the Participation III Partnership plus the first $0.2 million received by the Participation III Partnership as described above. At March 31, 2012, $0.3 million (2011 – nil) has been received by GP III.

(e) GP II is also entitled to 8.25% carried interest in respect of CEP III Co-Investment Limited Partnership ("CEP III Co-Invest"). CEP III Co-Invest was established in fiscal 2007 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership. At March 31, 2012, if CEP III Co-Invest were to sell its corporate investments at their current fair values, GP II would receive up to $1.9 million (2011 – $1.6 million) of distributions from CEP III Co-Invest which would be entirely allocated to the Participation III Partnership. To date, CEP III Co-Invest has not made any distributions.

(f) Clairvest is also the parent company of the two General Partners of CEP IV (GP I and "GP IV"). GP I is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the month of the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by GP I from corporate investments of CEP IV.

During fiscal 2012, CEP IV declared to GP I priority distributions of $5.4 million (2011 – $1.8 million). As per the Limited Partnership Agreement, fees of $0.5 million (2011 – nil) from corporate investments of CEP IV were netted against the priority distributions. GP I is also entitled to distributions made by CEP IV equal to 2% of gains of CEP IV determined as described in note 4(g) below. To date, CEP IV has not made any distributions to GP I other than priority distributions. At March 31, 2012, if CEP IV were to sell its corporate investments at their current fair values, GP I would receive up to $0.6 million (2011 – nil) of distributions.

(g) GP IV, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. The distributions relating to gains of CEP IV to GP IV, and to GP I as noted in note 4(f) above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV has not made any distributions to GP IV. Any distributions received by GP IV will be allocated to each of its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors have purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors. At March 31, 2012, if CEP IV were to sell its corporate investments at their current fair values, GP IV would receive up to $5.0 million (2011 – nil) of distributions, 44.4% of which, or $2.2 million (2011 – nil), would be allocated to Clairvest.

GP III, as the General Partner of the Participation IV Partnership, is entitled to participate in additional distributions equal to the exit value on the first $1.6 million contributed by the Participation IV Investors into the Participation IV Partnership plus the first $0.4 million received by the Participation IV Partnership as described above. No amounts have been received by GP III at March 31, 2012.

(h) GP IV is also the General Partner of CEP IV-A. GP IV has appointed GP I as the Manager of CEP IV-A. The Limited Partnership Agreement of CEP IV-A provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP IV-A. The fee is calculated as follows: i) from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, 0.1667% of committed capital; and

iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by GP I from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement.

During fiscal 2012, GP I earned management fees of $0.6 million (2011 – $0.2 million) as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.3 million (2011 – $0.1 million) was netted against the management fees.

(i) GP IV is entitled to participate in distributions made by CEP IV-A equal to 20% of net gains of CEP IV-A. These distributions will be determined based on the overall performance of CEP IV-A. No such distributions are permitted until CEP IV-A's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV-A has not made any distributions to GP IV. Any distributions received by GP IV will be allocated to each of its two limited partners, one of which is Clairvest which will receive 50% of such distributions, and the other of which is Participation IV Partnership which will receive 50% of such distributions. At March 31, 2012, if CEP IV-A were to sell its corporate investments at their current fair values, GP IV would receive up to $1.0 million (2011 – nil) of distributions, 50% of which, of $0.5 million (2011 – nil) would be allocated to Clairvest.

(j) GP IV is also entitled to an 8.25% carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest"). CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle through which Clairvest would co-invest alongside CEP IV and CEP IV-A. Distributions received by GP IV from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership. At March 31, 2012, if CEP IV Co-Invest were to sell its corporate investments at their current fair values, GP IV would receive up to $1.2 million (2011 – nil) of distributions from CEP IV Co-Invest which would be entirely allocated to the Participation IV Partnership. To date, CEP IV Co-Invest has not made any distributions.

(k) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company and GP I totaling $0.5 million (2011 – $0.7 million). The share purchase loans bear interest fixed at the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of $0.7 million (2011 – $1.0 million). Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling $0.5 million (2011 – $0.5 million). The loans to officers of the affiliated company bear interest at rates commensurate with prime and interest is paid quarterly. Loans are repayable upon departure of the officer. Interest of $35 thousand (2011 – $44 thousand) was earned on these loans during fiscal 2012. Also included in accounts receivable and other assets are receivables from Clairvest's investee companies totaling $2.4 million (2011 – $3.2 million), from CEP totaling $0.3 million (2011 – $5 thousand), from CEP III totaling $1.5 million (2011 – $0.4 million), from CEP IV totaling $5.4 million (2011 – $0.3 million) and from CEP IV-A totaling $1.1 million (2011 – $0.2 million).

(l) Loans totaling $3.6 million (2011 – $8.2 million), bearing interest at the prime rate, made by the Company to CEP III during fiscal 2012 were repaid in full (2011 – repaid in full) during the year. Interest of $5 thousand (2011 – $4 thousand) was earned from loans to CEP III during fiscal 2012.

(m) Loans totaling $36.8 million (2011 – $45.6 million), bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement, were made by the Company to CEP IV during fiscal 2012. During fiscal 2012, $16.2 million (2011 – $45.6 million) of these loans were repaid. Interest of $1.0 million (2011 – $8 thousand) was earned from loans to CEP IV during fiscal 2012.

(n) Loans totaling $6.0 million, bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement, were made by the Company to CEP IV-A during fiscal 2012. During fiscal 2012, $3.0 million of these loans were repaid. Interest of $0.1 million was earned from loans to CEP IV-A during fiscal 2012.

(o) During fiscal 2012, Clairvest earned $6.3 million (2011 – $3.0 million) in distributions and interest income, $4.3 million (2011 – $0.1 million) in dividend income and $2.0 million (2011 – $1.0 million) in advisory and other fees from its investee companies.

(p) During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by the director of Clairvest. At March 31 2012, Clairvest's portion of the net book value of the aircraft of $1.6 million is recorded in accounts receivable and other assets. Clairvest receives 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

5. NET REALIZED GAINS ON CORPORATE INVESTMENTS

Net realized gains on corporate investments for the years ended March 31, 2012 and 2011 are comprised of the following:

	2012	2011
Net realized gains during the year	**$ 8,311**	$ 3,997
Previously recognized net unrealized gains	**(7,766)**	(136)
	$ 545	$ 3,861

6. CORPORATE INVESTMENTS

	2012			2011		
	Fair value	**Cost**	**Difference**	Fair value	Cost	Difference
Investments alongside CEP						
Grey Eagle Casino	**$ 1,605**	**$ 1**	**$ 1,604**	$ 9,090	$ 5,625	$ 3,465
Landauer Metropolitan Inc.	**6,834**	**5,111**	**1,723**	5,590	5,110	480
N-Brook Mortgage LP	**2,625**	**5,036**	**(2,411)**	2,625	5,037	(2,412)
Investments alongside CEP III						
Casino New Brunswick	**2,448**	**9,798**	**(7,350)**	4,601	9,202	(4,601)
Chilean Gaming Holdings[a]	**31,202**	**28,725**	**2,477**	29,890	29,093	797
Hudson Valley Waste Holding, Inc.	**—**	**—**	**—**	16,931	9,221	7,710
Kubra Data Transfer Limited	**7,868**	**2,150**	**5,718**	8,360	2,150	6,210
Light Tower Rentals Inc.	**21,494**	**8,178**	**13,316**	14,840	8,177	6,663
Lyophilization Services of New England Inc.	**5,098**	**7,351**	**(2,253)**	5,697	6,749	(1,052)
PEER 1 Network Enterprises Inc.	**10,419**	**6,291**	**4,128**	8,753	6,291	2,462
Participation III Partnership Entitlements[b]	**(1,918)**	**—**	**(1,918)**	(1,588)	—	(1,588)
Investments alongside CEP IV						
Centaur, LLC	**28,798**	**28,945**	**(147)**	31,386	30,179	1,207
Discovery Air Inc	**27,701**	**26,545**	**1,156**	—	—	—
Linen King, LLC	**2,523**	**2,525**	**(2)**	—	—	—
Rivers Casino	**25,536**	**8,504**	**17,032**	10,304	9,120	1,184
Participation IV Partnership Entitlements[c]	**(1,172)**	**—**	**(1,172)**	—	—	—
Wellington Financial Fund II	**46**	**1**	**45**	235	1	234
Wellington Financial Fund III	**15,643**	**13,643**	**2,000**	14,271	12,476	1,795
	186,750	**152,804**	**33,946**	160,985	138,431	22,554
Other investments	**1,126**	**1,129**	**(3)**	1,192	1,223	(31)
	$ 187,876	**$ 153,933**	**$ 33,943**	$ 162,177	$ 139,654	$ 22,523

(a) Comprised of Clairvest's investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama
(b) Fair value attributable to limited partners of Participation III Partnership as described in note 4(e).
(c) Fair value attributable to limited partners of Participation IV Partnership as described in note 4(j).

The cost and fair value of corporate investments do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against these investments (see note 12(b)). Details of each investment are described below.

(a) Grey Eagle Casino (formerly Tsuu T'ina Gaming Limited Partnership)

Grey Eagle Casino is a charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the City of Calgary, Alberta. At March 31, 2011 and 2010, Clairvest had funded $5.6 million in Grey Eagle Casino. The Company's investment was in the form of subordinated debt with a 16% coupon rate.

During fiscal 2012, Grey Eagle Casino completed a financing and repaid in full its $5.6 million in debentures and $2.2 million of accrued interest owing to Clairvest, $0.4 million of which was earned during fiscal 2012.

Clairvest continues to hold units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022.

(b) Landauer Metropolitan Inc. ("Landauer")

Landauer is a supplier of home medical equipment operating in the northeastern United States.

At March 31, 2010, Clairvest, through a wholly owned subsidiary, owned 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares and advanced a US$0.2 million (C$0.2 million) bridge loan to Landauer. The bridge loan bears interest at a rate of 25% per annum, payable monthly, and was repayable on April 16, 2010 but remained outstanding as at March 31, 2012. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share.

During fiscal 2011, Clairvest advanced an additional US$0.1 million (C$0.1 million) bridge loan to Landauer. This bridge loan bears interest at a rate of 12% per annum, payable monthly, and is repayable on September 24, 2015. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share. Also during fiscal 2011, Clairvest invested a further US$0.6 million (C$0.6 million) in Landauer in the form of a subordinated secured convertible note with a 10% accrued interest per annum. This note is convertible to senior convertible preferred shares which have a two times liquidation preference in lieu of interest. Each senior convertible preferred share is convertible into common shares at a rate of $0.50 per share in lieu of two times the liquidation preference and the conversion is at Clairvest's discretion. The bridge loan and the subordinated secured convertible note remained outstanding at March 31, 2012.

In addition to the bridge loans and the subordinated secured convertible note, at March 31, 2012 and 2011, Clairvest through a wholly owned subsidiary, owned 1,906,250 10% cumulative convertible preferred shares and 748,133 common shares in Landauer, representing a 14.2% interest on a fully-diluted basis. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

(c) N-Brook Mortgage LP ("N-Brook")

N-Brook originated, adjudicated and underwrote first-ranking mortgages on owner-occupied, residential real estate in Ontario, British Columbia and Alberta. Clairvest had fully funded its $5.0 million commitment to N-Brook in fiscal 2008. During fiscal 2009, N-Brook management made the decision to wind down its mortgage portfolio. Clairvest's fully-diluted interest in N-Brook at March 31, 2012 and 2011 was 14.7%.

(d) Casino New Brunswick

Casino New Brunswick is a gaming entertainment complex located in Moncton, New Brunswick. At March 31, 2010, Clairvest had invested $8.7 million in Casino New Brunswick.

During fiscal 2011, Clairvest funded an additional $0.5 million in Casino New Brunswick, bringing the total investment in Casino New Brunswick to $9.2 million. The investment was made in the form of debentures with a stated interest at a rate of 6% per annum. Interest has been waived until further notice effective March 1, 2011. Also during fiscal 2011, management determined that the fair value of Casino New Brunswick should be written down by $4.6 million as a result of operations underachieving against expectations.

During fiscal 2012, Clairvest funded an additional $0.6 million in the form of debentures on terms consistent with the debentures previously invested in Casino New Brunswick, bringing the total investment in Casino New Brunswick to $9.8 million. Also during fiscal 2012, management determined that the fair value of Casino New Brunswick should be written down by an additional $2.7 million, bringing cumulative write downs to $7.3 million as a result of performance continuing to trend below initial estimates. Also during the fiscal 2012, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in note 13(k).

At March 31, 2012, Clairvest also holds units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% (2011 – 22.5%) of the earnings of the casino.

(e) Chilean Gaming Holdings

Chilean Gaming Holdings is a limited partnership which has a 50% ownership interest in Casino Marina del Sol ("Casino del Sol") in Concepcion, Chile, and a 47.5% ownership interest in each of Casino Osorno in Osorno, Chile, and Casino Sol Calama in Calama, Chile.

At March 31, 2010, Clairvest, through Canadian and Chilean acquisition entities, had a $10.6 million equity investment in Casino del Sol, a $16.6 million equity investment in Casino Osorno, and a US$11.8 million (C$12.4 million) loan investment in Latin Gaming Chile S.A. ("Latin Gaming Chile"), the casino operator of Casino Osorno and Casino Sol Calama.

During fiscal 2011, Clairvest, through Canadian and Chilean acquisition entities, loaned an additional US$2.0 million (C$2.1 million) to Latin Gaming Chile, bringing the total loans to Latin Gaming Chile to US$13.8 million (C$14.5 million).

Also during fiscal 2011, Clairvest completed a consolidation of its Chilean gaming investments whereby Clairvest sold its interest in Casino del Sol and Casino Osorno, as well as the US$13.8 million (C$14.5 million) bridge loans advanced to Latin Gaming Chile at original cost to a related holding entity ("Chilean Gaming Holdings") and received net cash proceeds of C$15.9 million and 27,254,185 limited partnership units of Chilean Gaming Holdings. The consolidation did not result in a change to the valuation of the investment. Subsequently, Chilean Gaming Holdings closed on an equity investment in Casino Sol Calama wherein Chilean Gaming Holdings invested US$20 million (C$20.9 million) to acquire a 50% ownership interest in Casino Sol Calama. The US$13.8 million of bridge loans which had previously been advanced to Latin Gaming Chile were repaid in full upon the closing of the equity investment in Casino Sol Calama. Clairvest invested an additional $3.2 million to acquire 3,192,114 limited partnership units of Chilean Gaming Holdings to support this acquisition.

During fiscal 2012, Chilean Gaming Holdings sold 2.5% of its equity interest in Casino Osorno and Casino Sol Calama to the operator of Casino del Sol. Clairvest received $0.3 million in cash proceeds and realized a $0.1 million gain as a result of the sale.

Also during fiscal 2012, Clairvest earned dividends totaling $1.3 million (2011 – $0.5 million) through its investment in Chilean Gaming Holdings.

At March 31, 2012 and 2011, Clairvest owned 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% equity interest.

(f) Hudson Valley Waste Holding, Inc. ("Hudson Valley Waste")

Hudson Valley Waste was a regional solid waste company based in the northeastern United States. At March 31, 2011 and 2010, Clairvest owned 8,750 Series A convertible preferred shares in Hudson Valley Waste, representing an 8.3% ownership interest unless certain return thresholds were met, at which point ownership interest would be reduced to 6.2%.

During fiscal 2012, Clairvest sold its interest in Hudson Valley Waste for cash proceeds of US$17.5 million (C$16.9 million) and realized an incremental gain of C$0.6 million as a result of the sale. Over the life of the investment, Clairvest realized a $7.7 million gain on the investment and a $0.6 million gain on the foreign exchange forward contracts entered into as hedges against the Company's investment in Hudson Valley Waste.

(g) Kubra Data Transfer Limited ("Kubra")

Kubra is a business process outsourcing company focused on the distribution of household bills on behalf of its customers.

During fiscal 2012, Clairvest earned dividends totaling $3.0 million from Kubra, against Clairvest's investment in Kubra of $2.2 million.

At March 31, 2012 and 2011, Clairvest owned 3,250,000 Class A voting common shares of Kubra, representing an 11.5% (2011 – 12.1%) interest on a fully-diluted basis.

(h) Light Tower Rentals Inc. ("Light Tower Rentals")

Light Tower Rentals is an oilfield equipment rental company operating in major oil and gas drilling basins in the United States. At March 31, 2010, Clairvest owned 5,841,250 Series A convertible preferred shares of Light Tower Rentals and 340,822 common shares of LTR Equipment Inc. ("LTR Equipment"), a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals.

During fiscal 2011, Clairvest invested an additional US$1.9 million (C$1.9 million) for 1,874,914 common shares of LTR Equipment.

At March 31, 2012 and 2011, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals, which could be converted into a 10.3% ownership interest on a fully-diluted basis. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion. Also at March 31, 2012, and 2011, Clairvest owned 2,215,736 common shares in LTR Equipment, representing a 15.3% interest on a fully-diluted basis.

Subsequent to year end, LTR Equipment was amalgamated into Light Tower Rentals. As a result of the amalgamation, Clairvest received a 13.1% ownership interest in the combined entity. No gain or loss was recognized as a result of the amalgamation.

(i) Lyophilization Services of New England Inc. ("LSNE")

LSNE is a Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. At March 31, 2012 and 2011, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares of LSNE, which could be converted into a 12.3% ownership interest on a fully-diluted basis. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

During fiscal 2011, Clairvest funded an additional US$0.3 million (C$0.3 million) to LSNE in the form of unsecured loans to further support the growth of LSNE. During fiscal 2012, Clairvest funded a further US$0.6 million (C$0.6 million), bringing the total unsecured loans in LSNE to US$0.9 million (C$0.9 million).

(j) PEER 1 Network Enterprises Inc. ("PEER 1")

PEER 1 (TSX: PIX) is a global online IT infrastructure provider based in Vancouver, British Columbia. At March 31, 2012 and 2011, Clairvest owned 5,134,617 common shares of PEER 1, representing a 4.2% interest on a fully-diluted basis. The Company also owned 50,000 stock options of PEER 1 with an exercise price of $1.07 per share, all of which (2011 – 36,111) have been vested at March 31, 2012.

(k) Centaur, LLC ("Centaur")

Centaur is the operator of Hoosier Park Racing & Casino in Indianapolis, Indiana.

During fiscal 2011, Clairvest invested US$29.7 million (C$29.9 million) in pre-petition senior secured first lien loans ("Senior Debt") of Centaur. As part of the investment, Clairvest also received a US$0.3 million (C$0.3 million) promissory note ("Promissory Note") from an unrelated investment partner for this investment. The Promissory Note is repayable upon Clairvest's realization of its investment in Centaur, and as a result, the Senior Debt and the Promissory Note have been presented on an aggregate basis. At March 31, 2011, Clairvest owned 8.8% of the total Senior Debt issued by Centaur.

During fiscal 2012, Clairvest invested a further US$5.3 million (C$5.5 million) in the Senior Debt of Centaur, bringing the total investment in Centaur to US$35.3 million (C$35.7 million). Subsequently, Centaur emerged from Chapter 11 protection and implemented its court-approved Plan of Reorganization. As holders of US$39.1 million face principal value of Senior Debt, Clairvest received US$6.4 million (C$6.7 million) in cash, US$16.4 million in new first lien secured notes, US$6.2 million in new second lien secured notes and US$5.1 million in unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class A units of Centaur. The cash received was recorded as a return of capital and no gain or loss was realized as a result of the exchange.

The new first lien secured notes pay cash interest quarterly at a rate of either i) prime rate plus 5.5% or ii) LIBOR plus 6.5%, at the borrower's option, with a minimum interest rate of 8% per annum, and matures on October 1, 2016. The new second lien secured notes pay interest quarterly at a rate of the mid-term U.S. Applicable Federal Rates plus 4.99%, 2% of which is payable in cash and the remaining paid in kind, and mature on October 1, 2018. The unsecured term loans pay interest quarterly at a rate of the short-term U.S. Applicable Federal Rates and is payable in kind. The loans mature on October 1, 2026 and may be extended for three-year periods upon the written consent of 50% of the holders of the unsecured term loans.

During fiscal 2012, Clairvest earned cash interest totaling $0.7 million on the new first and second lien secured notes and $0.2 million in paid in kind interest on the new second lien secured notes and the unsecured term loan.

(l) Discovery Air Inc. ("Discovery Air")

Discovery Air is a specialty aviation services company operating across Canada and in select locations internationally.

During fiscal 2012, Clairvest invested $22.0 million in secured convertible debentures ("Debentures") of Discovery Air. The Debentures, which have a 5.5-year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, accrue interest at a rate of 10% per annum and interest is paid in kind quarterly and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air, which, together with the 59,521 Discovery Air shares owned prior to this investment, represents a 10.5% ownership interest in Discovery Air on an "as converted" basis. At March 31, 2012, the conversion price for the Debentures was $7.50 per share and the closing quoted market price of a Discovery Air common share was $3.98 per share.

Also during fiscal 2012, Clairvest advanced a $4.5 million bridge loan to Discovery Air with a stated interest rate of 9.5% per annum. The loan was repaid subsequent to year end.

During fiscal 2012, Clairvest earned $1.2 million in interest from its investments in Discovery Air.

(m) Linen King, LLC ("Linen King")

Linen King is an Oklahoma-based textile rental company that provides commercial laundry services to the healthcare and hospitality industries.

During fiscal 2012, Clairvest invested US$2.5 million (C$2.5 million) to acquire 2,529,209 Class A units of Linen King. At March 31, 2012, Clairvest's ownership interest in Linen King is 21.7%.

(n) Rivers Casino (formerly Midwest Gaming Holdings LLC)

Rivers Casino, which commenced operations in July 2011, is a gaming entertainment complex located in Des Plaines, Illinois.

During fiscal 2011, Clairvest and Participation IV Partnership (note 4(g)) acquired 13,166,360 units of Rivers Casino for US$13.2 million (C$13.2 million). Clairvest's portion of the investment was US$11.7 million (C$11.7 million). US$2.4 million (C$2.4 million) of this investment represented bridge capital in anticipation of the raising of equity from minority investors as required by the Illinois legislature. Subsequently, Clairvest sold 2,170,899 units of Rivers Casino for US$2.2 million (C$2.2 million) to CEP IV and CEP IV-A as part of the final rebalancing of invested capital in accordance with the Co-Investment Agreement with CEP IV and CEP IV-A, US$0.4 million (C$0.4 million) of which represents the bridge capital in anticipation of raising equity from minority investors. Also during fiscal 2011, 368,395 units of Rivers Casino were redeemed at cost for US$0.4 million (C$0.4 million) upon the completion of funding by certain minority investors.

During fiscal 2012, Rivers Casino completed the raising of capital from minority investors whereby Clairvest advanced US$1.1 million (C$1.1 million) in promissory notes to a minority investor in support of the completion of the minority fundraising. The promissory notes pay interest at a rate of 24% per annum and mature on June 24, 2041. Clairvest also acquired a minority interest in this investor. As a result of the completion of minority fundraising, 1,605,149 units of Rivers Casino were redeemed at cost for US$1.6 million (C$1.7 million).

At March 31, 2012, Clairvest owned 9,021,917 (2011 – 10,627,066) units of Rivers Casino, representing a 5.0% ultimate ownership interest on a fully-diluted basis.

During fiscal 2012, Clairvest earned $1.7 million in distributions and interest income and $0.3 million in fee income from Rivers Casino. As a result of Clairvest's investment in Rivers Casino requiring certain holding entities in the United States, the Company incurred U.S. tax income obligations totaling $1.6 million and U.S. withholding tax obligations totaling $0.1 million during fiscal 2012, the amount of which has been recorded as income tax expense in the consolidated statements of income.

(o) Wellington Financial Fund II ("Wellington Fund II")

Wellington Fund II provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada. Clairvest, as a limited partner, had committed to fund $20.0 million to Wellington Fund II. Clairvest's commitment represented a 24.1% interest in Wellington Fund II. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund II.

During fiscal 2012, Wellington Fund II was liquidated and the remaining assets were distributed to its limited partners. Clairvest received $0.2 million in cash and securities as a result of the liquidation, which approximated the fair value ascribed to Wellington Fund II at March 31, 2011. Clairvest continues to hold an interest in the General Partner of Wellington Fund II at March 31, 2012.

(p) Wellington Financial Fund III ("Wellington Fund III")

Wellington Fund III, a successor to Wellington Fund II, provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada and the United States. Clairvest, as a limited partner, committed to fund $25.0 million to Wellington Fund III. Clairvest's commitment represents a 16.7% interest in Wellington Fund III. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund III.

During fiscal 2012, Clairvest invested a further $1.1 million to Wellington Fund III, such that at March 31, 2012, $13.6 million (2011 – $12.5 million) of Clairvest's commitment had been funded.

7. CREDIT FACILITIES

Clairvest has a $75.0 million committed credit facility with a maturity date of April 30, 2020. The credit facility bears interest at 11% per annum on drawn amounts and at 1% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2012 and 2011 is $75.0 million. No amounts were drawn during fiscal 2012 and 2011. Included in accounts receivable and other assets at March 31, 2012 is a capitalized closing fee on this facility totaling $0.9 million (2011 – $1.2 million) which is to be amortized on a straight-line basis to April 2015.

The Company also has a $20.0 million credit facility available, subject to annual renewals, bearing interest at prime plus 0.5% per annum. The prime rate at March 31, 2012 was 3.00% (2011 - 3.00%). The amount available under the credit facility at March 31, 2012 was $17.0 million (2011 - $20.0 million), which is based on debt covenants within the banking arrangement. No amounts were drawn during fiscal 2012 and 2011.

8. INCOME TAXES

Income tax expense for the years ended March 31, 2012 and 2011 consist of the following:

	2012	2011
Current income tax expense	**$ 2,724**	$ 1,411
Future income tax expense	**1,746**	1,655
	$ 4,470	$ 3,066

A reconciliation of the income tax expense based on the statutory rate in Canada and the effective rate is as follows:

	2012	**%**	2011	%
Income before income taxes	**$ 26,886**		$ 22,630	
Statutory Canadian income tax rate		**27.75**		30.13
Statutory Canadian income taxes	**7,461**	**27.75**	6,817	30.13
Non-taxable dividends and distributions received	**(5,721)**	**(21.28)**	(1,307)	(5.78)
Taxable (non-taxable) portion of net investment gains	**314**	**1.17**	(3,402)	(15.03)
Non-taxable portion of losses on temporary investments	**189**	**0.70**	326	1.44
Non-deductible portion of finance expense (recovery)	**(383)**	**(1.42)**	327	1.45
Non-deductible portion of other expenses	**603**	**2.24**	455	2.01
Payment (recovery) of prior years' taxes	**455**	**1.69**	(465)	(2.05)
Foreign income taxes	**1,428**	**5.31**	154	0.68
Other	**124**	**0.47**	161	0.70
	$ 4,470	**16.63**	$ 3,066	13.55

Future tax assets and liabilities relate to loss carryforwards and temporary differences on corporate and temporary investments, derivative instruments, accounts payable and accrued liabilities and income as follows:

	2012	2011
	Liability	Liability
Loss carryforwards	**$ —**	$ (2,538)
Temporary differences on corporate and temporary investments	**4,075**	1,848
Temporary differences on derivative instruments	**(229)**	219
Temporary differences on accounts payable and accrued liabilities	**(1,445)**	(1,103)
Temporary differences on income	**947**	3,226
Other	**800**	750
	$ 4,148	$ 2,402

9. SHARE CAPITAL

Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions, and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares

10,000,000 non-voting shares

Issued and outstanding	2012		2011	
	Shares	Amount	Shares	Amount
Common shares, beginning of year	**15,392,695**	**$ 79,911**	15,953,566	$ 82,823
Issued on exercise of stock options	**50,000**	**211**	—	—
Purchased and cancelled under normal course issuer bid	**(324,600)**	**(1,684)**	(560,871)	(2,912)
Common shares, end of year	**15,118,095**	**$ 78,438**	15,392,695	$ 79,911

During fiscal 2011, the Company filed a normal course issuer bid which allowed the Company to make market purchases up to 797,678 of its common shares and which expired on March 5, 2012. During fiscal 2011, the Company purchased and cancelled 560,871 common shares under this normal course issuer bid for a total purchase cost of $7.9 million. During fiscal 2012, the Company purchased and cancelled an additional 201,000 common shares under this normal course issuer bid for a total purchase cost of $3.4 million.

Also during fiscal 2012, the Company filed a normal course issuer bid enabling it to make market purchases of up to 772,135 (2011 – 797,678) of its common shares in the 12-month period commencing March 6, 2012. Subsequently, the Company purchased and cancelled 123,600 common shares under this normal course issuer bid for a total purchase cost of $2.2 million, such that the Company spent a total of $5.6 million on its purchases under various normal course issuer bids during fiscal 2012. The excess of the purchase cost of the 324,600 shares purchased and cancelled during fiscal 2012 over the average paid-in amount was $3.9 million (2011 – $4.9 million), which was charged to retained earnings. In total, 3,429,895 (2011 – 3,105,295) common shares at a cost of $35.3 million (2011 – $29.7 million) have been purchased under all previous normal course issuer bids as at March 31, 2012. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

15,118,095 (2011 - 15,392,695) common shares were outstanding at March 31, 2012.

The weighted average number of common shares outstanding during fiscal 2012 was 15,397,724 (2011 - 15,952,025). The weighted average number of fully-diluted shares outstanding during fiscal 2012 was 15,675,287 (2011 - 16,262,314).

The difference between the basic and fully-diluted net income per share computations for 2012 and 2011 consists of the following:

	2012			2011		
	Net income ('000s)	Weighted average number of shares	Per share amount	Net income ('000s)	Weighted average number of shares	Per share amount
Basic net income per share	**$ 22,416**	**15,397,724**	**$ 1.46**	$ 19,564	15,952,025	$ 1.23
Effect of dilutive securities stock options		**277,563**			310,289	
Fully-diluted net income per share	**$ 22,416**	**15,675,287**	**$ 1.43**	$ 19,564	16,262,314	$ 1.20

Under the Company's stock option plan, 1,283,856 (2011 – 1,535,856) common shares of the Company have been made available for issuance to eligible participants. At March 31, 2012, 725,000 (2011 – 977,000) options were outstanding under the plan, and an additional 558,856 (2011 – 558,856) are available for future grants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest over a period not to exceed five years. Once vested, options are exercisable at any time until their expiry which is 10 years after the grant date.

During fiscal 2012, 252,000 (2011 – 105,000) options were exercised, 50,000 (2011 – nil) of which were exercised for shares, increasing share capital by $0.2 million. The remaining 202,000 (2011 – 105,000) options were exercised under the cash settlement plan and had no impact on share capital. No options were granted during fiscal 2012 and 2011.

A summary of the status of the Company's stock option plan as at March 31, 2012 and 2011 and changes during the years then ended are presented below:

	Number of options	Weighted average exercise price per share*
Options outstanding, March 31, 2010	1,082,000	$ 8.53
Options exercised	(105,000)	4.40
Options outstanding, March 31, 2011	977,000	8.88
Options exercised	(252,000)	5.57
Options outstanding, March 31, 2012	**725,000**	**$ 9.72**
Options exercisable, March 31, 2012	**664,000**	**$ 9.44**

*Adjusted for special dividends where applicable

The following table summarizes information about stock options outstanding and exercisable at March 31, 2012:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (yrs)	Weighted average exercise price*	Number exercisable	Weighted average exercise price*
$5.00 to $5.99	110,000	0.2	$ 5.13	110,000	$ 5.13
$7.00 to $7.99	50,000	1.2	7.18	50,000	7.18
$9.00 to $9.99	330,000	3.6	9.43	330,000	9.43
$12.00 to $12.99	235,000	5.5	12.83	174,000	12.85
	725,000			664,000	

* Adjusted for special dividends where applicable

10. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

As a result of a cash settlement feature in Clairvest's stock option plan, Clairvest is required to recognize compensation expense based upon the intrinsic value of the outstanding stock options at the consolidated balance sheet dates, and the proportion of their vesting periods that have elapsed. For the year ended March 31, 2012, Clairvest recognized a stock-based compensation expense of $1.5 million (2011 – $2.2 million) as a result of options being vested and an increase in the trading price of Clairvest common shares. As at March 31, 2012, $5.5 million (2011 – $5.5 million) has been accrued under the Company's stock option plan, and a further $0.3 million (2011 – $0.2 million) not accrued as those options have not vested.

As at March 31, 2012, a total of 212,420 (2011 – 186,258) DSUs were held by directors of the Company, the accrual in respect of which was $3.8 million (2011 – $2.8 million) and has been included in accounts payable and accrued

liabilities. For the year ended March 31, 2012, Clairvest recognized an expense of $1.0 million (2011 – $0.9 million) with respect to DSUs.

As at March 31, 2012, 120,000 (2011 – 120,000) Appreciation DSUs were held by directors of the Company, the accrual in respect of which is $0.6 million (2011 – $0.3 million) and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2012, Clairvest recognized an expense of $0.3 million (2011 – $0.2 million) with respect to Appreciation DSUs.

As at March 31, 2012, a total of 957,601 (2011 – 639,112) BVARs were held by employees of Clairvest, the accrual in respect of which was $1.1 million (2011 – $0.9 million) and has been included in accounts payable and accrued liabilities, and a further $2.4 million (2011 – $0.7 million) not accrued as those BVARs have not vested. For the year ended March 31, 2012, Clairvest recognized an expense of $1.6 million (2011 – $0.8 million) with respect to BVARs.

11. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations is detailed as follows:

		2012		2011
Accounts receivable and other assets	**$**	**(6,307)**	$	9,857
Income taxes recoverable		**(2,135)**		1,590
Accounts payable and accrued liabilities		**1,598**		(361)
Income taxes payable		**1,410**		—
	$	**(5,434)**	$	11,086

Cash and cash equivalents at March 31, 2012 and 2011 are comprised of the following:

		2012		2011
Cash	**$**	**3,033**	$	2,186
Cash equivalents		**29,823**		59,146
	$	**32,856**	$	61,332

12. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

Cash and cash equivalents have fair values which approximate their carrying values due to their short-term nature.

Receivables, payables, temporary investments and corporate investments are being carried at fair value in accordance with the Company's accounting policy as described in note 2 to the financial statements.

(b) Foreign Exchange Forward Contracts

As at March 31, 2012, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Foreign exchange forward contracts to sell US$102.0 million (2011 – US$90.3 million) and buy US$1.4 million (2011 – US$2.6 million) at an average rate of Canadian $0.9957 (2011 – $0.9980) per U.S. dollar through March 2013. The fair value of these contracts at March 31, 2012 is a loss of $0.2 million (2011 – gain of $2.5 million) and has been recognized on the consolidated balance sheets as derivative instruments.

Foreign exchange forward contracts to sell Chilean Pesos ("CLP") 14.7 billion (2011 – CLP 14.7 billion) at an average rate of Canadian $0.001938 (2011 – $0.001976) through January 2013. The fair value of these contracts at March 31, 2012 is a loss of $1.5 million (2011 – $0.9 million) and has been recognized on the consolidated balance sheets as derivative instruments.

13. CONTINGENCIES, COMMITMENTS AND GUARANTEES

(a) Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million (2011 – $3.5 million) of which remains outstanding at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

(b) Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million (2011 – $15.2 million) of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

(c) Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A Clairvest's total co-investment commitment is $125.0 million, $75.5 million (2011 – $88.4 million) of which remains unfunded at March 31, 2012. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if the manager of CEP IV and CEP IV-A, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

(d) Clairvest has committed to invest US$5.4 million in New Meadowlands Racetrack LLC, which operates the Meadowlands, North America's premier standardbred horse racing track located in East Rutherford, New Jersey. No amounts have been funded at March 31, 2012.

(e) Clairvest has committed $25.0 million to Wellington Fund III, $11.4 million (2011 – $12.5 million) of which remains unfunded at March 31, 2012.

(f) At March 31, 2012, Clairvest has received profit distributions totaling $1.6 million (2011 – $1.6 million) through its ownership interest in the General Partner of Wellington Fund II and $2.6 million (2011 – $2.0 million) through its ownership interest in the General Partner of Wellington Fund III. Clairvest has guaranteed, up to the amounts received from the respective General Partners, the clawback provisions (the "Clawback") entered into by the General Partners in the event the limited partners of the Wellington Fund II and Wellington Fund III do not meet their return threshold as specified in the respective Limited Partnership Agreements. As a result of the liquidation of Wellington Fund II during the year ended March 31, 2012, the guarantee made by Clairvest to the General Partner of Wellington Fund II has extinguished. At March 31, 2012 and 2011, there were no accruals made with respect to the Clawback.

(g) Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian chartered bank under CEP's foreign exchange forward contracts with the bank.

(h) Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank.

(i) Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain of Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2012, $0.8 million (2011 – $0.8 million) has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $1.1 million (2011 – $1.1 million) would be owing to management under this Program. As no such realizations have occurred and the terms of the Program with respect to these corporate investments have not yet been fulfilled, the $1.1 million (2011 – $1.1 million) has not been accrued at March 31, 2012. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

(j) During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims which will reduce over time. No claims have been made to March 31, 2012.

(k) Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2012, no amounts subject to this guarantee have been funded. Clairvest has pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee and is held in a bank account belonging to Clairvest at the Schedule 1 Canadian chartered bank which cannot be withdrawn without consent from the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted cash and temporary investments on the consolidated balance sheets.

(l) Clairvest, together with CEP IV, CEP IV-A and other investors of Rivers Casino, had entered into a US$20 million joint and several guarantee to fund any cost overruns during the construction of the casino in Des Plaines, Illinois. The guarantee was extinguished during the year ended March 31, 2012. No amounts subject to this guarantee was funded.

(m) An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2012, no amounts subject to this guarantee have been funded.

(n) As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, borrowed $55.2 million through various acquisition entities from an unrelated financial institution, while another acquisition entity deposited $55.2 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition entities was 36.8% at March 31, 2012, with CEP III owning 37.7% and the remainder owned by the other co-investors.

(o) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

14. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the years ended March 31, 2012 and 2011, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at March 31, 2012 and 2011, net of any allowances for losses, were as follows:

	2012	2011
Financial assets		
Cash and cash equivalents	**$ 32,856**	$ 61,332
Temporary investments	**64,697**	77,006
Restricted cash and temporary investments	**5,460**	—
Accounts receivable	**11,946**	5,366
Loans receivable	**23,740**	126
Derivative instruments	**—**	2,493
Corporate investments	**187,876**	162,177
	$ 326,575	$ 308,500
Financial liabilities		
Accounts payable	**$ 377**	$ 176
Derivative instruments	**1,731**	913
	$ 2,108	$ 1,089

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. As at March 31, 2012 and 2011, the credit ratings, based on the Dominion Bond Rating Services ("DBRS") rating scale, for the Company's cash, cash equivalents and temporary investments were as follows:

	2012	2011
Cash and term deposits, including restricted cash Money market savings accounts	**$ 3,386**	$ 2,714
Money market savings accounts		
R1-High	**17,814**	35,716
Guaranteed investment certificates and savings accounts		
AA+	**—**	5,017
AA	**39,272**	41,363
AA-	**3,168**	11,932
Corporate bonds		
AA	**15,212**	13,375
A+	**7,980**	10,049
A	**2,929**	2,991
A-	**11,755**	11,931
BBB	**—**	1,751
Preferred shares		
P-2 low	**1,497**	1,499
Total cash, cash equivalents, temporary investments and restricted cash and temporary investments	**$ 103,013**	$ 138,338

Market Risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy set out in CICA Handbook Section 3862:

	2012			
	Fair value measurements using			Assets/ liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	$ 17,814	$ —	$ —	$ 17,814
Investment savings accounts	11,737	—	—	11,737
Term deposits	272	—	—	272
	29,823	—	—	29,823
Temporary investments				
Term deposits	51	—	—	51
Guaranteed investment certificates	—	25,273	—	25,273
Corporate bonds	37,876	—	—	37,876
Preferred shares	1,497	—	—	1,497
	39,424	25,273	—	64,697
Restricted cash and temporary investments	30	5,430	—	5,460
Accounts receivable	—	—	11,946	11,946
Loans receivable	—	—	23,740	23,740
Corporate investments	10,671	—	177,205	187,876
	$ 79,948	$ 30,703	$ 212,891	$ 323,542
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 377	$ 377
Derivative instruments	—	1,731	—	1,731
	$ —	$ 1,731	$ 377	$ 2,108

	2011			
	Fair value measurements using			Assets/ liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	$ 35,716	$ —	$ —	$ 35,716
Investment savings accounts	21,151	—	—	21,151
Term deposits	528	—	—	528
Corporate bonds	1,751	—	—	1,751
	59,146	—	—	59,146
Temporary investments				
Guaranteed investment certificates	—	37,161	—	37,161
Corporate bonds	38,346	—	—	38,346
Preferred shares	1,499	—	—	1,499
	39,845	37,161	—	77,006
Accounts receivable	—	—	5,366	5,366
Loans receivable	—	—	126	126
Derivative instruments	—	2,493	—	2,493
Corporate investments	8,930	—	153,247	162,177
	$ 107,921	$ 39,654	$ 158,739	$ 306,314
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ —	$ 176	$ 176
Derivative instruments	—	913	—	913
	$ —	$ 913	$ 176	$ 1,089

The following table presents the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in CICA Handbook Section 3862:

	Fair value April 1, 2011	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2012	Unrealized gains and foreign exchange revaluations included in earnings for the year ended March 31, 2012 for positions still held
Financial assets						
Accounts receivable	**$ 5,366**	**$ —**	**$ 47,458**	**$ (40,878)**	**$ 11,946**	**$ —**
Loans receivable	**126**	**—**	**46,431**	**(22,817)**	**23,740**	**—**
Corporate investments	**153,247**	**20,040**	**36,888**	**(32,970)**	**177,205**	**19,138**
	158,739	**20,040**	**125,334**	**(91,222)**	**212,891**	**19,138**
Financial liabilities						
Accounts payable	**176**	**—**	**1,496**	**(1,295)**	**377**	**—**
	$ 176	**$ —**	**$ 1,496**	**$ (1,295)**	**$ 377**	**$ —**

	Fair value April 1, 2010	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2011	Unrealized gains (losses) and foreign exchange revaluations included in earnings for the year ended March 31, 2011 for positions still held
Financial assets						
Accounts receivable	$ 18,445	$ —	$ 26,289	$ (39,368)	$ 5,366	$ —
Loans receivable	698	—	55,876	(56,448)	126	—
Corporate investments	113,317	17,598	54,270	(31,938)	153,247	13,737
	132,460	17,598	136,435	(127,754)	158,739	13,737
Financial liabilities						
Accounts payable	23	—	2,234	(2,081)	176	—
	$ 23	$ —	$ 2,234	$ (2,081)	$ 176	$ —

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1% per annum, the potential effect would be an increase or decrease of $0.8 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2012.

As at March 31, 2012, approximately 5.7% of the fair value of the Company's corporate investments was in publicly traded companies. If market prices were higher or lower by 5% as at March 31, 2012, the potential effect would be an

increase or decrease of $0.5 million to the carrying value of corporate investments and net unrealized gains (losses) on corporate investments on a pre-tax basis for the year ended March 31, 2012.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur, Chilean Gaming Holdings, Kubra, Landauer, Light Tower Rentals, LSNE, and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $14.6 million or decrease of $14.9 million to the carrying value of corporate investments and net unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2012. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 14 companies in 9 industries and 3 countries as at March 31, 2012. Concentration risk by industry and by country is as follows:

	2012				2011			
	Canada	**United States**	**Chile**	**Fair value**	Canada	United States	Chile	Fair value
Aviation services	**$ 27,701**	**$ —**	**$ —**	**$ 27,701**	$ —	$ —	$ —	$ —
Business services	**—**	**7,868**	**—**	**7,868**	—	8,360	—	8,360
Contract manufacturing	**—**	**5,098**	**—**	**5,098**	—	5,697	—	5,697
Financial services	**18,314**	**—**	**—**	**18,314**	17,131	—	—	17,131
Gaming	**4,053**	**54,334**	**31,202**	**89,589**	13,691	41,690	29,890	85,271
Health and medical related	**—**	**6,834**	**—**	**6,834**	—	5,590	—	5,590
Information technology	**—**	**10,419**	**—**	**10,419**	—	8,753	—	8,753
Oil field service	**—**	**21,494**	**—**	**21,494**	—	14,840	—	14,840
Textile rental service	**—**	**2,523**	**—**	**2,523**	—	—	—	—
Waste management	**—**	**—**	**—**	**—**	—	16,931	—	16,931
Other	**(1,964)**	**—**	**—**	**(1,964)**	(396)	—	—	(396)
Total	**$ 48,104**	**$108,570**	**$ 31,202**	**$ 187,876**	$ 30,426	$101,861	$ 29,890	$ 162,177

The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's fair value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact on the fair value of these investments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. See note 13 which describes the Company's contingencies, commitments and guarantees.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

15. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages the third-party capital committed or invested in the CEP Funds and co-investments made by other investors. At March 31, 2012, Clairvest had cash, cash equivalents and temporary investments of $97.6 million (2011 – $138.3 million), in addition to $187.9 million (2011 – $162.2 million) of corporate investments. Clairvest also had access to $92.0 million (2011 – $95.0 million) through its credit facilities and $291.0 million (2011 – $297.8 million) of uncalled committed third-party capital for acquisitions through the CEP Funds at March 31, 2012.

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity such that funds are available to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing corporate investments;
- Achieve an appropriate risk-adjusted return on capital;
- Build the long-term value of its corporate investments; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by earning a carried interest.

At March 31, 2012 and 2011, Clairvest had no external capital requirements, other than as disclosed in note 13.

16. SUBSEQUENT EVENT

On June 12, 2012, Clairvest reached a court approved settlement with certain parties with respect to a $10 million loan advanced in two tranches of $5 million in each of December 2005 and May 2006. Subsequently, the loan was in default and the collateral arrangements for the loan were mishandled. The loan was written off and Clairvest recorded a realized loss in its financial statements for the year ended March 31, 2007. Clairvest took legal action against several parties to recover the funds and has reached a settlement with certain of these parties resulting in a settlement by these parties to Clairvest of approximately $7.75 million, or approximately 77.5% of the original loan value without taking into account litigation and other costs incurred in the recovery process, substantially all of which have been incurred and recorded as charges against income as of March 31, 2012. The funds recovered will be recorded into income when received. Clairvest continues to seek additional recoveries against parties that are not part of this settlement.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 financial statements.

SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2012

SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. Annual and quarterly reports are provided as part of this process and the company releases information on material events through the press, as required. Further disclosure can be found on the company's website, www.clairvest.com.

VALUATION MEASURES

Clairvest's focus is on building the long–term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments. The fair value method, however, is not without limitations. Clairvest's investments are often carried at values which may vary from the actual realizations.

OUTSTANDING SECURITIES

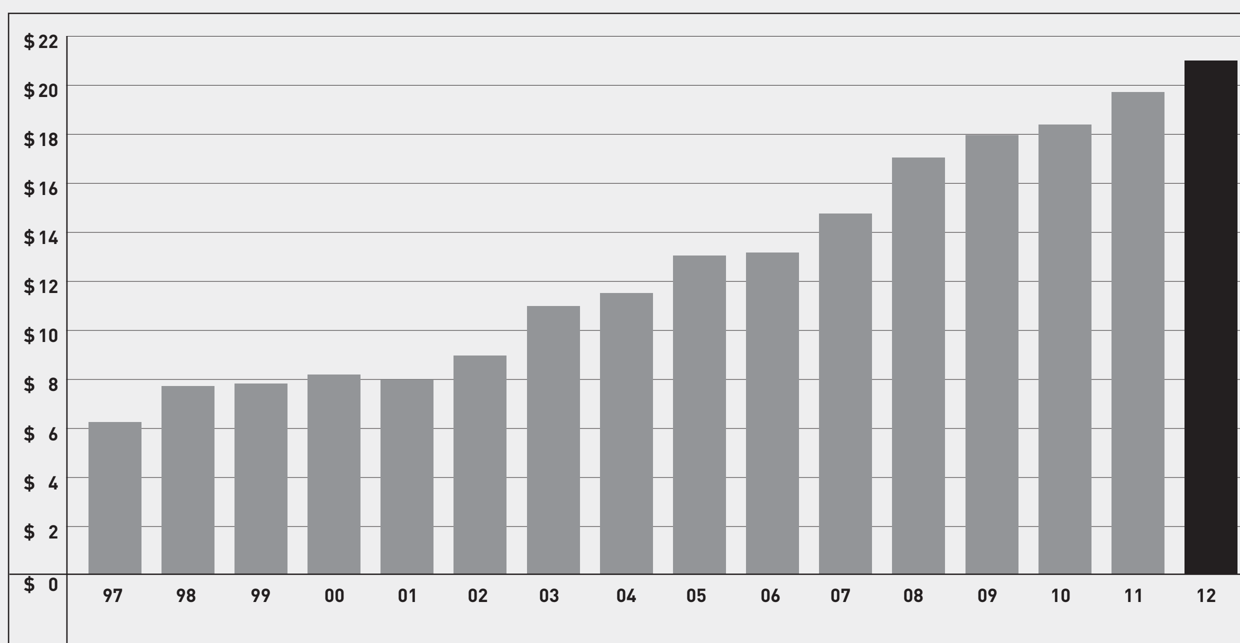
Share structure:	Common Shares[3]	
Common shares outstanding		15,124,095
Less holders of 10% or more		10,021,327
Public float:[1,2]		5,102,768
Market capitalization:[1]		$ 266,789,036
Market value of public float:[1,2]		$ 90,012,828
Stock market:	Toronto Stock Exchange	
Stock symbol:	CVG	

(1) As at May 31, 2012. (2) Excludes holders of 10% or more of the outstanding common shares. (3) During the year, Clairvest filed a new Normal Course Issuer Bid.

DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last twenty-two years. Over the last twenty years the annual ordinary dividend has been $0.10 per common share. It is Clairvest's current intention to continue to pay an annual ordinary dividend.

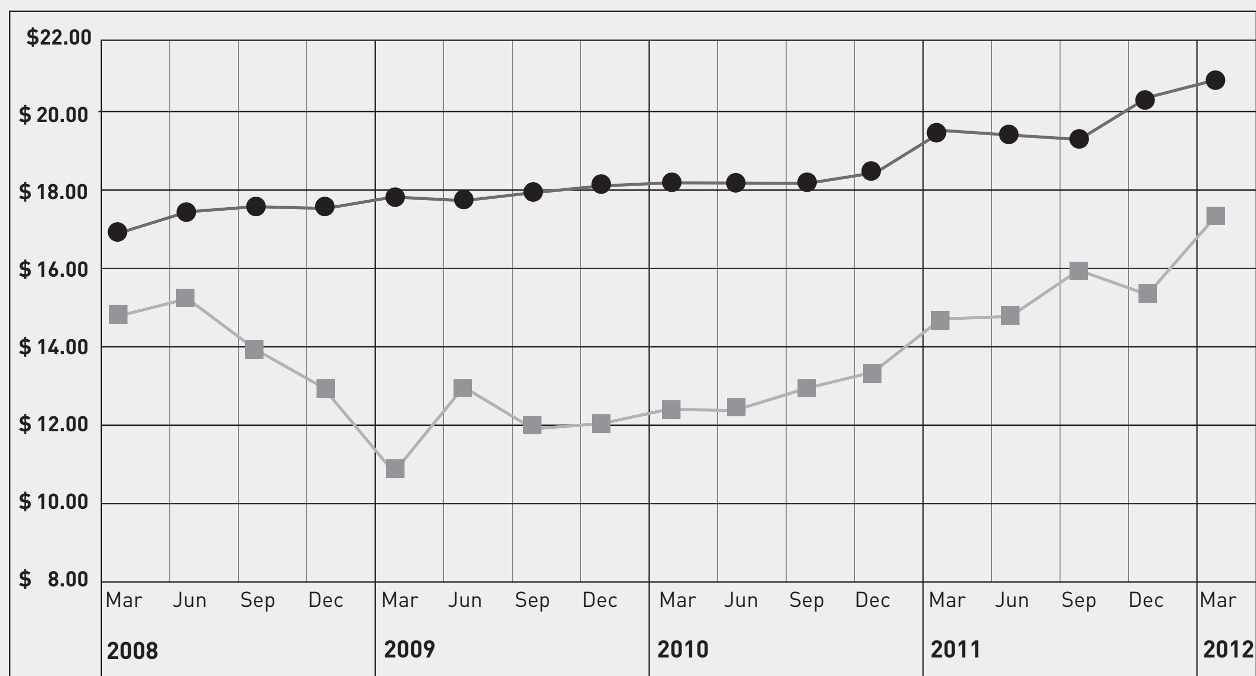
BOOK VALUE PER SHARE



SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2012

SHARE PRICE VS BOOK VALUE PER SHARE



SHARE TRADING VOLUME FISCAL 2012

Common Shares	High	Low	Close	Volume
Year to March 31, 2012				
First Quarter	**15.25**	**14.60**	**14.85**	**101,734**
Second Quarter	**16.00**	**15.25**	**16.00**	**79,570**
Third Quarter	**16.00**	**15.40**	**15.40**	**33,378**
Fourth Quarter	**19.67**	**16.75**	**17.41**	**394,075**
Year to March 31, 2011				
First Quarter	12.70	12.25	12.47	87,299
Second Quarter	12.97	12.30	12.95	312,932
Third Quarter	13.50	13.04	13.38	50,956
Fourth Quarter	15.06	13.34	14.76	701,552

SHAREHOLDER INQUIRIES

Maria Klyuev, Director, Investor Relations & Marketing
tel: 416.925.9270
fax: 416.925.5753
email: mariak@clairvest.com

TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact
CIBC Mellon Trust Company
for information regarding their security holdings.
Note: Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company.

Information can be obtained at:
P.O. Box 700
Station B
Montreal, Québec H3B 3K3
Answerline: 1.800.387.0825
web: www.canstockta.com
email: inquiries@canstockta.com

CORPORATE INFORMATION

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22 St. Clair Avenue East, Suite 1700
Toronto, Ontario M4T 2S3
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web: www.clairvest.com

AUDITORS
Ernst & Young LLP

THE ANNUAL MEETING OF
SHAREHOLDERS
August 14, 2012
St. Andrews Club & Conference Centre,
150 King Street West, 27th Floor
Toronto, Ontario Canada

All shareholders are encouraged to attend.

ANNUAL REPORT 2011

CLAIRVEST

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CLAIRVEST

KNOWLEDGE BASED – VALUE FOCUSED.

Clairvest is one of Canada's leading providers of private equity financing to mid-market companies and currently has over C$1 billion of capital under management.

Clairvest manages its own capital and that of third parties, through the Clairvest Equity Partners Limited Partnerships.

Clairvest partners with management to invest in profitable, small and mid-sized North American companies with the goal of helping to build value in the business and generate superior long term financial returns for investors.

Clairvest specializes in consolidating industries within a specified region and in the local market casino industry.

CLAIRVEST DELIVERS A 10TH CONSECUTIVE YEAR OF GROWTH IN 2011 AND REACHES $1B IN CAPITAL UNDER MANAGEMENT

FELLOW SHAREHOLDER,

Clairvest has concluded a successful 2011 fiscal year, marked by a strong balance sheet with ample liquidity, a solid portfolio of investments and the final closing of CEP IV, a $467 million capital pool – our largest fund to date – for which we have committed $125 million of our own capital. With a focused strategy, capital to invest and a good team of dedicated professionals, we are well positioned to deliver attractive risk adjusted returns to our limited partners and shareholders.

PORTFOLIO

After surviving a very difficult economic environment, in fiscal 2011 many of our portfolio companies improved their competitive position and achieved significant milestones.

For example, Light Tower Rental Inc. increased its market share in the onshore, U.S. oil field service sector, significantly surpassing pre-recession performance, despite U.S. drilling activity remaining below 2008 levels. The company continues to invest heavily to capitalize on the opportunities in its rapidly expanding regions which include the Permian basin in Texas, the oil rich Bakken shale in North Dakota, and the promising Marcellus shale in Pennsylvania.

Two portfolio companies who had opportunistically invested in infrastructure and acquisitions during the past two years were approached, and ultimately acquired, by strategic buyers in the last few months. Van-Rob Inc. and Hudson Valley Waste Holding, Inc. were Clairvest's first portfolio company sales after a voluntary two-year hiatus from exits during what was a low transaction multiple environment. Both transactions yielded higher returns than public market comparables.

Building on our past gaming experience which started with Gateway Casinos in 2000, Clairvest expanded its gaming portfolio again this year and now has investments in 7 casinos, diversified among geographies, regulatory regimes and development stages.

In fiscal 2011, we closed on our third casino investment in Chile, consolidated all three Chilean casino investments into a single holding structure and brought in strategic partners as co-investors. All of these casinos are profitable and continue to grow. Rivers Casino, located in Des Plaines near Chicago, Illinois, is scheduled to open in July 2011, ahead of plan and below budget. More recently, we allocated $98 million of our and CEP IV's capital to Centaur LLC, the parent company of Hoosier Park Racing & Casino, a thriving racetrack and gaming complex in Indianapolis.

A challenge for us is the performance of Casino New Brunswick which opened below expectation in May 2010. We are working with its management to turn the performance and expect that this will not be an easy task. We wrote down the investment by half during the year to reflect the current situation.

RESULTS

For the 12 months ended March 31, 2011, Clairvest's book value per share grew to $19.65 from $18.32 a year earlier. Our value creation performance continues to be superior to many public market indices. Over the past 10 years, Clairvest has consistently delivered growth in its book value per share, producing a compounded annual growth rate of 10.4% on an after-tax basis, compared with 2.9% pre-tax for the S&P 500. This return is the aggregate of high returns on our invested capital and modest money market returns on our cash balances, which have averaged 43% of our book value over the period, providing our shareholders with a solid risk adjusted return.

ACKNOWLEDGEMENT

Our company has achieved a significant landmark this year, reaching $1 billion in capital under management but more importantly we achieved record levels of shareholder value. We attribute this success to our investee partners who have demonstrated leadership and astuteness through multiple business cycles, to our board members whose guidance is invaluable, and to our employees who are dedicated to continue to build value for Clairvest and its partners.

We thank our shareholders and limited partners for their confidence in our people and strategy.

Jeff Parr
Co-Chief Executive Officer

Ken Rotman
Co-Chief Executive Officer

June 24, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2011

The Management's Discussion and Analysis ("MD&A") of financial condition and results of operations analyzes significant changes in Clairvest Group Inc.'s consolidated financial results, financial position, risks and opportunities. It should be read in conjunction with the Consolidated Financial Statements.

The following MD&A is the responsibility of Management and is as of June 24, 2011. The Board of Directors carries out its responsibility for review of this disclosure through its Audit Committee. The Audit Committee reviews the disclosure and recommends its approval to the Board of Directors. The Board of Directors has approved this disclosure.

INTRODUCTION

Clairvest Group Inc. ("Clairvest" or the "Company") is a Canadian private equity management firm that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), Clairvest Equity Partners III Limited Partnership ("CEP III"), Clairvest Equity Partners IV Limited Partnership ("CEP IV") and Clairvest Equity Partners IV-A Limited Partnership ["CEP IV-A") (together, the "CEP Funds") in a small number of carefully selected companies that have the potential to generate superior returns.

The Company's shares are traded on the Toronto Stock Exchange under the stock symbol "CVG".

At March 31, 2011, Clairvest had 14 core investments in 8 different industries. Three of these investments are joint investments with CEP, seven are joint investments with CEP III and two are joint investments with CEP IV and CEP IV-A (together, the "CEP IV Fund"). Clairvest also holds investments in Wellington Financial Fund II ("Wellington Fund II") and in Wellington Financial Fund III ("Wellington Fund III"), both affiliated entities (together, the "Wellington Funds").

OVERVIEW OF FISCAL 2011

An overview of the significant events during fiscal 2011 follows:

- Clairvest completed fundraising for the CEP IV Fund pool, which is comprised of Clairvest, CEP IV and CEP IV-A, with $467 million in capital commitments, or 117% of the $400 million CEP IV Fund pool target. Clairvest is committed to investing $125 million alongside $342 million raised from third party investors.
- Clairvest, the CEP IV Fund, and co-investors (the "Group"), through various acquisition entities, invested US$72.0 million for an ultimate 40.0% ownership interest in Midwest Gaming Holdings, LLC ("Midwest Gaming") to build a casino and amenities in Des Plaines, Illinois. In addition to this investment, the Group advanced an additional US$15.8 million of bridge capital to Midwest Gaming to bridge the raising of equity from minority investors as required by the Illinois legislature. This bridge capital will be repaid as minority investors are approved by the Illinois Gaming Board, US$8.1 million of which has been repaid to June 24, 2011. The project is expected to open in July 2011. Clairvest's portion of the investment in Midwest Gaming at March 31, 2011 was US$9.1 million (C$9.1 million) for a 5.0% ultimate ownership in Midwest Gaming.
- Clairvest, the CEP IV Fund and co-investors invested US$114.1 million in senior secured first lien debt ("Senior Debt") of Centaur, LLC ("Centaur"). Centaur holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana, one of two gaming facilities serving this 1.7 million person Indianapolis area market. As part of the transaction, Clairvest has entered into an agreement with other holders of Senior Debt to vote together in furtherance of their mutual interest in the ongoing Chapter 11

proceedings for Centaur. Clairvest's portion of the investment was US$30.0 million (C$30.2 million), representing an 8.8% interest of the total Senior Debt issued by Centaur.

- Clairvest and CEP III completed a consolidation of their Chilean gaming investments, now held through Chilean Gaming Holdings. Subsequent to the consolidation, Chilean Gaming Holdings completed a US$20 million (C$20.9 million) equity investment in Casino Sol Calama. Latin Gaming Chile, S.A. ("Latin Gaming Chile"), the operator of Casino Sol Calama, repaid the bridge loans advanced in anticipation of this equity investment. As a result of these transactions, Clairvest received net cash proceeds of $12.7 million and retained a 36.8% ownership interest in Chilean Gaming Holdings, which owns a 50% equity stake in each of Casino Marina del Sol ("Casino del Sol"), Casino Osorno and Casino Sol Calama.
- Clairvest and CEP sold their interests in Van-Rob Inc. ("Van-Rob") for cash proceeds of $35.0 million. On a combined $20.0 million investment, Clairvest and CEP generated a pre-tax return of over 1.8 times invested capital over the life of the investment. On closing, cash proceeds to Clairvest were $8.7 million on a $5.0 million investment.
- Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 797,678 of its common shares in the 12-month period commencing March 6, 2011. Clairvest has purchased 560,871 common shares for $7.9 million under this bid to June 24, 2011. As at June 24, 2011, Clairvest had repurchased a total of 6,270,449 common and non-voting shares over the last eight years.
- Clairvest closed on a new 10-year, $75 million, committed credit facility. The credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The credit facility was not drawn during the current fiscal year and enhances Clairvest's available liquidity.
- Clairvest paid an annual dividend of $0.10 per share. The dividend was paid on July 26, 2010 to common shareholders of record as of July 9, 2010. The dividend was an eligible dividend for Canadian income tax purposes.

OUTLOOK

The Company continues to deploy its resources to maximize shareholder value.

With the CEP IV Fund pool fundraising completed during fiscal 2011, Clairvest's capital under management has increased to over $1 billion. The newly raised capital is expected to generate an annual increase in net management fees and/or priority distributions, providing a steady stream of revenue over the next few years.

At March 31, 2011, Clairvest had $138.3 million in cash, cash equivalents and temporary investments, access to $95.0 million in credit facilities and $297.8 million of additional capital available through the CEP Funds to fund new and follow-on investments. With this capital, Clairvest is in a strong position to support the growth of its investee companies and to continue its active pursuit of new investment opportunities using our domain-based proprietary research to explore a number of industries and uncover new potential investments.

Subsequent to year end, Clairvest and CEP III sold their interests in Hudson Valley Waste Holding, Inc. ("Hudson Valley") for cash proceeds of US$70.0 million (C$67.6 million]. On a combined US$35.3 million (C$36.9 million) investment, Clairvest and CEP III generated a pre-tax return of 1.8 times invested capital, after currency conversion. Clairvest's share of total cash proceeds is C$16.3 million on a C$9.2 million investment. At March 31, 2011, Clairvest's carrying value of Hudson Valley Waste was $16.3 million.

FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future, considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

REGULATORY FILINGS

The Company's continuous disclosure materials, including interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

SUMMARY OF CLAIRVEST'S CORPORATE INVESTMENTS AT MARCH 31, 2011

Investment	Industry Segment	Geographic Segment	Ownership Percentage[15]	Cost of Investment (millions)	Net Cash Investment (millions)[16]	Fair Value of Investment (millions)[17]	Description of Business
Casino New Brunswick [1]	Gaming	Canada	22.5%	$ 9.2	$ 9.2	$ 4.6	A gaming entertainment complex located in Moncton, New Brunswick. CEP III owns 67.5% of Casino New Brunswick.
Centaur, LLC ("Centaur")[2]	Gaming	United States	Debt interest	$ 30.2	$ 30.2	$ 31.4	A company which holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana. CEP IV and CEP IV-A also have a debt interest in Centaur.
Chilean Gaming Holdings[3]	Gaming	Chile	36.8%	$ 29.1	$ 28.3	$ 29.9	An investment vehicle which holds a 50% equity interest in various gaming entertainment complexes in Chile. CEP III owns 37.6% of Chilean Gaming Holdings.
Hudson Valley Waste Holding, Inc. ("Hudson Valley")[4]	Waste Management	United States	6.2%	$ 9.2	$ 9.2	$ 16.3	A regional solid waste company which collects, processes and recycles nonhazardous solid waste in the northeastern United States The investment was sold subsequent to year end. CEP III owned 18.6% of Hudson Valley.
Kubra Data Transfer Ltd. ("Kubra")[5]	Business Services	United States	12.1%	$ 2.2	$ 2.2	$ 8.0	A business process outsourcing company focused on the distribution of household bills on behalf of its customers. CEP III owns 36.3% of Kubra.
Landauer Metropolitan Inc. ("Landauer")[6]	Healthcare	United States	14.2%	$ 5.1	$ 5.1	$ 5.6	A supplier of home medical equipment in the northeastern United States area. CEP owns 42.6% of Landauer.
Light Tower Rentals Inc. ("Light Tower Rentals")[7]	Oil Field Service	United States	10.8%	$ 8.2	$ 8.2	$ 14.3	An oilfield equipment rental company operating in major oil and gas drilling basins in the United States. CEP III owns 32.5% of Light Tower Rentals.
Lyophilization Services of New England Inc. ("LSNE")[8]	Contract Manufacturing	United States	12.3%	$ 6.7	$ 6.7	$ 5.7	A Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. CEP III owns 36.8% of LSNE.
Midwest Gaming Holdings LLC ("Midwest Gaming")[9]	Gaming	United States	5.0% ultimate interest	$ 9.1	$ 9.1	$ 10.3	A gaming entertainment complex currently under construction in Des Plaines, Illinois. CEP IV and CEP IV-A own 11.8% and 1.9% ultimate interest of Midwest Gaming respectively.
N-Brook Mortgage L.P. ("N-Brook")[10]	Financial Services	Canada	14.7%	$ 5.0	$ 5.0	$ 2.6	A company that originated, adjudicated and underwrote mortgages in Ontario, BC, Manitoba and Alberta, Canada. CEP owns 44.1 % of N-Brook.
PEER 1 Network Enterprises Inc.[11]	Information Technology	United States	4.2%	$ 6.3	$ 6.3	$ 8.8	A publicly traded (TSX: PIX) global online IT infrastructure provider based in Vancouver. CEP III owns 12.6% of PEER 1.
Tsuu T'ina Gaming Limited Partnership ("Tsuu T'ina")[12]	Gaming	Canada	Debt interest and profit participation	$ 5.6	$ 3.4	$ 9.1	A charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary. CEP also has a debt interest and profit participation in Tsuu T'ina.
Wellington Financial Fund II ("Wellington Fund II")[13]	Financial Services	Canada	24.1%	$ —	$ (4.3)	$ 0.2	Provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies.
Wellington Financial Fund III ("Wellington Fund III")[14]	Financial Services	Canada	16.7%	$ 12.5	$ 6.6	$ 14.3	Provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies in Canada and the United States.
OTHER INVESTMENTS				**$ 1.3**	**$ 0.3**	**$ 1.1**	
TOTAL INVESTMENTS				**$ 139.7**	**$ 125.5**	**$ 162.2**	

(1) Clairvest has funded $9.2 million to Casino New Brunswick by way of debentures and owns units of a limited partnership which holds Casino New Brunswick.
(2) Clairvest invested $30.2 million in senior secured first lien debt of Centaur.
(3) Clairvest owns 30,446,299 units of Chilean Gaming Holdings which holds a 50% interest in each of Casino Marina del Sol, Casino Osorno and Casino Sol Calama.
(4) Clairvest owned 8,750 Series A convertible preferred shares of Hudson Valley which was sold subsequent to year end.
(5) Clairvest owns 3,250,000 Class A voting common shares of Kubra.
(6) Clairvest owns 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares, a $0.6 million subordinated secured convertible note at 10% interest per annum and $0.3 million of bridge loans of Landauer.
(7) Clairvest owns 5,841,250 Series A convertible preferred shares of Light Tower Rentals and 2,215,736 common shares of LTR Equipment Inc., a company affiliated with Light Tower Rentals.
(8) Clairvest owns 6,406,000 Series A 10% cumulative convertible preferred shares and a $0.3 million unsecured loan of LSNE.
(9) Clairvest owns 10,627,066 units of Midwest Gaming.
(10) Clairvest has funded $5.0 million to N-Brook in the form of partnership units and warehouse loans.
(11) Clairvest owns 5,134,617 common shares and 50,000 options for common shares of PEER 1.
(12) Clairvest has funded $5.6 million to Tsuu T'ina by way of 16% debentures.
(13) Clairvest had funded $13.6 million to Wellington Fund II and had received all of its capital back at March 31, 2011. The net cash investment is reduced by $4.3 million as a result of income distributions received to date.
(14) Clairvest has committed to fund $25.0 million to Wellington Fund III, $12.5 million of which had been funded at March 31, 2011. The net cash investment is reduced by $5.9 million as a result of income distributions received to date.
(15) Ownership percentage calculated on a fully diluted basis at March 31, 2011.
(16) Net cash investment is comprised of cost net of dividends, interest and other distributions received but excludes advisory and other fees received and foreign exchange gains or losses on foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.
(17) The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments and an estimate of fair value for privately-held investments. The fair value of foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments is not included in this fair value.

FINANCIAL HIGHLIGHTS

Selected Financial Performance Measures

Year ended March 31, ($000's, except per share amounts)	2011	2010	2009
Financial performance measures			
Net realized gains (losses) on corporate investments	**$ 3,861**	$ 153	$ (70,876)
Net unrealized gains (losses) on corporate investments	**16,249**	7,880	(2,518)
Net income	**19,564**	8,497	26,088
Basic net income per share	**1.23**	0.53	1.64
Fully diluted net income per share	**1.20**	0.52	1.59
Dividends declared per share	**0.10**	0.10	0.73
Financial condition measures (as at March 31)			
Total assets	**$ 318,860**	305,960	308,004
Total cash, cash equivalents and temporary investments	**138,338**	152,228	184,412
Total corporate investments	**162,177**	118,881	102,865
Total liabilities	**16,458**	13,675	22,621
Book value	**302,402**	292,285	285,383
Common shares outstanding	**15,392,695**	15,953,566	15,953,566
Book value per share	**19.65**	18.32	17.89

Income Statement Highlights

Clairvest's operating results reflect revenue earned from its corporate investments and cash, cash equivalents and temporary investments and realized and unrealized gains and losses on its corporate investments. These results are net of all costs incurred to manage these assets. The operating results of the CEP Funds are not included in Clairvest's operating results.

Net income for the year ended March 31, 2011 was $19.6 million, versus $8.5 million for the year ended March 31, 2010 and $26.1 million for the year ended March 31, 2009.

Clairvest had net realized gains of $3.9 million in fiscal 2011 versus net realized gains of $0.2 million in fiscal 2010 and net realized losses of $70.9 million in fiscal 2009. The net realized gains in 2011 resulted primarily from the realization of Clairvest's interest in Van-Rob. The net realized gains in 2010 resulted primarily from the early repayment of a $4.4 million promissory note from the acquirer of Shepell•fgi. The net realized losses in 2009 resulted primarily from a loss of $98.1 million on the realization of Clairvest's interests in Gateway Casinos Inc. ("Gateway Casinos") (which was offset by $104.5 million in dividends received from Gateway Casinos) and a gain of $26.3 million on the realization of Shepell•fgi.

Clairvest had net unrealized gains on investments of $16.2 million in fiscal 2011 versus net unrealized gains on investments of $7.9 million in fiscal 2010 and net unrealized losses on investments of $2.5 million in fiscal 2009. Unrealized gains or losses result from changes in the fair value of the investments from one year to the next and do not reflect foreign exchange revaluations. Clairvest has implemented a hedging strategy to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar by hedging 100% of the fair value of its foreign investments. The unrealized gains or losses on corporate investments are summarized as follows:

Unrealized Gains (Losses) on Investments ($000's)

Year ended March 31,	2011	2010	2009
Investments in publicly-traded companies			
PEER 1 Network Enterprises Inc.	**$ 3,528**	$ (438)	$ —
	3,528	(438)	—
Investments in privately-held companies			
Casino New Brunswick	**(4,606)**	—	—
Centaur, LLC	**2,266**	—	—
Hudson Valley Waste Holding, Inc.	**7,712**	—	—
Kubra Data Transfer Limited	**1,828**	1,843	2,640
Landauer Metropolitan Inc.	**(2,936)**	3,041	358
Light Tower Rentals Inc.	**6,545**	—	—
Lyophilization Services of New England Inc.	**784**	—	(2,007)
N-Brook Mortgage LP	**—**	(490)	(1,922)
Tsuu T'ina Gaming Limited Partnership	**459**	529	319
Van-Rob Inc.	**—**	1,103	(1,250)
Wellington Financial Fund II	**23**	(49)	(415)
Wellington Financial Fund III	**538**	623	195
	12,613	6,600	(2,082)
Other investments	**108**	1,718	(436)
	$ 16,249	$ 7,880	$ (2,518)

Further details on unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Net income in fiscal 2011 included distributions and interest income of $14.8 million, dividend income of $0.7 million, management fees from CEP and CEP IV-A of $1.1 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $14.0 million, finance and foreign exchange expense of $1.1 million and income tax expense of $3.1 million. Included in distributions and interest income was $5.6 million in priority distributions from CEP III and CEP IV, $3.1 million in General Partner income distributions from CEP and $3.0 million in distributions from Clairvest's investee companies. Included in dividends were dividends totaling $0.5 million from Clairvest's investee companies. Included in administration and other expenses were management bonuses and share-based compensation expense totaling $5.8 million.

Net income in fiscal 2010 included distributions and interest income of $14.4 million, dividend income of $0.3 million, management fees from CEP of $1.0 million, advisory and other fees from Clairvest investee companies of $1.0 million, administration and other expenses of $18.7 million, finance and foreign exchange expense recovery of $0.9 million and income tax expense recovery of $1.5 million. Included in distributions and interest income was $4.1 million in priority distributions from CEP III, $3.4 million in General Partner income distributions from CEP and $3.3 million in distributions from Clairvest's investee companies. Included in administration and other expenses were management bonuses and share-based compensation expense totaling $7.8 million.

Net income in fiscal 2009 included distributions and interest income of $11.6 million, dividend income of $105.2 million, management fees from CEP of $1.2 million, advisory and other fees from Clairvest investee companies of $0.9 million, administration and other expenses of $12.5 million, finance and foreign exchange expense of $1.8 million and income tax expense of $5.0 million. Included in distributions and interest income was $4.1 million in priority distributions from CEP III, $1.5 million in General Partner income distributions from CEP and $3.3 million in distributions from Clairvest's investee companies. Included in dividend income were tax-free dividends totaling $104.5 million from Gateway Casinos. These dividends were received as part of the final distribution of assets from Gateway Casinos. Included in administration and other expenses were management bonuses and share-based compensation expense totaling $3.5 million.

Balance Sheet Highlights

ASSETS

Total assets at March 31, 2011 were $318.9 million, an increase of $12.9 million from $306.0 million at March 31, 2010.

With $138.3 million in cash, cash equivalents and temporary investments ("treasury funds") and $95.0 million in credit facilities, Clairvest has sufficient capital and liquidity to support its current and anticipated investments.

At March 31, 2011, the Company's treasury funds were held in cash and term deposits, money market savings accounts rated R1-High, corporate bonds rated not below BBB, guaranteed investment certificates and investment savings accounts rated not below AA- and preferred shares rated not below P-2 low (see Notes 3 and 14 to the consolidated financial statements for a detailed discussion of the Company's treasury funds].

Clairvest has a $20.0 million credit facility. The credit facility is unsecured and bears interest at the bank prime rate plus 0.5% per annum. The amount available under the credit facility at March 31, 2011 is $20.0 million, which is based on debt covenants within the banking arrangement.

During the year, Clairvest closed on a new 10-year, $75.0 million, committed credit facility, bringing total available credit to $95.0 million. The new credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2011 is $75.0 million.

As is typical of a private equity management firm, Clairvest's main asset is its corporate investments. Corporate investments increased $43.3 million to $162.2 million at March 31, 2011. The increase is comprised primarily of:

- A $30.2 million investment in Centaur;
- A $9.1 million investment in Midwest Gaming;
- Net follow-on investments totaling $6.5 million in existing investee companies;
- Net unrealized gains on corporate investments of $16.2 million; partially offset by
- Net return of capital as a result of the consolidation of Chilean gaming investments of $12.7 million;
- Realization of Van-Rob which was carried at $4.9 million at March 31, 2010; and
- Repayment of $1.1 million in promissory notes from the acquirer of Shepell•fgi.

Corporate investments increased $16.0 million to $118.9 million from March 31, 2009 to March 31, 2010. The increase primarily resulted from a $9.2 million investment in Hudson Valley, a $6.3 million investment in PEER 1, $10.8 million in follow-on investments in existing investee companies partially offset by unrealized depreciation in carrying values due to currency fluctuations net of unrealized gains.

The cost and fair value of corporate investments described below do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against the Company's foreign denominated investments. A discussion on the activity in each corporate investment held at March 31, 2011 follows.

Casino New Brunswick

During fiscal 2011, Clairvest funded a further $0.5 million in Casino New Brunswick. The investments were made in the form of debentures, which bore interest at a rate of 6% per annum until February 28, 2011.

Also during fiscal 2011, management determined that the carrying value of Casino New Brunswick should be written down by $4.6 million.

At March 31, 2011, Clairvest has funded $9.2 million to Casino New Brunswick. Clairvest also holds units of a limited partnership which holds Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino.

The fair value of $4.6 million at March 31, 2011 compares to cost of $9.2 million. The fair value reflects management's estimated realizable value as a result of operations underachieving against expectations.

Subsequent to year end, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in the Off-Balance Arrangements section of the MD&A.

Centaur, LLC

During fiscal 2011, Clairvest invested $29.9 million in senior secured first lien loans ("Senior Debt") of Centaur, which holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana. As part of the investment, Clairvest also purchased a $0.3 million promissory note ("Promissory Note") from an unrelated investment partner. The Promissory Note is repayable upon Clairvest's realization of its investment in Centaur, and as a result, the Senior Debt and the Promissory Note have been presented on an aggregate basis.

The fair value of $31.4 million at March 31, 2011 compares to cost of $30.2 million. The fair value reflects the last known transaction price and is adjusted for foreign exchange fluctuations.

Chilean Gaming Holdings

During fiscal 2011, Clairvest completed a consolidation of its Chilean gaming investments whereby Clairvest sold its interest in Casino del Sol and Casino Osorno as well as the $14.5 million bridge loans advanced to Latin Gamin Chile, $2.1 million of which were advanced during fiscal 2011, at original cost to a related holding entity ("Chilean Gaming Holdings") and received net cash proceeds of $15.9 million and 27,254,185 limited partnership units of Chilean Gaming Holdings. Subsequently, Chilean Gaming Holdings closed on an equity investment in Casino Sol Calama wherein Chilean Gaming Holdings invested $20.9 million to acquire a 50% ownership interest in Casino Sol Calama. The $14.5 million of bridge loans which had previously been advanced to Latin Gaming Chile were repaid in full upon the closing of the equity investment in Casino Sol Calama. Clairvest invested an additional $3.2 million for 3,192,113 limited partnership units of Chilean Gaming Holdings to support this acquisition.

The fair value of $29.9 million at March 31, 2011 compares to cost of $29.1 million, with the difference being attributable to foreign exchange adjustments.

Hudson Valley Waste Holding, Inc.

At March 31, 2011, Clairvest owned 8,750 Series A convertible preferred shares of Hudson Valley. The investment was sold subsequent to year end for cash proceeds of $16.3 million. Over the life of the investment, Clairvest realized a $7.1 million gain on the investment and a $0.6 million gain on the foreign exchange forward contracts entered into as hedges against the Company's investment in Hudson Valley.

The fair value of Hudson Valley of $16.3 million compares to cost of $9.2 million. The fair value reflects the valuation used for the sale transaction which occurred subsequent to year end.

Kubra Data Transfer Limited

At March 31, 2011, Clairvest owned 3,250,000 Class A voting common shares of Kubra.

The fair value of Kubra of $8.0 million compares to a cost of $2.2 million. The fair value reflects management's estimated realizable value as a result of the continuing growth in Kubra and is adjusted for foreign exchange fluctuations.

Landauer Metropolitan Inc.

During fiscal 2011, Clairvest advanced a $0.1 million bridge loan to Landauer. The loan bears interest at a rate of 12% per annum, payable monthly, and is repayable on September 24, 2015. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share if the loan is not repaid by September 24, 2015. Also during fiscal 2011, Clairvest invested a further $0.6 million in Landauer. The investment was made in the form of a subordinated secured convertible note with 10% accrued interest per annum. The note is convertible to senior convertible preferred shares which have a two times liquidation preference in lieu of interest. Each senior convertible preferred share is convertible into common shares at a rate of $0.50 per share in lieu of two times the liquidation preference and the conversion is at Clairvest's discretion.

In addition to the bridge loans and the subordinated secured convertible note, at March 31, 2011, Clairvest owned 1,906,250 10% cumulative convertible preferred shares, 748,133 common shares and $0.2 million in bridge loans which bear interest at a rate of 25% per annum and convertible to common shares of Landauer at a rate of $1.00 per share.

The fair value of $5.6 million at March 31, 2011 compares to a cost of $5.1 million. The fair value reflects management's estimated realizable value considering the status of the preferred shares and subordinated secured debentures and is adjusted for foreign exchange fluctuations.

Light Tower Rentals Inc.

During fiscal 2011, Clairvest invested $1.9 million for 1,874,914 common shares of LTR Equipment Inc. ("LTR Equipment"), a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals.

At March 31, 2011, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals and 2,215,736 common shares of LTR Equipment.

On an aggregate basis, the fair value of Light Tower Rentals and LTR Equipment (together, "LTR") of $14.3 million at March 31, 2011 compares to cost of $8.2 million. The fair value reflects management's estimated realizable value as a result of the growth prospects of LTR and is adjusted for foreign exchange fluctuations.

Lyophilization Services of New England Inc.

During fiscal 2011, Clairvest funded a further $0.3 million to LSNE in the form of unsecured loans to further support the growth of LSNE.

In addition to the unsecured loans, at March 31, 2011, Clairvest owned 6,406,000 Series A 10% cumulative convertible preferred shares of LSNE.

The fair value of $5.7 million at March 31, 2011 compares to a cost of $6.7 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Midwest Gaming Holdings LLC

During fiscal 2011, Clairvest and a limited partnership referred to as Participation IV Partnership (see Transaction with Related Parties) invested $10.7 million to acquire 10,627,066 units of Midwest Gaming, a gaming entertainment complex currently under construction in Des Plaines, Illinois. Clairvest's portion of the investment was $9.1 million. $2.0 million of this investment represents bridge capital in anticipation of raising equity from minority investors as required by the Illinois legislature.

The fair value of $10.3 million at March 31, 2011 compares to a cost of $9.1 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

N-Brook Mortgage LP

At March 31, 2011, Clairvest owned 4,000,000 Series 1 limited partnership units and 15 Class A ordinary limited partnership units of N-Brook and had advanced a $1.1 million variable rate demand debenture to N-Brook.

The fair value of $2.6 million at March 31, 2011 compares to a cost of $5.0 million. The fair value reflects management's estimated realizable value based on the remaining mortgage portfolio held by N-Brook.

PEER 1 Network Enterprises Inc.

At March 31, 2011, Clairvest owned 5,134,617 common shares and 50,000 stock options for common shares of PEER 1.

The fair value of $8.8 million at March 31, 2011 compares to cost of $6.3 million. The fair value reflects the last bid price of PEER 1's publicly traded common shares at the balance sheet date.

Tsuu T'ina Gaming Limited Partnership

At March 31, 2011, Clairvest had funded $5.6 million in subordinated debt. The subordinated debt has a 16% coupon, and an entitlement to between 2.8% and 9.6% of the earnings of the casino from the date of commencement of operations, December 19, 2007, for a period of 15 years.

The fair value of $9.1 million at March 31, 2011 compares to a cost of $5.6 million. The fair value reflects accrued interest on the subordinated debt and management's estimated realizable value on the earnings entitlement.

Wellington Financial Fund II

Clairvest, as a limited partner, had funded $13.6 million to Wellington Fund II, all of which had been returned at March 31, 2011. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund II. At March 31, 2011, Clairvest had received income distributions totaling $4.3 million from Wellington Fund II and its General Partner.

The fair value of $0.2 million at March 31, 2011 reflects management's estimated realizable value of the remaining assets in Wellington Fund II.

Wellington Financial Fund III

Clairvest, as a limited partner, had funded $12.5 million of its $25.0 million commitment to Wellington Fund III at March 31, 2011. The commitment to fund capital calls extends until January 2014. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund III. At March 31, 2011, Clairvest has received income distributions totaling $5.9 million from Wellington Fund III and its General Partner, bringing the net cash investment to $6.6 million.

The fair value of $14.3 million at March 31, 2011 reflects management's estimated realizable value of Clairvest's entitlement as a limited partner and a general partner of Wellington Fund III.

Subsequent to year end, a further $1.2 million was funded to Wellington Fund III.

LIABILITIES

Total liabilities at March 31, 2011 were $16.5 million, an increase of $2.8 million from $13.7 million at March 31, 2010. The increase in total liabilities was primarily due to a $1.3 million increase in stock-based compensation liability due to an increase in the closing price of Clairvest common shares and a $0.9 million liability for the Chilean Pesos ("CLP") foreign exchange forward contracts entered into as hedges against the Company's investments in Chile.

TRANSACTIONS WITH RELATED PARTIES

A wholly owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of CEP, appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until August 21, 2006, the fifth anniversary of the last closing of CEP, and thereafter at 2% of contributed capital less distributions on account of capital and write-downs of capital invested. Effective January 1, 2011, the CEP management fee was reduced to 1.5% per annum of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by Clairvest of GP I from corporate investments of CEP. During fiscal 2011, GP I earned net management fees of $0.9 million as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of $0.2 million from corporate investments of CEP were netted against the management fees.

The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. The distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP will be allocated

50% to each of its limited partners, one of which is another wholly owned subsidiary of Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors.

During fiscal 2011, CEP declared distributions to the General Partner totaling $6.2 million, 50% of which, or $3.1 million, was allocated to Clairvest. At March 31, 2011, CEP had declared and paid distributions to the General Partner totaling $15.9 million, 50% of which, or $8.0 million, was allocated to Clairvest. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further $10.7 million of distributions, 50% of which, or $5.3 million, would be payable to Clairvest.

Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to a priority distribution from CEP III. The priority distribution was calculated monthly as 0.1667% of commitment capital until January 13, 2011, the date on which CEP III is closed to new investments, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of any fees earned by GP I from corporate investments of CEP III.

During fiscal 2011, CEP III declared to GP I net priority distributions of $3.8 million. As per the Limited Partnership Agreement, fees of $0.4 million from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of net gains of CEP III determined as described below.

GP II, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. These distributions to GP II, and GP I as noted above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. If CEP III were to sell its corporate investments at their current fair values, GP I and GP II would not receive any distributions other than the priority distributions described above. Any distributions received by GP II will be allocated to each of its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I (the "Participation III Investors"). The Participation III Investors have purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors.

GP II, as the General Partner of the Participation III Partnership, is entitled to participate in additional distributions equal to the exit value of the first $1.1 million contributed by the Participation III Investors into the Participation III Partnership plus the first $0.2 million received by the Participation III Partnership as described above.

GP II is also entitled to 8.25% carried interest in respect of CEP III Co-Investment Limited Partnership ("CEP III Co-Invest"). CEP III Co-Invest was established in fiscal 2007 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership. To date, CEP III Co-Invest has not made any distributions.

Clairvest is also the parent company of the two General Partners of CEP IV (GP I and "GP III"). GP I is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by GP I from corporate investments of CEP IV.

During fiscal 2011, CEP IV declared net priority distributions to GP I of $1.8 million. GP I is also entitled to distributions made by CEP IV equal to 2% of net gains of CEP IV determined as described below.

GP III, a limited partnership, the General Partner of which is a wholly-owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. These distributions to GP III, and GP I as noted above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is a Clairvest Subsidiary which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors.

The General Partner of Participation IV, a wholly owned subsidiary of Clairvest, is entitled to participate in additional distributions equal to the exit value on the first $1.6 million contributed by the Participation IV Investors into the Participation IV Partnership plus the first $0.4 million received by the Participation IV Partnership as described above.

GP III is also the General Partner of CEP IV-A. GP III has appointed GP I as the Manager of CEP IV-A. The Limited Partnership Agreement of CEP IV-A provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP IV-A. The fee is calculated as follows: i) from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by GP I from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement.

During fiscal 2011, GP I earned net management fees of $0.2 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.1 million was netted against the management fees.

GP III is entitled to participate in distributions made by CEP IV-A equal to 20% of net gains of CEP IV-A. These distributions will be determined based on the overall performance of CEP IV-A. No such distributions are permitted until CEP IV-A's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV-A has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is Clairvest which will receive 50% of such distributions, and the other of which is Participation IV Partnership which will receive 50% of such distributions.

GP III is also entitled to an 8.25% carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest"). CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle through which Clairvest would co-invest alongside CEP IV. Distributions received by GP III from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership. To date, CEP IV Co-Invest has not made any distributions.

At March 31, 2011, Clairvest had loans receivable from certain officers of the Company and GP I (the "Officers") totaling $0.7 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest owned by the Officers with a market value of $1.0 million. At March 31, 2011, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling $0.5 million. The loans are interest bearing and have full recourse to the individual. Interest of $44 thousand was earned on these loans during fiscal 2011.

Loans totaling $2.1 million, bearing interest at the prime rate, were made by the Company to CEP during fiscal 2011. These loans and the $0.6 million in loans outstanding at March 31, 2010 were repaid in full during the year. Interest of $4 thousand was earned from loans to CEP during fiscal 2011.

Loans totaling $8.2 million, bearing interest at the prime rate, were made by the Company to CEP III during fiscal 2011. During fiscal 2011, these loans were repaid in full. Interest of $4 thousand was earned from loans to CEP III during fiscal 2011.

Loans totaling $45.6 million, bearing interest at the prime rate, made by the Company to CEP IV during fiscal 2011 were repaid in full during the year. Interest of $8 thousand was earned from loans to CEP IV during fiscal 2011.

During fiscal 2011, Clairvest earned $3.0 million in distributions and interest income and $1.0 million in fee income from its investee companies. At March 31, 2011, Clairvest had accounts receivable from its investee companies totaling $3.2 million, from CEP totaling $5 thousand, from CEP III totaling $0.4 million, from CEP IV totaling $0.3 million and from CEP IV-A totaling $0.2 million.

During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by the director of Clairvest. Clairvest's portion of the net book value of the aircraft of $1.7 million is recorded in accounts receivable and other assets.

SUMMARY OF QUARTERLY RESULTS

($000's except per share information)	Gross Revenue $	Net Income $	Net Income Per Common Share* $	Net Income Per Common Share Fully Diluted* $
March 31, 2011	21,122	13,952	0.88	0.86
December 31, 2010	8,439	4,652	0.29	0.29
September 30, 2010	3,704	69	—	—
June 30, 2010	4,501	891	0.06	0.05
March 31, 2010	4,476	1,875	0.12	0.11
December 31, 2009	8,747	2,268	0.14	0.14
September 30, 2009	5,520	3,692	0.23	0.23
June 30, 2009	6,003	662	0.04	0.04

*The sum of quarterly net income per common share may not equal to the full year net income per common share due to rounding and the anti-dilutive effect on any quarters where the Company reported a net loss.

Significant variations arise in the quarterly results due to realized gains and losses on corporate investments, unrealized gains and losses on corporate investments which are re-valued on a quarterly basis when conditions warrant an adjustment to the fair value of the corporate investment, and stock-based compensation due to the movement in the trading price of Clairvest's common shares.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of fiscal 2011 was $14.0 million compared with a net income of $1.9 million for the fourth quarter of fiscal 2010. Net income for the fourth quarter of fiscal 2011 is comprised of $13.6 million of net corporate investment gains, $1.8 million of net operating income, and $1.4 million of income tax expense. This compares with net corporate investment gains of $1.2 million, $0.3 million of net operating loss, and $1.0 million of income tax expense recoveries for the fourth quarter of fiscal 2010.

The net corporate investment gains of $13.6 million for the fourth quarter of fiscal 2011 comprised of $4.3 million in realized gains on the sale of Van-Rob and $9.3 million in net unrealized gains on corporate investments, $7.7 million of which pertains to Hudson Valley which was sold subsequent to quarter end at the March 31, 2011 carrying value. The net corporate investment gains of $1.2 million for the fourth quarter of fiscal 2010 comprised entirely of net unrealized gains on corporate investments.

Distributions and interest income for the quarter was $6.4 million, compared with $2.6 million for the same quarter last year. Distributions and interest income for the fourth quarter of fiscal 2011 included yield on cash, cash equivalents and temporary investments of $0.7 million, General Partner income distributions of $2.4 million from CEP, net priority distributions of $2.1 million from CEP III and CEP IV and $0.7 million in income distributions from the Wellington Funds. Distributions and interest income for the fourth quarter of fiscal 2010 included yield on cash, cash equivalents and temporary investments of $0.3 million, net priority distributions of $0.9 million from CEP III and $0.8 million in income distributions from the Wellington Funds.

Dividend income for the quarter was $0.5 million, compared with $47 thousand for the same quarter last year. Dividend income for the fourth quarter of fiscal 2011 included dividends received from Chilean Gaming Holdings of $0.5 million. Dividend income for the fourth quarter of fiscal 2010 comprised entirely of dividends received from temporary investments.

Clairvest earned $0.4 million in net management fees during the quarter for its services in the administration of CEP and CEP IV-A's portfolio and $0.2 million in advisory and other fees from its corporate investments, compared with $0.3 million and $0.4 million, respectively, for the same quarter last year. The CEP and CEP IV-A management fee is reduced to the extent of 75% of fees earned by Clairvest from joint Clairvest/CEP and Clairvest/CEP IV-A corporate investments.

Administration and other expenses for the quarter were $5.1 million, compared with $3.6 million for the same quarter last year. Included in administration and other expenses for the fourth quarter of fiscal 2011 was $1.8 million of share based compensation expense as a result of an increase in the trading price of Clairvest's common shares and book value, compared with $0.5 million for the same quarter last year.

Finance and foreign exchange expense of $0.6 million for the quarter included foreign exchange cost of $0.3 million and $0.3 million in interest and fees expensed on the $75 million credit facility. Finance and foreign exchange expense recovery of $29 thousand for the fourth quarter of fiscal 2010 included foreign exchange gains of $0.2 million as a result of gains on foreign exchange forward contracts entered into in anticipation of future investment gains.

Income tax expense of $1.4 million for the quarter was primarily the result of realized and unrealized gains on corporate investments.

OFF-BALANCE SHEET ARRANGEMENTS

Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. Clairvest's total co-investment commitment is $125.0 million, $88.4 million of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if the manager of CEP IV and CEP IV-A, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

Clairvest has committed $25.0 million to Wellington Fund III, $12.5 million of which remains unfunded to March 31, 2011.

At March 31, 2011, Clairvest has earned profit distributions totaling $3.6 million through its ownership interest in the General Partners of the Wellington Funds. Clairvest has guaranteed, up to the amounts received from the respective General Partners, the clawback provisions (the "Clawback") entered into by the general partners in the event the limited partners of the Wellington Funds do not meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2011, there were no accruals made with respect to the Clawback.

Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian Chartered Bank under CEP's foreign exchange forward contracts with the bank.

Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian Chartered Bank under CEP III's foreign exchange forward contracts with the bank.

Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this plan to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2011, $0.8 million has been accrued under the Program. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $1.1 million would be owing to management under this Program. As no such income and realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the $1.1 million has not been accrued at March 31, 2011. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims which will reduce over time. No claims have been made to March 31, 2011.

Clairvest has guaranteed to fund 50% of any operating deficiencies upon the opening of Casino Marina del Sol for a specified period of time. Amounts paid under the guarantee will be allocated 37.6% to CEP III and 25.6% to other co-investors, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement and the agreements with the other co-investors, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional equity being granted to Clairvest, CEP III and the unrelated third-party investors, allocated on the same basis as the participation between Clairvest, CEP III and the unrelated third-party investors in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

Clairvest, together with the CEP IV Fund and other investors of Midwest Gaming, have entered into a US$20 million joint and several guarantee to fund cost overruns during the construction of a casino in Des Plaines, Illinois. Any amounts paid under the guarantee will result in additional units being granted to Clairvest, the CEP IV Fund and the other investors of Midwest Gaming, allocated on the same basis as the participation between Clairvest, the CEP IV Fund and the other investors of Midwest Gaming in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2011, no amounts subject to this guarantee have been funded.

As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, borrowed $57.0 million through various acquisition entities from an unrelated financial institution, while another acquisition entity deposited $57.0 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 36.8% at March 31, 2011, with CEP III owning 37.6% and the remainder owned by the other co-investors.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material loss in connection with such actions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Clairvest's consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. On an on-going basis, management reviews its estimates and assumptions. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting estimates that have a material impact on Clairvest's consolidated financial statements are with respect to corporate investments and future tax asset/liability.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for temporary and corporate investments. In accordance with Accounting Guideline 18, "Investment Companies" ("AcG-18"), the Company designates its temporary investments and corporate investments as held-for-trading and carries them at fair value. Clairvest has also designated its receivables and payables as held-for-trading in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts at fair value which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security for which is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an accounting estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and unrealized gains/losses on corporate investments.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for future income taxes. The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. Future income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the future income tax asset will be realized. A change to an accounting estimate with respect to future income taxes would impact future tax liability and provision for income taxes.

RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies, by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company is also subject to credit risk on its loans receivables, the majority of which is typically with its CEP Funds. The Company manages this risk through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages counterparty credit risk on derivative financial instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks. At March 31, 2011, a portion of the Company's derivative instruments have an accrued gain and a fair value of $2.5 million. The Company believes the counterparty risk with respect to its derivative instruments is nominal.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly.

Market Risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would be an increase or decrease of $1.1 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2011.

The Company held $1.5 million in preferred shares of corporations in its temporary investments portfolio at March 31, 2011. A sensitivity analysis on market risk is therefore not disclosed due to the Company's minimal exposure to market risk.

As at March 31, 2011, approximately 5.5% of the fair value of the Company's corporate investments was in publicly traded companies. If market prices were higher or lower by 5% as at March 31, 2011, the potential effect would be an increase or decrease of $0.4 million to the carrying value of corporate investments and net unrealized gains (losses) on corporate investments on a pre-tax basis for the year ended March 31, 2011.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple used in a valuation model based on earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Chilean Gaming Holdings, Casino New Brunswick, Kubra, Landauer, Light Tower Rentals, and LSNE. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $6.9 million or decrease of $9.1 million to the carrying value of corporate investments and net unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2011. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 14 companies in 8 industries and 3 countries as at March 31, 2011. The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, at March 31, 2011, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the board.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's carrying value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact in the carrying value of these investments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-balance sheet arrangement have been previously discussed.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

DERIVATIVE FINANCIAL INSTRUMENTS

Clairvest enters into foreign exchange forward contracts primarily to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. Clairvest is required to mark to market its foreign-denominated investments, as well as the foreign exchange forward contracts entered into as hedges against Clairvest's investments.

At March 31, 2011, Clairvest had entered into foreign exchange forward contracts to sell US$90.3 million and buy US$2.6 million at an average rate of Canadian $0.9980 per U.S. dollar through March 2012 and foreign exchange forward contracts to sell 14.7 billion Chilean Pesos ("CLP") at an average rate of Canadian $0.001976 per CLP through January 2012. The fair value of the US dollar contracts at March 31, 2011 is a gain of $2.5 million and the fair value of the CLP contracts at March 31, 2011 is a loss of $0.9 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments.

At March 31, 2011, Clairvest also had entered into foreign exchange forward contracts to sell US$83.6 million and buy US$2.3 million on behalf of CEP IV. Any amounts paid or received as a result of settlement of these forward contracts will be reimbursed by or paid to CEP IV and therefore the fair value of these forward contracts has not been recognized on Clairvest's consolidated balance sheets.

UPDATED SHARE INFORMATION

At March 31, 2011, Clairvest had 15,392,695 common shares issued and outstanding. At March 31, 2011, Clairvest had 977,000 stock options outstanding, 845,000 of which were exercisable at March 31, 2011. Each option is exercisable for one common share.

During fiscal 2011, Clairvest purchased and cancelled 560,871 common shares under its normal course issuer bid for a total purchase cost of $7.9 million. No further purchases nor cancellations occurred subsequent to year end up to June 24, 2011, As at June 24, 2011, Clairvest had repurchased a total of 6,270,449 common and non-voting shares over the last eight years.

During fiscal 2011, 105,000 options were exercised, all of which were exercised under the cash settlement plan and had no impact on share capital.

Clairvest paid cash dividends of $0.10 per share on the common shares in each of fiscal 2011, fiscal 2010 and fiscal 2009. Clairvest also paid a one-time special dividend of $10.0 million, or $0.6272 per share, in fiscal 2009.

Subsequent to year end, Clairvest declared an annual ordinary dividend of $1.5 million, or $0.10 per share, and a special dividend of $1.5 million, or $0.0965 per share, such that in aggregate, the dividends represent 1% of book value. The dividends will be payable to common shareholders of record as of July 8, 2011. The dividends will be paid on July 25, 2011. Both dividends are eligible dividends for Canadian income tax purposes.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA"), Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of March 31, 2011 and concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management has evaluated Clairvest's design and operational effectiveness of internal controls over financial reporting for the year ended March 31, 2011. Management has concluded that the design of internal controls over financial reporting are effective and operating as designed as of March 31, 2011 based on this evaluation. There were no changes in internal controls during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting. The Company has not identified any weakness that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

During fiscal 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the use of International Financial Reporting Standards ("IFRS") for all Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. During fiscal 2011, the AcSB approved an optional two-year deferral from IFRS adoption which would allow Canadian companies that currently follow AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2013. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2014, which begins on April 1, 2013.

The Company continues to be optimistic that fair value accounting will continue to be the method for which the Company accounts for its investee companies when it adopts IFRS. The Company continues to monitor ongoing changes to IFRS and will adjust its transition and implementation plans accordingly. Formal communications with the Audit Committee have been established to ensure timely decisions are made on key issues and risks.

The Company will continue to evaluate the impact to its financial reporting process and its financial statements if IFRS requires the Company to consolidate certain of its investee companies, which would have a significant impact to the Company's financial reporting process and financial statements. Other significant items which may have a significant impact to the Company's financial reporting and financial statements include the accounting for share-based compensation, income taxes and the disclosure requirements for financial instruments.

With respect to the accounting treatment for share-based compensation, the company must adopt a new methodology for valuing stock options given the intrinsic method is not an acceptable methodology under IFRS. The Company has determined that the Black-Scholes method is an acceptable methodology under IFRS. The Company will also cease to vest share-based compensation on a straight-line basis and adopt the prescribed graded vesting method which will result in front-loading of expenses during the vesting period. The Company believes that the effects of this accounting change will not be material.

With respect to income taxes, future income tax positions under IFRS must be evaluated using the probability method which differs from the more likely than not test prescribed under existing Canadian GAAP. The Company is in the process of quantifying the impacts of this methodology change.

The Company continues to monitor new developments to IFRS which may result in additional significant accounting differences.

The Company does not expect current IFRS to have a significant impact on internal controls over financial reporting nor the Company's information technology systems.

MANAGEMENT'S REPORT

The consolidated financial statements of Clairvest Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. Under the supervision of Management, an evaluation of the effectiveness of the Company's internal control over financial reporting was carrried out for the year ended March 31, 2011. Based on that evaluation, Management concluded that the Company's internal control over financing reporting was effective for the year ended March 31, 2011.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee, comprised of four non-management Directors, meets periodically with management and with external auditors to discuss the scope and results with respect to financial reporting of the Company. The Audit Committee has reviewed the consolidated financial statements with management and with the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Ernst & Young LLP, appointed external auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.

B. Jeffrey Parr
Co-Chief Executive Officer and Managing Director

Daniel Cheng
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLAIRVEST GROUP INC.

We have audited the accompanying consolidated financial statements of Clairvest Group Inc., which comprise the consolidated balance sheets as at March 31, 2011 and 2010, and the consolidated statements of income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' 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 auditors' 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 auditors consider 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 Clairvest Group Inc. as at March 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
June 24, 2011

Chartered Accountants
Licensed Public Accountants

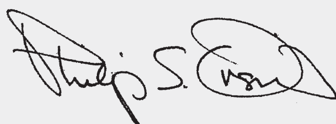
CONSOLIDATED BALANCE SHEETS

As at March 31

$000's	2011	2010
ASSETS		
Cash and cash equivalents (notes 3, 11 and 14)	**$ 61,332**	$ 43,684
Temporary investments (notes 3 and 14)	**77,006**	108,544
Accounts receivable and other assets (notes 4(k) and 7)	**9,917**	20,146
Income taxes recoverable	**5,809**	7,399
Loans receivable (notes 4(l), 4(m) and 4(n))	**126**	698
Future tax asset (note 8)	**—**	708
Derivative instruments (note 12(b))	**2,493**	5,900
Corporate investments (notes 6 and 14)	**162,177**	118,881
	$ 318,860	$ 305,960
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities (notes 10 and 13(h))	**$ 7,656**	$ 8,017
Derivative instruments (note 12(b))	**913**	—
Future tax liability (note 8)	**2,402**	1,455
Stock-based compensation (note 10)	**5,487**	4,203
	$ 16,458	$ 13,675
Contingencies, commitments and guarantees (notes 12 and 13)		
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**$ 79,911**	$ 82,823
Retained earnings	**222,491**	209,462
	302,402	292,285
	$ 318,860	$ 305,960

See accompanying notes

On behalf of the Board:



PHILIP S. ORSINO
Director

JOSEPH J. HEFFERNAN
Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31

$000's (except per share information)		2011		2010
NET INVESTMENT GAINS				
Net realized gains on corporate investments (note 5)	**$**	**3,861**	$	153
Net unrealized gains on corporate investments (note 6)		**16,249**		7,880
		20,110		8,033
OTHER INCOME				
Distributions and interest income (note 4)		**14,827**		14,375
Dividend income (note 6(c))		**731**		278
Management fees (note 4(a) and 4(h))		**1,142**		1,027
Advisory and other fees (note 4(o))		**956**		1,033
		17,656		16,713
EXPENSES				
Administration and other expense (note 10 and 13(h))		**14,004**		18,677
Finance and foreign exchange expense (recovery)		**1,132**		(947)
		15,136		17,730
Income before income taxes		**22,630**		7,016
Income tax expense (recovery) (note 8)		**3,066**		(1,481)
Net income for the year	**$**	**19,564**	$	8,497
Basic net income per share (note 9)	**$**	**1.23**	$	0.53
Fully-diluted net income per share (note 9)	**$**	**1.20**	$	0.52

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

$000's		2011		2010
Retained earnings, beginning of year	**$**	**209,462**	$	202,560
Net income for the year		**19,564**		8,497
		229,026		211,057
Dividends paid		**(1,595)**		(1,595)
Purchase and cancellation of shares (note 9)		**(4,940)**		—
Retained earnings, end of year	**$**	**222,491**	$	209,462

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

$000's		2011		2010
OPERATING ACTIVITIES				
Net income for the year	**$**	**19,564**	$	8,497
Add (deduct) items not involving a current cash outlay				
Amortization of fixed assets		**372**		323
Stock-based compensation expense		**1,284**		1,111
Future income tax expense		**1,655**		224
Net realized gains on corporate investments		**(3,861)**		(153)
Net unrealized gains on corporate investments		**(16,249)**		(7,880)
Non-cash items relating to foreign exchange forward contracts		**(2,446)**		(13,375)
Non-cash items relating to corporate investments		**(854)**		12,167
		(535)		914
Net change in non-cash working capital balances related to operations (note 11)		**11,086**		(21,156)
Cash provided by (used in) operating activities		**10,551**		(20,242)
INVESTING ACTIVITIES				
Acquisition of corporate investments		**(54,270)**		(26,368)
Proceeds on sale of corporate investments		**31,938**		4,779
Return of capital from corporate investments		**—**		1,439
Proceeds on realized foreign exchange forward contracts		**6,766**		1,952
Net proceeds on sale (acquisition) of temporary investments		**31,538**		(36,404)
Loans advanced (notes 4(l), 4(m) and 4(n))		**(55,876)**		(74,436)
Receipt of loans advanced (notes 4(l), 4(m) and 4(n))		**56,448**		82,287
Cash provided by (used in) investing activities		**16,544**		(46,751)
FINANCING ACTIVITIES				
Purchase and cancellation of share capital (note 9)		**(7,852)**		—
Cash dividends paid		**(1,595)**		(1,595)
Cash used in financing activities		**(9,447)**		(1,595)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**17,648**		(68,588)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**43,684**		112,272
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 11)		**61,332**		43,684
SUPPLEMENTAL CASH FLOW INFORMATION				
Income taxes paid	**$**	**218**	$	7,642
Interest paid, on gross basis (note 13(n))	**$**	**1,045**	$	1,579

See accompanying notes

1. NATURE OF ACTIVITIES

Clairvest Group Inc. ("Clairvest" or the "Company") is a Canadian private equity management firm publicly traded on the Toronto Stock Exchange ("TSX"). The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), Clairvest Equity Partners III Limited Partnership ("CEP III"), Clairvest Equity Partners IV Limited Partnership ("CEP IV") and Clairvest Equity Partners IV-A Limited Partnership ("CEP IV-A") (together, the "CEP Funds"). Clairvest contributes financing and strategic expertise to support the growth and development of its investees in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and its pro-rata ownership of various acquisition entities that exist for investing purposes. All intercompany amounts and transactions have been eliminated upon consolidation.

In accordance with Accounting Guideline 18 ("AcG-18"), the Company designated its temporary investments and its corporate investments as held-for-trading and carries them at fair value. Clairvest also designated its receivables and payables as held-for-trading in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

Future Accounting Changes

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved an optional two-year deferral from IFRS adoption which would allow Canadian companies that currently follow AcG-18 to continue to use existing Canadian Generally Accepted Accounting Principles ("GAAP") until fiscal years beginning on or after January 1, 2013. Accordingly, Clairvest will adopt IFRS beginning in the first quarter of fiscal 2014, which begins on April 1, 2013.

Clairvest is currently evaluating the impact of adopting IFRS.

Significant Accounting Policies

The following is a summary of the significant accounting policies of the Company:

(a) Temporary Investments and Corporate Investments

The Company carries its temporary investments and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at a value which takes into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

(b) Foreign Currency Translation

Income and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses are included in income in the period in which they occur.

(c) Derivative Financial Instruments

The Company periodically enters into foreign exchange forward contracts, primarily to hedge its exposure to exchange rate fluctuations on its foreign currency denominated investments. These foreign exchange forward contracts and, where applicable, their underlying investments, are valued at exchange rates in effect at the consolidated balance sheet dates.

Foreign exchange forward contracts are included on the consolidated balance sheet as derivative instruments and are valued at fair value representing the estimated amount that the Company would have been required to pay, or received, had the Company settled the outstanding contracts at the consolidated balance sheet dates. Any unrealized gains or losses are included in finance and foreign exchange expense (recovery) on the consolidated statements of income.

(d) Income Recognition

Realized gains or losses on disposition of corporate investments and unrealized gains or losses in the value of corporate investments are calculated based on weighted average cost and are reflected in the consolidated statements of income. Management fees and advisory and other fees are recorded as income on an accrual basis when the services are performed. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

(e) Future Income Taxes

The Company records future income tax expense or recovery using the asset and liability method. Under this method, future income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective income tax bases, as well as certain carryforward items. Future income tax assets and liabilities are determined for each temporary difference based on the income tax rates that are expected to be in effect when the asset or liability is settled. Future income tax assets are only recognized to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

(f) Stock-based Compensation Plan

The Company's stock option plan allows for a cash settlement of stock options. As a result, compensation expense is recognized and recorded as a liability based on the intrinsic value of the outstanding stock options at the consolidated balance sheet dates and the proportion of their vesting periods that have elapsed. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to administration and other expense.

(g) Deferred Share Unit Plan

Directors of the Company may elect to receive all or a portion of their compensation in deferred share units ("DSUs"). On the date directors' fees are payable, the number of DSUs to be credited to a participant is determined by dividing the amount of the fees to be received by way of DSUs by the market value of a Clairvest common share on the TSX. Upon redemption of DSUs, the Company pays to the participant a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by the market value of a Clairvest common share on the TSX on the redemption date. A participant may redeem his or her DSUs only following termination of board service.

Under the Company's DSU plan, the fair value of the DSUs is charged to administration and other expense based on the number of DSUs outstanding at the consolidated balance sheet dates multiplied by the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates.

During fiscal 2008, the DSU plan was amended to also facilitate the issuance of Appreciation Deferred Share Units ("Appreciation DSUs") to the directors of the Company. Upon redemption of the Appreciation DSUs, the Company pays to the participant a lump sum cash payment equal to the number of Appreciation DSUs to be redeemed multiplied by the difference between the market value of a Clairvest common share on the TSX on the redemption date and the market value of a Clairvest common share on the TSX on the grant date. A participant may redeem his or her Appreciation DSUs only following termination of board service. Under the Company's DSU plan, the fair value of the Appreciation DSUs is charged to administration and other expense based on the number of Appreciation DSUs outstanding at the consolidated balance sheet dates multiplied by the difference between the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates and the market value of a Clairvest common share on the TSX on the grant date.

(h) Book Value Appreciation Rights Plan

The Company may elect to issue all or a portion of an individual's stock option grant by way of book value appreciation rights units ("BVARs"). Upon redemption of BVARs, the Company pays to the participant a lump sum cash payment equal to the number of BVARs to be redeemed multiplied by the increase in book value per share between the grant date and the redemption date, and grossed up such that the participant's after-tax proceeds equate to an amount as if the proceeds were taxed at the capital gains rate. The BVARs vest over a five-year period and the participant may only redeem his or her BVARs at the earlier of (i) five years from the grant date or (ii) cessation of employment with the Company.

As the Company's BVAR plan is a cash settled plan, the fair value of the BVARs is charged to administration and other expense and recorded as a liability over the BVAR vesting period based on the book value per share at the consolidated balance sheet date of the prior quarter.

(i) Net Income Per Share

Basic net income per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Fully-diluted net income per share is determined in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding during the year.

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

3. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of deposits in investment and money market savings accounts, term deposits and corporate bonds which have maturities of less than 90 days from the date of acquisition. The yield ranges between 0.9% and 1.2% per annum (2010 – between 0.2% and 0.7%) with a weighted average rate of pre-tax return of 1.2% per annum (2010 – 0.7%).

Temporary investments consist of guaranteed investment certificates, corporate bonds and preferred shares and have maturities greater than 90 days from the date of acquisition and through to February 2014. The yield on these investments ranges between 1.6% and 4.9% per annum (2010 – between 0.7% and 4.9%) with a weighted average rate of pre-tax return of 2.4% per annum (2010 – 2.7%). The composition of Clairvest's temporary investments at March 31 was as follows:

	2011			2010
	Due in 1 year or less	**Due after 1 year**	**Total**	Total
Guaranteed investment certificates	**$ 32,039**	**$ 5,122**	**$ 37,161**	$ 42,049
Corporate bonds	**7,267**	**31,079**	**38,346**	63,020
Preferred shares	**1,499**	**—**	**1,499**	3,475
	$ 40,805	**$ 36,201**	**$ 77,006**	$ 108,544

4. RELATED PARTY TRANSACTIONS

(a) A wholly owned subsidiary of Clairvest ("GP I") has entered into a Management Agreement with the General Partner of CEP, appointing GP I as the Manager of CEP. The General Partner is another wholly owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP. The fee was calculated annually as 2% of committed capital until August 21, 2006, the fifth anniversary of the last closing of CEP, and thereafter at 2% of contributed capital less distributions on account of capital and any write-downs of capital invested. Effective January 1, 2011, the CEP management fee was reduced to 1.5% per annum of contributed capital less distributions on account of capital and write-downs of capital invested. The management fee is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP.

During fiscal 2011, GP I earned net management fees of $0.9 million (2010 – $1.0 million) as compensation for its services in the administration of the portfolio of CEP. As per the Management Agreement, fees of $0.2 million (2010 – $0.2 million) from corporate investments of CEP were netted against the management fees.

(b) The General Partner of CEP is entitled to participate in distributions made by CEP equal to 20% of net gains of CEP. The distributions to the General Partner will be determined based on the overall performance of CEP and no such distributions are permitted until CEP's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 6% per annum compounded annually. The distributions received by the General Partner of CEP are allocated 50% to each of its limited partners, one of which is Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest and GP I (the "Participation Investors"). The Participation Investors have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in the Participation Partnership may be purchased by the Participation Investors.

During fiscal 2011, CEP declared distributions to the General Partner totaling $6.2 million (2010 – $6.8 million), 50% of which, or $3.1 million (2010 – $3.4 million), was allocated to Clairvest. At March 31, 2011, CEP had declared and paid distributions to the General Partner totaling $15.9 million (2010 – $9.7 million), 50% of which, or $8.0 million (2010 – $4.9 million), was allocated to Clairvest. If CEP were to sell its corporate investments at their current fair values, the General Partner would receive up to a further $10.7 million (2010 – $15.3 million) of distributions, 50% of which, or $5.3 million (2010 – $7.6 million), would be payable to Clairvest.

(c) Clairvest is also the parent company of the two General Partners of CEP III (GP I and "GP II"). GP I is entitled to a priority distribution from CEP III. The priority distribution was calculated monthly as 0.1667% of committed capital until January 13, 2011, being the date on which CEP III is closed to new investments, and thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by GP I from corporate investments of CEP III.

During fiscal 2011, CEP III declared net priority distributions to GP I of $3.8 million (2010 – $4.1 million). As per the Limited Partnership Agreement, fees of $0.4 million (2010 – $0.4 million) from corporate investments of CEP III were netted against the priority distributions. GP I is also entitled to distributions made by CEP III equal to 2% of net gains of CEP III determined as described in Note 4(d) below. To date, CEP III has not made any distributions to GP I other than priority distributions.

(d) GP II, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP III equal to 18% of net gains of CEP III. These distributions to GP II, and GP I as noted in Note 4(c) above, will be determined based on the overall performance of CEP III. No such distributions are permitted until CEP III's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP III has not made any distributions to GP II. Any distributions received by GP II will be allocated to each of its two limited partners, one of which is a wholly owned subsidiary of Clairvest which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation III Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation III Partnership are principals and employees of Clairvest and GP I (the "Participation III Investors"). The Participation III Investors have purchased, at fair market value, units of the Participation III Partnership. From time to time, additional units in the Participation III Partnership may be purchased by Participation III Investors.

GP II, as the General Partner of the Participation III Partnership, is entitled to participate in additional distributions equal to the exit value on the first $1.1 million contributed by the Participation III Investors into the Participation III Partnership plus the first $0.2 million received by the Participation III Partnership as described above.

(e) GP II is also entitled to an 8.25% carried interest in respect of CEP III Co-Investment Limited Partnership ("CEP III Co-Invest"). CEP III Co-Invest was established in fiscal 2007 as the investment vehicle through which Clairvest would co-invest alongside CEP III. Distributions received by GP II from CEP III Co-Invest will be allocated 100% to the Participation III Partnership. To date, CEP III Co-Invest has not made any distributions.

(f) Clairvest is also the parent company of the two General Partners of CEP IV (GP I and "GP III"). GP I is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: i) from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ("CEP III Termination Date"), 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the month of the date of final closing of CEP IV, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of fees earned by GP I from corporate investments of CEP IV.

During fiscal 2011, CEP IV declared to GP I net priority distributions of $1.8 million. GP I is also entitled to distributions made by CEP IV equal to 2% of net gains of CEP IV determined as described in Note 4(g) below. To date, CEP IV has not made any distributions to GP I other than priority distributions.

(g) GP III, a limited partnership, the General Partner of which is a wholly owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP IV equal to 18% of net gains of CEP IV. These distributions to GP III, and GP I as noted in Note 4(f) above, will be determined based on the overall performance of CEP IV. No such distributions are permitted until CEP IV's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is Clairvest Subsidiary which will receive 44.4% of such distributions, and the other of which is another limited partnership (the "Participation IV Partnership") which will receive 55.6% of such distributions. The limited partners of the Participation IV Partnership are principals and employees of Clairvest and GP I (the "Participation IV Investors"). The Participation IV Investors have purchased, at fair market value, units of the Participation IV Partnership. From time to time, additional units in the Participation IV Partnership may be purchased by Participation IV Investors.

The General Partner of the Participation IV Partnership, a wholly owned subsidiary of Clairvest, is entitled to participate in additional distributions equal to the exit value on the first $1.6 million contributed by the Participation IV Investors into the Participation IV Partnership plus the first $0.4 million received by the Participation IV Partnership as described above.

(h) GP III is also the General Partner of CEP IV-A. GP III has appointed GP I as the Manager of CEP IV-A. The Limited Partnership Agreement of CEP IV-A provides that a management fee be paid to GP I as compensation for its services in the administration of the portfolio of CEP IV-A. The fee is calculated as follows: i) from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of write-downs of capital invested; ii) from January 14, 2011 to January 13, 2016, being the fifth anniversary of the date of final closing of CEP IV-A, 0.1667% of committed capital; and iii) thereafter 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by GP I from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement.

During fiscal 2011, GP I earned net management fees of $0.2 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, $0.1 million was netted against the management fees.

(i) GP III is entitled to participate in distributions made by CEP IV-A equal to 20% of net gains of CEP IV-A. These distributions will be determined based on the overall performance of CEP IV-A. No such distributions are permitted until CEP IV-A's limited partners have received amounts equal to the sum of their contributed capital and a return equal to 8% per annum compounded annually. To date, CEP IV-A has not made any distributions to GP III. Any distributions received by GP III will be allocated to each of its two limited partners, one of which is Clairvest which will receive 50% of such distributions, and the other of which is Participation IV Partnership which will receive 50% of such distributions.

(j) GP III is also entitled to an 8.25% carried interest in respect of CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest"). CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle through which Clairvest would co-invest alongside CEP IV and CEP IV-A. Distributions received by GP III from CEP IV Co-Invest will be allocated 100% to the Participation IV Partnership. To date, CEP IV Co-Invest has not made any distributions.

(k) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company and GP I totaling $0.7 million (2010 – $1.0 million). The share purchase loans bear interest fixed at the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of $1.0 million (2010 – $1.0 million). Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling $0.5 million (2010 – $0.5 million). The loans to officers of the affiliated company bear interest at rates commensurate with prime and interest is paid quarterly. Loans are repayable upon departure of the officer. Interest of $44 thousand (2010 – $49 thousand) was earned on these loans during fiscal 2011. Also included in accounts receivable and other assets are receivables from Clairvest's investee companies totaling $3.2 million (2010 – $3.0 million), from CEP totaling $5 thousand (2010 – $0.7 million), from CEP III totaling $0.4 million (2010 – $0.1 million), from CEP IV totaling $0.3 million (2010 – $4.6 million) and from CEP IV-A totaling $0.2 million.

(l) Loans totaling $2.1 million (2010 – $3.2 million), bearing interest at the prime rate, were made by the Company to CEP during fiscal 2011. These loans and the $0.6 million in loans outstanding at March 31, 2010 were repaid in full (2010 – $2.6 million were repaid) during the year. Interest of $4 thousand (2010 – $3 thousand) was earned from loans to CEP during fiscal 2011.

(m) Loans totaling $8.2 million (2010 – $71.0 million), bearing interest at the prime rate, were made by the Company to CEP III during fiscal 2011. During fiscal 2011 and 2010, the respective loans were repaid in full. Interest of $4 thousand (2010 – $91 thousand) was earned from loans to CEP III during fiscal 2011.

(n) Loans totaling $45.6 million, bearing interest at the prime rate, made by the Company to CEP IV during fiscal 2011 were repaid in full during the year. Interest of $8 thousand was earned from loans to CEP IV during fiscal 2011.

(o) During fiscal 2011, Clairvest earned $3.0 million (2010 – $3.3 million) in distributions and interest income and $1.0 million (2010 – $1.0 million) in advisory and other fees from its investee companies.

(p) During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of $3.5 million, $1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by the director of Clairvest. Clairvest's portion of the net book value of the aircraft of $1.7 million is recorded in accounts receivable and other assets.

5. NET REALIZED GAINS ON CORPORATE INVESTMENTS

Net realized gains on corporate investments for the years ended March 31, 2011 and 2010 are comprised of the following:

	2011	2010
Net realized gains (losses) during the year	$ 3,997	$ (3,538)
Previously recognized net unrealized (gains) losses	(136)	3,691
	$ 3,861	$ 153

6. CORPORATE INVESTMENTS

	2011			2010		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Casino New Brunswick	$ 4,601	$ 9,202	$ (4,601)	$ 8,687	$ 8,687	$ —
Centaur, LLC	31,386	30,179	1,207	—	—	—
Chilean Gaming Holdings*	29,890	29,093	797	39,076	38,972	104
Hudson Valley Waste Holding, Inc.	16,256	9,221	7,035	8,952	9,221	(269)
Kubra Data Transfer Limited	8,033	2,150	5,883	6,573	2,150	4,423
Landauer Metropolitan Inc.	5,590	5,110	480	7,693	4,429	3,264
Light Tower Rentals Inc.	14,254	8,177	6,077	6,280	6,233	47
Lyophilization Services of New England Inc.	5,697	6,749	(1,052)	4,887	6,454	(1,567)
Midwest Gaming Holdings LLC	10,304	9,120	1,184	—	—	—
N-Brook Mortgage LP	2,625	5,037	(2,412)	2,625	5,037	(2,412)
PEER 1 Network Enterprises Inc.	8,753	6,291	2,462	5,494	6,291	(797)
Tsuu T'ina Gaming Limited Partnership	9,090	5,625	3,465	8,631	5,625	3,006
Van-Rob Inc.	—	—	—	4,853	5,000	(147)
Wellington Financial Fund II	235	1	234	211	1	210
Wellington Financial Fund III	14,271	12,476	1,795	13,733	12,476	1,257
	160,985	138,431	22,554	117,695	110,576	7,119
Other investments	1,192	1,223	(31)	1,186	295	891
	$ 162,177	$ 139,654	$ 22,523	$ 118,881	$ 110,871	$ 8,010

* Comprised of Casino Marina del Sol, Casino Osorno and Casino Sol Calama

The cost and fair value of corporate investments do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against these investments (see Note 12(b)). Details of each investment are described below.

(a) Casino New Brunswick

Casino New Brunswick is a gaming entertainment complex located in Moncton, New Brunswick. At March 31, 2009, Clairvest had invested $2.3 million in Casino New Brunswick.

During fiscal 2010, Clairvest funded an additional $6.4 million in Casino New Brunswick. During fiscal 2011, Clairvest funded a further $0.5 million, bringing total investment in Casino New Brunswick to $9.2 million (2010 – $8.7 million). The investments were made in the form of debentures, which bore interest at a rate of 6% per annum until February 28, 2011. Clairvest also holds units of a limited partnership which holds Casino New Brunswick, entitling Clairvest to 22.5% (2010 – 22.2%) of the earnings of the casino.

During fiscal 2011, management determined that the fair value of Casino New Brunswick should be written down by $4.6 million as a result of operations underachieving against expectations.

Subsequent to year end, Clairvest pledged $5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. The pledge was made to support the guarantee to fund any operating deficiencies of Casino New Brunswick as described in note 13(k).

(b) Centaur, LLC ("Centaur")

Centaur holds various gaming interests including the Hoosier Park Racing & Casino in Indianapolis, Indiana.

During fiscal 2011, Clairvest invested US$29.7 million (C$29.9 million) in senior secured first lien loans ("Senior Debt") of Centaur. As part of the investment, Clairvest also purchased a US$0.3 million (C$0.3 million) promissory note ("Promissory Note") from an unrelated investment partner. The Promissory Note is repayable upon Clairvest's realization of its investment in Centaur, and as a result, the Senior Debt and the Promissory Note have been presented on an aggregate basis.

At March 31, 2011, Clairvest owned 8.8% of the total Senior Debt issued by Centaur.

(c) Chilean Gaming Holdings

Chilean Gaming Holdings is a limited partnership which has a 50% ownership interest in each of Casino Marina del Sol ("Casino del Sol") in Concepcion, Chile, Casino Osorno in Osorno, Chile, and Casino Sol Calama in Calama, Chile.

At March 31, 2009, Clairvest, through Canadian and Chilean acquisition entities, had a $10.6 million equity investment in Casino del Sol, a $16.6 million equity investment in Casino Osorno, and a US$8.8 million (C$9.1 million) loan investment in Latin Gaming Chile S.A. ("Latin Gaming Chile"), the casino operator of Casino Osorno and Casino Sol Calama.

During fiscal 2010, Clairvest, through Canadian and Chilean acquisition entities, loaned an additional US$3.0 million (C$3.3 million) to Latin Gaming Chile. During fiscal 2011, an additional US$2.0 million (C$2.1 million) was loaned to Latin Gaming Chile, bringing total loans to Latin Gaming Chile to US$13.8 million (C$14.5 million).

Also during fiscal 2011, Clairvest completed a consolidation of its Chilean gaming investments whereby Clairvest sold its interest in Casino del Sol and Casino Osorno, as well as the US$13.8 million (C$14.5 million) bridge loans advanced to Latin Gaming Chile at original cost to a holding entity ("Chilean Gaming Holdings") and received net cash proceeds of $15.9 million and 27,254,185 limited partnership units of Chilean Gaming Holdings. The consolidation did not result in a change to the valuation of the investment. Subsequently, Chilean Gaming Holdings closed on an equity investment in Casino Sol Calama wherein Chilean Gaming Holdings invested US$20 million (C$20.9 million) to acquire a 50% ownership interest in Casino Sol Calama. The US$13.8 million of bridge loans which had previously been advanced to Latin Gaming Chile were repaid in full upon the closing of the equity investment in Casino Sol Calama. Clairvest invested an additional $3.2 million for 3,192,113 limited partnership units of Chilean Gaming Holdings to support this acquisition.

During fiscal 2011, Clairvest received dividends totaling $0.5 million from Chilean Gaming Holdings.

At March 31, 2011, Clairvest owned 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% interest.

(d) Hudson Valley Waste Holding, Inc. ("Hudson Valley")

Hudson Valley is a regional solid waste company which collects, processes and recycles non-hazardous solid waste in the northeastern United States.

During fiscal 2010, Clairvest invested $9.2 million to acquire 8,750 Series A convertible preferred shares in Hudson Valley.

At March 31, 2011 and 2010, Clairvest owned 8,750 Series A convertible preferred shares in Hudson Valley, representing an 8.3% ownership interest unless certain return thresholds were met, at which point ownership interest would be reduced to 6.2%.

Subsequent to year end, Clairvest sold its interest in Hudson Valley for cash proceeds of US$16.8 million (C$16.3 million). Over the life of the investment, Clairvest realized a $7.1 million gain on the investment and a $0.6 million gain on the foreign exchange forward contracts entered into as hedges against the Company's investment in Hudson Valley.

(e) Kubra Data Transfer Limited ("Kubra")

Kubra is a business process outsourcing company focused on the distribution of household bills on behalf of its customers.

At March 31, 2011 and 2010, Clairvest owned 3,250,000 Class A voting common shares of Kubra, representing a 12.1% (2010 – 12.8%) interest on a fully-diluted basis.

(f) Landauer Metropolitan Inc. ("Landauer")

Landauer is a supplier of home medical equipment primarily in the northeastern United States. At March 31, 2009, Clairvest, through a wholly owned subsidiary, owned 1,906,250 10% cumulative convertible preferred shares and 446,858 common shares in Landauer.

During fiscal 2010, Clairvest, through a wholly owned subsidiary, acquired an additional 301,275 common shares for $0.6 million. Also during fiscal 2010, Clairvest advanced a US$0.2 million (C$0.2 million) bridge loan to Landauer. The loan bears interest at a rate of 25% per annum, payable monthly, and was repayable on April 16, 2010 but remained outstanding as at March 31, 2011. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share.

During fiscal 2011, Clairvest advanced an additional US$0.1 million (C$0.1 million) bridge loan to Landauer. The loan bears interest at a rate of 12% per annum, payable monthly, and is repayable on September 24, 2015. Any unpaid interest accrues interest at the same rate. The Company has the option to convert the bridge loan to common shares of Landauer at a rate of $1.00 per share if the loan is not repaid by September 24, 2015. Also during fiscal 2011, Clairvest invested a further US$0.6 million (C$0.6 million) in Landauer. The investment was made in the form of a subordinated secured convertible note with a 10% accrued interest per annum. The note is convertible to senior convertible preferred shares which have a two times liquidation preference in lieu of interest. Each senior convertible preferred share is convertible into common shares at a rate of $0.50 per share in lieu of two times the liquidation preference and the conversion is at Clairvest's discretion.

In addition to the bridge loans and the subordinated secured convertible note, at March 31, 2011 and 2010, Clairvest, through a wholly owned subsidiary, owned 1,906,250 10% cumulative convertible preferred shares and 748,133 common shares in Landauer, representing a 14.2% (2010 – 13.9%) interest on a fully-diluted basis. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

(g) Light Tower Rentals Inc. ("Light Tower Rentals")

Light Tower Rentals is an oilfield equipment rental company operating in major oil and gas drilling basins in the United States. At March 31, 2009, Clairvest owned 5,841,250 Series A convertible preferred shares of Light Tower Rentals.

During fiscal 2010, Clairvest invested US$0.3 million (C$0.3 million) for 340,822 common shares of LTR Equipment Inc. ("LTR Equipment"), a company affiliated with Light Tower Rentals which supplies certain equipment to Light Tower Rentals.

During fiscal 2011, Clairvest invested an additional US$1.9 million (C$1.9 million) for 1,874,914 common shares of LTR Equipment.

At March 31, 2011 and 2010, Clairvest owned 5,841,250 Series A convertible preferred shares in Light Tower Rentals, which could be converted into a 10.8% ownership interest on a fully-diluted basis. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion. Also at March 31, 2011, Clairvest owned 2,215,736 (2010 – 340,822) common shares in LTR Equipment, representing a 14.8% (2010 – 11.0%) interest on a fully-diluted basis.

(h) Lyophilization Services of New England Inc. ("LSNE")

LSNE is a Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. At March 31, 2009, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares of LSNE.

During fiscal 2011, Clairvest funded a further US$0.3 million (C$0.3 million) to LSNE in the form of unsecured loans to further support the growth of LSNE.

In addition to the unsecured loans, at March 31, 2011 and 2010, Clairvest owned 6,406,000 Series A 10% cumulative convertible preferred shares of LSNE, which could be converted into a 12.3% ownership interest on a fully-diluted basis. The preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

(i) Midwest Gaming Holdings LLC ("Midwest Gaming")

Midwest Gaming is a gaming entertainment complex currently under construction in Des Plaines, Illinois.

During fiscal 2011, Clairvest and Participation IV Partnership (note 4(g)) acquired 13,166,360 units of Midwest Gaming for US$13.2 million (C$13.2 million). Clairvest's portion of the investment was US$11.7 million (C$11.7 million). US$2.4 million (C$2.4 million) of this investment represents bridge capital in anticipation of the raising of equity from minority investors as required by the Illinois legislature. Subsequently, Clairvest sold 2,170,899 units of Midwest Gaming for US$2.2 million (C$2.2 million) to CEP IV and CEP IV-A as part of the final rebalancing of invested capital in accordance with the Co-Investment Agreement, US$0.4 million (C$0.4 million) of which represents the bridge capital in anticipation of raising equity from minority investors. Also during fiscal 2011, 368,395 units of Midwest Gaming were redeemed at cost for US$0.4 million (C$0.4 million) upon the raising of certain minority investors.

At March 31, 2011, Clairvest's owned 10,627,066 units of Midwest Gaming, representing a 5.0% ultimate ownership interest on a fully-diluted basis.

(j) N-Brook Mortgage LP ("N-Brook")

N-Brook originated, adjudicated and underwrote first-ranking mortgages on owner-occupied, residential real estate in Ontario, British Columbia and Alberta. Clairvest had fully funded its $5.0 million commitment to N-Brook in fiscal 2008. During fiscal 2009, N-Brook management made the decision to wind down its mortgage portfolio. Clairvest's fully-diluted interest in N-Brook at March 31, 2011 and 2010 was 14.7%.

(k) PEER 1 Network Enterprises Inc. ("PEER 1")

PEER 1 (TSX: PIX) is a global online IT infrastructure provider based in Vancouver, British Columbia. During fiscal 2010, Clairvest invested $6.3 million to acquire 5,134,617 common shares in PEER 1.

At March 31, 2011 and 2010, Clairvest owned 5,134,617 common shares of PEER 1, representing a 4.2% interest on a fully-diluted basis. The Company also owned 50,000 stock options of PEER 1 with an exercise price of $1.07 per share, 36,111 (2010 – 2,778) of which have been vested at March 31, 2011.

(l) Tsuu T'ina Gaming Limited Partnership ("Tsuu T'ina")

Tsuu T'ina is a charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the City of Calgary, Alberta. The Company's investment is in the form of subordinated debt with a 16% coupon rate. Clairvest also holds units of a limited partnership which holds Tsuu T'ina, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino from the date of commencement of operations, December 19, 2007, for a period of 15 years. Subject to the priority of senior lenders, debt repayment occurs on a monthly basis, commencing on January 1, 2011, the amount of which is based on the amount of cash available from the casino operations. No debt repayment has been made to March 31, 2011.

At March 31, 2011 and 2010, Clairvest had funded $5.6 million in 16% subordinated debt to Tsuu T'ina.

(m) Van-Rob Inc. ("Van-Rob")

Van-Rob is a supplier of metal stampings and welded assemblies to the North American auto sector. At March 31, 2010, Clairvest owned 5,000,000 Class A special convertible shares in Van-Rob, representing a 5.5% fully-diluted ownership interest. Each Class A special convertible share was convertible into 1.1285 common shares and the conversion was at Clairvest's discretion.

During fiscal 2011, Clairvest sold its interest in Van-Rob for cash proceeds of $8.7 million, resulting in a realized gain on the investment of $3.8 million.

(n) Wellington Financial Fund II ("Wellington Fund II")

Wellington Fund II provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada. Clairvest, as a limited partner, had committed to fund $20.0 million to Wellington Fund II.

Clairvest's commitment represents a 24.1% interest in Wellington Fund II. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund II.

As a result of the closing of Wellington Financial Fund III (see Note 6[o]), any unfunded capital commitments to Wellington Fund II were extinguished. At March 31, 2011 and 2010, Clairvest had funded $13.6 million to Wellington Fund II, all of which had been returned.

(o) Wellington Financial Fund III ("Wellington Fund III")

Wellington Fund III, a successor to Wellington Fund II, provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada and the United States. Clairvest, as a limited partner, committed to fund $25.0 million to Wellington Fund III. Clairvest's commitment represents a 16.7% interest in Wellington Fund III. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund III.

At March 31, 2011 and 2010, $12.5 million of Clairvest's commitment had been funded. Subsequent to year end, a further $1.2 million was funded.

7. CREDIT FACILITIES

The Company has a $20.0 million credit facility available, bearing interest at prime plus 0.5% per annum. The prime rate at March 31, 2011 was 3.00% (2010 - 2.25%). The amount available under the credit facility at March 31, 2011 and 2010 was $20.0 million, which is based on debt covenants within the banking arrangement. No amounts were drawn during fiscal 2011 and 2010.

During fiscal 2011, the Company closed on a 10-year, $75.0 million, committed credit facility. The credit facility bears interest at 11% per annum on drawn amounts and at 1% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2011 is $75.0 million. No amounts were drawn during the year. Included in accounts receivable and other assets at March 31, 2011 is capitalized closing fee on this facility totaling $1.2 million which is to be amortized on a straight line basis to April 2015.

8. INCOME TAXES

Income tax expense (recovery) for the years ended March 31, 2011 and 2010 consist of the following:

	2011	2010
Current income tax expense (recovery)	**$ 1,411**	$ (1,705)
Future income tax expense	**1,655**	224
	$ 3,066	$ (1,481)

A reconciliation of the income tax expense (recovery) based on the statutory rate in Canada and the effective rate is as follows:

	2011	%	2010	%
Income before income taxes	**$ 22,630**		$ 7,616	
Statutory Canadian income tax rate		**30.13**		32.75
Statutory Canadian income taxes	**6,817**	**30.13**	2,494	32.75
Non-taxable dividends and distributions received	**(1,307)**	**(5.78)**	(2,514)	(33.01)
Non-taxable portion of net investment gains	**(3,402)**	**(15.03)**	(2,085)	(27.38)
Non-taxable portion of losses (gains) on temporary investments	**326**	**1.44**	(203)	(2.67)
Non-deductible portion of finance expense (recovery)	**327**	**1.45**	(135)	(1.77)
Non-deductible portion of other expenses	**455**	**2.01**	1,617	21.24
Payment (recovery) of prior years' taxes	**(465)**	**(2.05)**	173	2.27
Foreign income tax rate differences	**154**	**0.68**	1,429	18.76
Other	**161**	**0.70**	(2,257)	(29.63)
	$ 3,066	**13.55**	$ (1,481)	(19.44)

Future tax assets and liabilities relate to loss carryforwards and temporary differences on corporate and temporary investments, derivative instruments, accounts payable and accrued liabilities and income as follows:

	2011		2010	
	Asset	**Liability**	Asset	Liability
Loss carryforwards	**$ —**	**$ (2,538)**	$ 86	$ (1,309)
Temporary differences on corporate and temporary investments	**—**	**1,848**	(130)	(304)
Temporary differences on derivative instruments	**—**	**219**	(384)	504
Temporary differences on accounts payable and accrued liabilities	**—**	**(1,103)**	1,286	—
Temporary differences on income	**—**	**3,226**	—	2,314
Other	**—**	**750**	(150)	250
	$ —	**$ 2,402**	$ 708	$ 1,455

9. SHARE CAPITAL

Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions, and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares

10,000,000 non-voting shares

Issued and outstanding	**2011**		2010	
	Shares	**Amount**	Shares	Amount
Common shares, beginning of year	**15,953,566**	**$ 82,823**	15,953,566	$ 82,823
Purchased and cancelled under normal course issuer bid	**(560,871)**	**(2,912)**	—	—
Common shares, end of year	**15,392,695**	**$ 79,911**	15,953,566	$ 82,823

During fiscal 2011, the Company filed a normal course issuer bid enabling it to make market purchases of up to 797,678 (2010 – 797,678) of its common shares in the 12-month period commencing March 6, 2011.

During fiscal 2011, the Company purchased and cancelled 560,871 (2010 – nil) common shares under its normal course issuer bid for a total purchase cost of $7.9 million. The excess of the purchase cost of these shares over the average paid-in amount was $4.9 million, which was charged to retained earnings. In total, 3,105,295 (2010 – 2,544,424) common shares at a cost of $29.7 million (2010 – $21.8 million) have been purchased under this and all previous normal course issuer bids as at March 31, 2011. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

15,392,695 (2010 – 15,953,566) common shares were outstanding at March 31, 2011.

The weighted average number of common shares outstanding during fiscal 2011 was 15,952,025 (2010 – 15,953,566]. The weighted average number of fully-diluted shares outstanding during fiscal 2011 was 16,262,314 (2010 – 16,285,042].

The difference between the basic and fully-diluted net income per share computations for 2011 and 2010 consists of the following:

	2011			2010		
	Net income ('000s)	**Number of shares**	**Per share amount**	Net income ('000s)	Number of shares	Per share amount
Basic net income per share	**$ 19,564**	**15,952,025**	**$ 1.23**	$ 8,497	15,953,566	$ 0.53
Effect of dilutive securities Stock options		**310,289**			331,476	
Fully-diluted net income per share	**$ 19,564**	**16,262,314**	**$ 1.20**	$ 8,497	16,285,042	$ 0.52

Under the Company's stock option plan, 1,535,856 (2010 – 1,127,500) common shares of the Company have been reserved for issuance to eligible participants. At March 31, 2011, 977,000 (2010 – 1,082,000) options were outstanding under the plan, and an additional 558,856 (2010 – 45,500) are available for future grants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest over a period not to exceed 5 years. Once vested, options are exercisable at any time until their expiry 10 years after the grant date.

During fiscal 2011, 105,000 (2010 – 35,000) options were exercised, all of which were exercised under the cash settlement plan and had no impact on share capital. No options were granted in fiscal 2011 (2010 – 35,000).

A summary of the status of the Company's stock option plan as at March 31, 2011 and 2010 and changes during the years then ended are presented below:

	Number of options	Weighted average exercise price per share
Options outstanding, March 31, 2009	1,082,000	$ 8.29
Options granted	35,000	12.63
Options exercised	(35,000)	5.22
Options outstanding, March 31, 2010	1,082,000	8.53
Options exercised	(105,000)	4.40
Options outstanding, March 31, 2011	**977,000**	**$ 8.98**
Options exercisable, March 31, 2011	**845,000**	**$ 8.45**

* Adjusted for special dividend paid in fiscal 2009

The following table summarizes information about stock options outstanding and exercisable at March 31, 2011:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (yrs)	Weighted average exercise price*	Number exercisable	Weighted average exercise price*
$4.00 to $4.99	50,000	0.5	$ 4.32	50,000	$ 4.32
$5.00 to $5.99	110,000	1.2	5.22	110,000	5.22
$6.00 to $6.99	55,000	1.7	6.12	55,000	6.12
$7.00 to $7.99	197,000	2.5	7.43	197,000	7.43
$9.00 to $9.99	330,000	4.6	9.53	306,000	9.50
$12.00 to $12.99	235,000	6.6	12.92	127,000	12.95
	977,000			845,000	

*Adjusted for special dividend paid in fiscal 2009

10. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

As a result of a cash settlement feature in Clairvest's stock option plan, Clairvest is required to recognize compensation expense based upon the intrinsic value of the outstanding stock options at the consolidated balance sheet dates, and the proportion of their vesting periods that have elapsed. For the year ended March 31, 2011, Clairvest recognized a stock-based compensation expense of $2.2 million (2010 – $1.4 million) as a result of an increase in the trading price of Clairvest common shares. As at March 31, 2011, $5.5 million (2010 – $4.2 million) has been accrued under the Company's stock option plan, and a further $0.2 million (2010 – $0.1 million) not accrued as those options have not vested.

As at March 31, 2011, a total of 186,258 (2010 – 155,135) DSUs were held by directors of the Company, the accrual in respect of which was $2.8 million (2010 – $2.0 million) and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2011, Clairvest recognized an expense of $0.9 million (2010 – $0.6 million) with respect to DSUs.

As at March 31, 2011, 120,000 (2010 – 120,000) Appreciation DSUs were held by directors of the Company, the accrual in respect of which is $0.3 million (2010 – $19 thousand) and has been included in accounts payable and accrued liabilities. For the year ended March 31, 2011, Clairvest recognized an expense of $0.2 million (2010 – $19 thousand) with respect to Appreciation DSUs.

As at March 31, 2011, a total of 639,112 (2010 – 541,000) BVARs were held by employees of Clairvest, the accrual in respect of which was $0.9 million (2010 – $2.3 million) and has been included in accounts payable and accrued liabilities, and a further $0.7 million (2010 – $1.1 million) not accrued as those BVARs have not vested. For the year ended March 31, 2011, Clairvest recognized an expense of $0.8 million (2010 – $0.8 million) with respect to BVARs.

11. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations is detailed as follows:

	2011	2010
Accounts receivable and other assets	$ 9,857	$ (12,006)
Income taxes recoverable	1,590	(7,210)
Accounts payable and accrued liabilities	(361)	85
Income taxes payable	—	(2,025)
	$ 11,086	$ (21,156)

Cash and cash equivalents at March 31, 2011 and 2010 are comprised of the following:

	2011	2010
Cash	$ 2,186	$ 3,843
Cash equivalents	59,146	39,841
	$ 61,332	$ 43,684

12. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

Cash and cash equivalents have fair values which approximate their carrying values due to their short-term nature.

Receivables, payables, temporary investments and corporate investments are being carried at fair value in accordance with the Company's accounting policy as described in Note 2 to the financial statements.

(b) Foreign Exchange Forward Contracts

As at March 31, 2011, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Foreign exchange forward contracts to sell US$90.3 million (2010 – US$62.8 million) and buy US$2.6 million (2010 – nil) at an average rate of Canadian $0.9980 (2010 – $1.0745) per U.S. dollar through March 2012. The fair value of these contracts at March 31, 2011 is a gain of $2.5 million (2010 – $3.7 million) and has been recognized on the consolidated balance sheets as derivative instruments.

Foreign exchange forward contracts to sell US$83.6 million and buy US$2.3 million (2010 – nil) on behalf of CEP IV. Any amounts paid or received as a result of settlement of these forward contracts will be reimbursed by or paid to CEP IV and therefore the fair value of these forward contracts has not been recognized on Clairvest's consolidated balance sheets.

Foreign exchange forward contracts to sell 14.7 billion Chilean Pesos ("CLP") at an average rate of Canadian $0.001976 per CLP through January 2012. The fair value of these contracts at March 31, 2011 is a loss of $0.9 million and has been recognized on the consolidated balance sheets as derivative instruments.

As at March 31, 2010, the Company had entered into foreign exchange forward contracts to sell Chilean Unidad de Fomento ("CLF") 0.7 million at an average rate of Canadian $44.0993 per CLF through to January 2011. The fair value of these contracts at March 31, 2010 was a gain of $2.2 million and had been recognized on the consolidated balance sheet as derivative instruments. These contracts were settled during fiscal 2011.

13. CONTINGENCIES, COMMITMENTS AND GUARANTEES

(a) Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is $54.7 million, $3.5 million (2010 – $3.5 million) of which remains outstanding at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if the manager of CEP, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

(b) Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is $75.0 million, $15.2 million (2010 – $15.2 million) of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if the manager of CEP III, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

(c) Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A Clairvest's total co-investment commitment is $125.0 million (2010 – nil), $88.4 million of which remains unfunded at March 31, 2011. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if the manager of CEP IV and CEP IV-A, GP I, concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

(d) Clairvest has committed $25.0 million to Wellington Fund III, $12.5 million (2010 – $12.5 million) of which remains unfunded at March 31, 2011.

(e) At March 31, 2011, Clairvest has received profit distributions totaling $1.6 million (2010 – $1.6 million) through its ownership interest in the General Partner of Wellington Fund II and $2.0 million (2010 – $1.5 million) through its ownership interest in the General Partner of Wellington Fund III. Clairvest has guaranteed, up to the amounts received from the respective General Partners, the clawback provisions (the "Clawback") entered into by the General Partners in the event the limited partners of the Wellington Fund II and Wellington Fund III do not meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2011 and 2010, there were no accruals made with respect to the Clawback.

(f) Clairvest has guaranteed up to US$3.4 million of CEP's obligations to a Schedule 1 Canadian chartered bank under CEP's foreign exchange forward contracts with the bank.

(g) Clairvest has guaranteed up to US$15.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank.

(h) Under Clairvest's Incentive Bonus Program (the "Program"), a bonus of 10% of after-tax cash income and realizations on certain of Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2011, $0.8 million (2010 – $0.8 million) has been accrued under the Program and charged to administration and other expense. If Clairvest were to sell its corporate investments at their current fair values, an additional bonus of $1.1 million (2010 – $1.4 million) would be owing to management under this Program. As no such income and realizations have occurred and the terms of the Program with respect to these corporate investments have not yet been fulfilled, the $1.1 million (2010 – $1.4 million) has not been accrued at March 31, 2011. The Program does not apply to the income generated through CEP III Co-Invest and CEP IV Co-Invest.

(i) During fiscal 2006, Clairvest and a wholly owned subsidiary sold their interests in Signature Security Group Holdings Pty Limited ("Signature") and a related company as part of a sale of 100% of Signature and the related company. As part of the transaction, the subsidiary has indemnified the purchaser for various potential claims which will reduce over time. No claims have been made to March 31, 2011.

(j) Clairvest has guaranteed to fund 50% of any operating deficiencies upon the opening of Casino del Sol for a specified period of time. Amounts paid under the guarantee will be allocated 37.6% to CEP III and 25.6% to unrelated third-party investors, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement and the agreements with the unrelated third-party investors, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional equity being granted to Clairvest, CEP III and the unrelated third-party investors allocated on the same basis as the participation in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

(k) Clairvest, together with CEP III, has guaranteed to fund any operating deficiencies of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

(l) Clairvest, together with CEP IV, CEP IV-A and other investors of Midwest Gaming, have entered into a US$20 million joint and several guarantee to fund any cost overruns during the construction of a casino in Des Plaines, Illinois. Any amounts paid under the guarantee will result in additional units being granted to Clairvest, CEP IV, CEP IV-A and the other investors of Midwest Gaming, allocated on the same basis as the participation between Clairvest, CEP IV, CEP IV-A and the other investors of Midwest Gaming in the guarantee funding. As at March 31, 2011, no amounts subject to this guarantee have been funded.

(m) An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2011, no amounts subject to this guarantee have been funded.

(n) As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, borrowed $57.0 million through various acquisition entities from an unrelated financial institution, while another acquisition entity deposited $57.0 million with the financial institution as security for the loan. Clairvest intends to settle the loan, the deposit and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposit and the loan, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition entities was 36.8% at March 31, 2011, with CEP III owning 37.6% and the remainder owned by the other co-investors.

(o) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

14. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the years ended March 31, 2011 and 2010, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at March 31, 2011 and 2010, net of any allowances for losses, were as follows:

	2011	2010
Financial assets		
Cash and cash equivalents	**$ 61,332**	$ 43,684
Temporary investments	**77,006**	108,544
Accounts receivable	**5,366**	18,445
Loans receivable	**126**	698
Derivative instruments	**2,493**	5,900
Corporate investments	**162,177**	118,881
	$ 308,500	$ 296,152
Financial liabilities		
Accounts payable	**$ 176**	$ 23
Derivative instruments	**913**	—
	$ 1,089	$ 23

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivable, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks. At March 31, 2011, a portion of the Company's derivative instruments have an accrued gain and a fair value of $2.5 million. The Company believes the counterparty risk with respect to its derivative instruments is nominal.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. As at March 31, 2011 and 2010, the credit ratings, based on the Dominion Bond Rating Services ("DBRS") rating scale, for the Company's cash, cash equivalents and temporary investments were as follows:

	2011	2010
Cash and term deposits	**$ 2,714**	$ 30,572
Money market savings accounts		
R1-High	**35,716**	—
Guaranteed investment certificates and savings accounts		
AA+	**5,017**	5,025
AA	**41,363**	37,941
AA-	**11,932**	6,980
Corporate bonds		
AA	**13,375**	21,544
AA-	**—**	25,466
A+	**10,049**	7,025
A	**2,991**	2,001
A-	**11,931**	6,976
BBB	**1,751**	5,166
Preferred shares		
P-1 low	**—**	1,954
P-2 low	**1,499**	1,521
Other fixed income investments		
R1-High	**—**	49
Other non-rated securities	**—**	8
Total cash, cash equivalents and temporary investments	**$ 138,338**	$ 152,228

Market Risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy set out in CICA Handbook Section 3862:

	2011			
	Fair value measurements using			Assets/ liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash	$ 2,186	$ —	$ —	$ 2,186
Cash equivalents				
Money market savings accounts	35,716	—	—	35,716
Investment savings accounts	21,151	—	—	21,151
Term deposits	528	—	—	528
Corporate bonds	1,751	—	—	1,751
Fixed income mutual funds	—	—	—	—
	59,146	—	—	59,146
Temporary investments				
Guaranteed investment certificates	—	37,161	—	37,161
Corporate bonds	38,346	—	—	38,346
Preferred shares	1,499	—	—	1,499
	39,845	37,161	—	77,006
Accounts receivable	—	—	5,366	5,366
Loans receivable	—	—	126	126
Derivative instruments	—	2,493	—	2,493
Corporate investments	8,930	—	153,247	162,177
	$ 110,107	$ 39,654	$ 158,739	$ 308,500
Financial liabilities				
Accounts payable and accrued liabilities	—	—	176	176
Derivative instruments	—	913	—	913
	$ —	$ 913	$ 176	$ 1,089

	2010			
	Fair value measurements using			Assets/ liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash	$ 3,843	$ —	$ —	$ 3,843
Cash equivalents				
Investment savings accounts	7,898	—	—	7,898
Term deposits	26,728	—	—	26,728
Corporate bonds	5,166	—	—	5,166
Fixed income mutual funds	49	—	—	49
	39,841	—	—	39,841
Temporary investments				
Guaranteed investment certificates	—	42,049	—	42,049
Corporate bonds	63,020	—	—	63,020
Preferred shares	3,475	—	—	3,475
	66,495	42,049	—	108,544
Accounts receivable	—	—	18,445	18,445
Loans receivable	—	—	698	698
Derivative instruments	—	5,900	—	5,900
Corporate investments	5,564	—	113,317	118,881
	$ 115,743	$ 47,949	$ 132,460	$ 296,152
Financial liabilities				
Accounts payable and accrued liabilities	—	—	23	23
	$ —	$ —	$ 23	$ 23

The following table presents the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in CICA Handbook Section 3862:

	Fair value April 1, 2010	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2011	Unrealized gains and foreign exchange revaluations included in earnings for the year ended March 31, 2011 for positions still held
Financial assets						
Accounts receivable	**$ 18,445**	**$ —**	**$ 26,289**	**$ (39,368)**	**$ 5,366**	**$ —**
Loans receivable	**698**	**—**	**55,876**	**(56,448)**	**126**	**—**
Corporate investments	**113,317**	**17,598**	**54,270**	**(31,938)**	**153,247**	**13,737**
	132,460	**17,598**	**136,435**	**(127,754)**	**158,739**	**13,737**
Financial liabilities						
Accounts payable	**23**	**—**	**2,234**	**(2,081)**	**176**	**—**
	$ 23	**$ —**	**$ 2,234**	**$ (2,081)**	**$ 176**	**$ —**

	Fair value April 1, 2009	Total realized / unrealized gains (losses) and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2010	Unrealized gains (losses) and foreign exchange revaluations included in earnings for the year ended March 31, 20110 for positions still held
Financial assets						
Accounts receivable	$ 6,719	$ —	$ 50,290	$ (38,564)	$ 18,445	$ —
Loans receivable	8,549	—	74,436	(82,287)	698	—
Corporate investments	102,797	(3,339)	20,077	(6,218)	113,317	(3,003)
	118,065	(3,339)	144,803	(127,069)	132,460	(3,003)
Financial liabilities						
Accounts payable	268	—	529	(774)	23	—
	$ 268	$ —	$ 529	$ (774)	$ 23	$ —

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would be an increase or decrease of $1.1 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2011.

The Company held $1.5 million in preferred shares of corporations in its temporary investments portfolio at March 31, 2011. A sensitivity analysis on market risk is therefore not disclosed due to the Company's minimal exposure to market risk.

As at March 31, 2011, approximately 5.5% of the fair value of the Company's corporate investments was in publicly traded companies. If market prices were higher or lower by 5% as at March 31, 2011, the potential effect would be an increase or decrease of $0.4 million to the carrying value of corporate investments and net unrealized gains (losses) on corporate investments on a pre-tax basis for the year ended March 31, 2011.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple used in a valuation model based on earnings used for each individual investment. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. Investments which are valued using the earnings multiple approach include Chilean Gaming Holdings, Casino New Brunswick, Kubra, Landauer, Light Tower Rentals, and LSNE. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of $6.9 million or decrease of $9.1 million to the carrying value of corporate investments and net unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2011. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 14 companies in 8 industries and 3 countries as at March 31, 2011. Concentration risk by industry and by country is as follows:

	2011				2010			
	Canada	**United States**	**Chile**	**Fair value**	Canada	United States	Chile	Fair value
Automotive related	**$ —**	**$ —**	**$ —**	**$ —**	$ 4,853	$ —	$ —	$ 4,853
Business services	**—**	**8,033**	**—**	**8,033**	1,035	6,573	—	7,608
Contract manufacturing	**—**	**5,697**	**—**	**5,697**	—	4,887	—	4,887
Financial services	**17,131**	**—**	**—**	**17,131**	16,569	—	—	16,569
Gaming	**13,691**	**41,690**	**29,890**	**85,271**	17,318	—	39,076	56,394
Health and medical related	**—**	**5,590**	**—**	**5,590**	—	7,693	—	7,693
Information technology	**—**	**8,753**	**—**	**8,753**	—	5,494	—	5,494
Oil field service	**—**	**14,254**	**—**	**14,254**	—	6,280	—	6,280
Waste management	**—**	**16,256**	**—**	**16,256**	—	8,952	—	8,952
Other	**1,192**	**—**	**—**	**1,192**	151	—	—	151
Total	**$ 32,014**	**$100,273**	**$ 29,890**	**$ 162,177**	$ 39,926	$ 39,879	$ 39,076	$ 118,881

The Company has considered current economic events and indicators in the valuation of its corporate investments.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the board.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's fair value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact on the fair value of these investments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. See Note 13 which describes the Company's contingencies, commitments and guarantees.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

15. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages the third-party capital committed or invested in the CEP Funds and co-investments made by other investors. At March 31, 2011, Clairvest had cash, cash equivalents and temporary investments of $138.3 million (2010 – $152.2 million), in addition to $162.2 million (2010 – $118.9 million) of corporate investments. Clairvest also had access to $95.0 million (2010 – $20.0 million) through its credit facilities and $297.8 million (2010 – $267.9 million) of uncalled committed third-party capital for acquisitions through the CEP Funds at March 31, 2011.

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity such that funds are available to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing corporate investments;
- Achieve an appropriate risk-adjusted return on capital;
- Build the long-term value of its corporate investments; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by earning a carried interest.

At March 31, 2011 and 2010, Clairvest had no external capital requirements, other than as disclosed in Note 13.

16. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been restated from statements previously presented to conform to the presentation of the 2011 consolidated financial statements.

SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2011

SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. Annual and quarterly reports are provided as part of this process and the company releases information on material events through the press, as required. Further disclosure can be found on the company's website, www.clairvest.com.

VALUATION MEASURES

Clairvest's focus is on building the long–term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments. The fair value method, however, is not without limitations. Clairvest's investments are often carried at values which may vary from the actual realizations.

OUTSTANDING SECURITIES

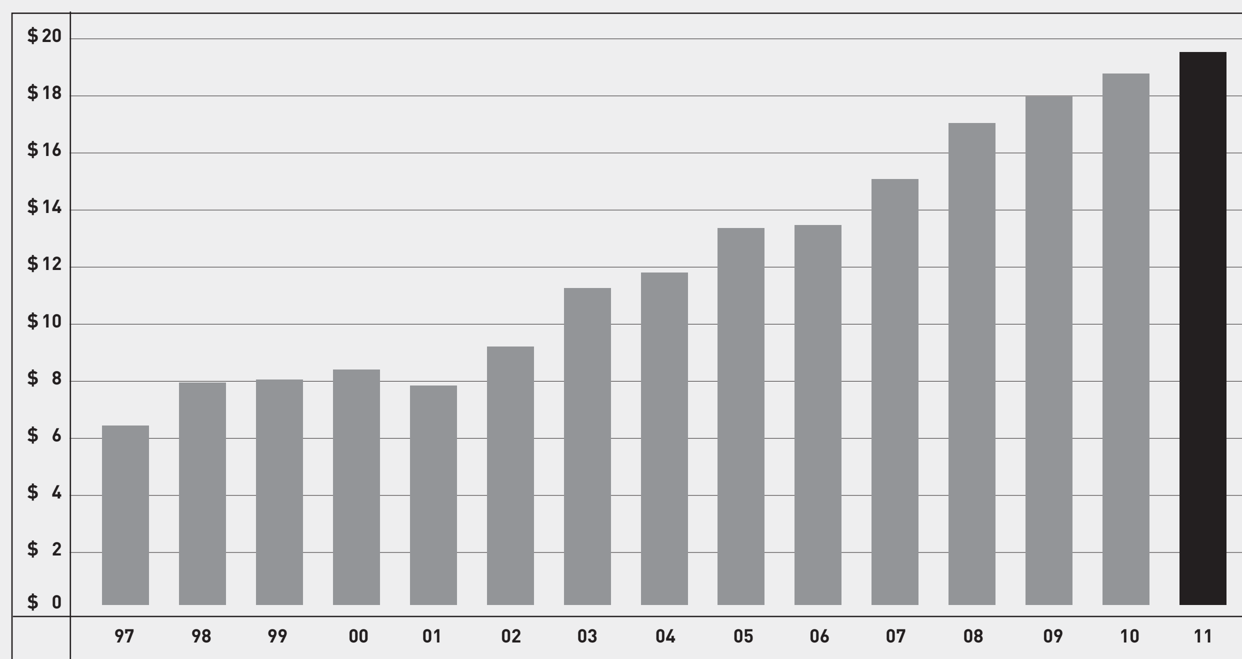
Share structure:	Common Shares[3]	
Common shares outstanding		15,392,695
Less holders of 10% or more		10,015,327
Public float:[1,2]		5,377,368
Market capitalization:[1]		$ 223,194,078
Market value of public float:[1,2]		$ 77,971,836
Stock market:	Toronto Stock Exchange	
Stock symbol:	CVG	

(1) As at May 31, 2011.
(2) Excludes holders of 10% or more of the outstanding common shares.
(3) During the year, Clairvest filed a new Normal Course Issuer Bid.

DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last twenty-one years. Over the last nineteen years the annual dividend has been $0.10 per common share. It is Clairvest's current intention to continue to pay an annual dividend.

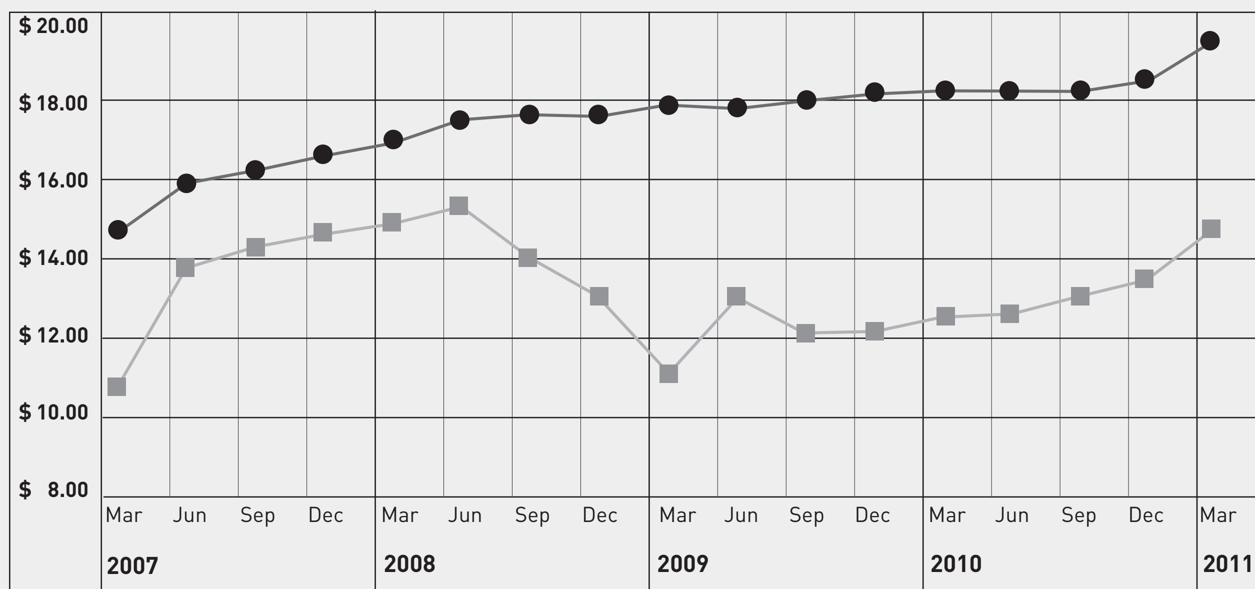
BOOK VALUE PER SHARE



SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2011

SHARE PRICE VS BOOK VALUE PER SHARE



SHARE TRADING VOLUME FISCAL 2011

Common Shares	High	Low	Close	Volume
Year to March 31, 2011				
First Quarter	**12.70**	**12.25**	**12.47**	**87,299**
Second Quarter	**12.97**	**12.30**	**12.95**	**312,932**
Third Quarter	**13.50**	**13.04**	**13.38**	**50,956**
Fourth Quarter	**15.06**	**13.34**	**14.76**	**701,552**
Year to March 31, 2010				
First Quarter	12.99	10.52	12.99	25,437
Second Quarter	12.59	11.85	12.00	63,825
Third Quarter	12.79	11.91	12.10	66,378
Fourth Quarter	12.60	12.15	12.40	50,550

SHAREHOLDER INQUIRIES

Daniel Cheng, Chief Financial Officer
tel: 416.925.9270
fax: 416.925.5753
email: danielc@clairvest.com

GREAT CANADIAN GAMING CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Periods Ended
March 31, 2014 and 2013

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

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

		March 31, 2014	December 31, 2013
Assets			
Current			
Cash and cash equivalents	Note 4	**$ 204.7**	$ 192.6
Accounts receivable		**8.7**	7.2
Income taxes receivable		**2.8**	3.7
Prepaids, deposits and other assets		**6.9**	8.0
		223.1	211.5
Property, plant and equipment	Note 6	**591.0**	596.3
Intangible assets	Note 7	**77.1**	75.8
Goodwill	Note 8	**20.9**	20.6
Deferred tax assets		**10.3**	8.8
Other assets		**2.6**	2.7
		$ 925.0	$ 915.7
Liabilities			
Current			
Accounts payable and accrued liabilities	Note 11(c)	**$ 54.3**	$ 67.9
Other liabilities		**2.4**	2.6
		56.7	70.5
Long-term debt	Note 9	**441.2**	441.0
Deferred credits, provisions and other liabilities	Note 11(c)	**25.8**	26.4
Deferred tax liabilities		**73.6**	70.3
		597.3	608.2
Shareholders' equity			
Share capital and reserves	Note 11	**307.4**	305.1
Accumulated other comprehensive income		**1.3**	0.4
Retained earnings		**19.0**	2.0
		327.7	307.5
		$ 925.0	$ 915.7

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 6, 2014

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Earnings

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

		Three months ended March 31, 2014	2013
Revenues	Note 12	**$ 103.8**	$ 100.5
Expenses			
Human resources	Note 18	**40.6**	39.1
Property, marketing and administration		**25.1**	23.1
Amortization		**12.2**	13.0
Share-based compensation	Note 11,18	**0.4**	2.1
Reversal of impairment of long-lived assets	Note 5	**(5.2)**	(28.5)
Interest and financing costs, net		**8.1**	8.2
Restructuring and other	Note 13	**-**	1.1
Foreign exchange gain and other		**(0.3)**	(0.2)
		80.9	57.9
Earnings before income taxes		**22.9**	42.6
Income taxes	Note 14	**5.9**	11.3
Net earnings		**$ 17.0**	$ 31.3
Net earnings per common share	Note 15		
Basic		**$ 0.25**	$ 0.44
Diluted		**$ 0.25**	$ 0.44
Weighted average number of common shares			
Basic		**67,459,236**	70,432,051
Diluted		**69,127,202**	71,488,532

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited - Expressed in millions of Canadian dollars)

	Three months ended March 31, 2014	2013
Net earnings	**$ 17.0**	$ 31.3
Other comprehensive income, net of tax		
Unrealized effect of foreign currency translation of foreign operations	**0.9**	0.4
Total comprehensive income	**$ 17.9**	$ 31.7

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - Expressed in millions of Canadian dollars)

		Share Capital				Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	
		Number [1]	Amount	Reserves	Share Capital and Reserves			Total
At January 1, 2013		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3
Share-based compensation	Note 11	-	-	1.2	1.2	-	-	1.2
Exercise of incentive stock options		132	1.3	(0.4)	0.9	-	-	0.9
Common shares purchased	Note 11	(751)	(2.9)	-	(2.9)	-	(4.0)	(6.9)
Net earnings		-	-	-	-	-	31.3	31.3
Other comprehensive income		-	-	-	-	0.4		0.4
At March 31, 2013		69,817	$ 269.7	$ 43.0	$ 312.7	$ (0.6)	$ (4.9)	$ 307.2
At January 1, 2014		67,333	$ 262.7	$ 42.4	$ 305.1	$ 0.4	$ 2.0	$ 307.5
Share-based compensation	Note 11	-	-	0.4	0.4	-	-	0.4
Exercise of incentive stock options		280	2.5	(0.6)	1.9	-	-	1.9
Common shares purchased	Note 11	(1)	-	-	-	-	-	-
Net earnings		-	-	-	-	-	17.0	17.0
Other comprehensive income		-	-	-	-	0.9		0.9
At March 31, 2014		**67,612**	**$ 265.2**	**$ 42.2**	**$ 307.4**	**$ 1.3**	**$ 19.0**	**$ 327.7**

[1] Share information is presented in thousands.

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in millions of Canadian dollars)

		Three months ended March 31, 2014	2013
Cash Flows from Operating Activities			
Earnings before income taxes		**$ 22.9**	$ 42.6
Adjustments to reconcile earnings before income taxes to cash generated by operating activities:			
Amortization		**12.2**	13.0
Reversal of impairment of long-lived assets	Note 5	**(5.2)**	(28.5)
Share-based compensation	Note 11,18	**0.4**	2.1
Interest and financing cost, net		**8.1**	8.2
Foreign exchange gain and other		**(0.3)**	(0.2)
Other		**(0.4)**	(0.3)
Changes in non-cash operating working capital	Note 16	**(3.4)**	3.1
Income taxes paid		**(3.3)**	(4.9)
Cash generated by operating activities		**31.0**	35.1
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net of related accounts payable		**(6.0)**	(6.1)
Interest income received		**0.4**	0.3
Other		**(0.1)**	(0.9)
Cash used in investing activities		**(5.7)**	(6.7)
Cash Flows from Financing Activities			
Proceeds from exercise of incentive stock options, net of issuance costs		**1.9**	0.9
Purchase of common shares	Note 11	**-**	(6.7)
Interest paid		**(15.6)**	(15.8)
Cash used in financing activities		**(13.7)**	(21.6)
Effect of foreign exchange on cash and cash equivalents		**0.5**	0.3
Cash inflow		**12.1**	7.1
Cash and cash equivalents, beginning of period		**192.6**	121.1
Cash and cash equivalents, end of period	Note 4	**$ 204.7**	$ 128.2

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

1. NATURE OF BUSINESS

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

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. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013 ("Annual Financial Statements").

These condensed interim consolidated financial statements were prepared using the same accounting policies as set out in the Company's Annual Financial Statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 3 of the Company's Annual Financial Statements.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2014, the Company adopted the following revised IASs and IFRSs issued by the IASB and interpretation of the International Financial Reporting Standards Interpretations Committee ("IFRIC"). These revised standards and interpretation did not have a material impact on the Company's condensed interim consolidated financial statements.

- *IAS 32, Financial Instruments: Presentation* – amended to clarify under what circumstances financial assets and financial liabilities should be offset.

- *IAS 36, Impairment of Assets* – amended to clarify the standard's disclosure requirements and require the disclosure of the discount rate used in determining an impairment value calculated using a present value technique.

- *IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") and IAS 27, Separate Financial Statements ("IAS 27")* – IFRS 10 has been amended to introduce an exception from the requirement to consolidate subsidiaries for an investment entity. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. IFRS 12 and IAS 27 have been amended to introduce new disclosure requirements for investment entities.

- *IFRIC 21, Levies* – provides guidance for applying IAS 37, *Provisions, contingent liability and contingent assets*, with respect to when a company should recognize a liability for a levy imposed by a government.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements

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 2, Share based payments* – amended the definitions of "vesting condition" and "market conditions" and added definitions for "performance condition" and service condition". These amendments apply to share based payment transactions with a grant date on or after July 1, 2014.

- *IFRS 8, Operating Segments* – amended to require the disclosure of the judgements made by management in applying the aggregation criteria to operating segments and to clarify that the reconciliation of the segment assets is required if they are regularly provided to the chief operation decision-maker. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 13, Fair Value Measurement ("IFRS 13")* – the Basis of Conclusions was amended to clarify that issuing IFRS 13 and amending IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39") did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. IFRS 13 was also amended to clarify the scope of the portfolio exception. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 16, Property, Plant and Equipment and IAS 38, Intangible assets* – amended to clarify that, under the revaluation method, the gross amount of property, plant and equipment and intangible asset is adjusted in a manner consistent with the revaluation of the carrying amount of the asset. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 24, Related Party Disclosures ("IAS 24")* – amended to clarify how payments to entities providing management services are to be disclosed. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 9* – replaces IAS 39. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The IASB tentatively decided that the mandatory effective date will be for annual periods beginning on or after January 1, 2018.

4. CASH AND CASH EQUIVALENTS

	March 31, 2014	December 31, 2013
Cash in banks	**$ 166.8**	$ 152.4
Cash floats	**7.7**	10.1
Cash equivalents	**30.2**	30.1
	$ 204.7	$ 192.6

5. REVERSAL OF IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF GOODWILL

In March 2012, the Government of Ontario announced the cancellation of the "Slots at Racetracks" program for all Ontario racetracks. As a result of this announcement, OLG was directed to both end this program on March 31, 2013 and strategically redistribute the province's slot facilities in an effort to modernize that province's gaming model. On March 29, 2012, OLG provided notice that the site holder agreements with the Company's Ontario racetracks would terminate on March 31, 2013. Georgian Downs' site holder agreement was otherwise scheduled to expire in November 2021 and Flamboro Downs' site holder agreement was otherwise scheduled to expire in April 2016.

As a result of the early termination of the Georgian Downs site holder agreement, the Company recorded impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with the Flamboro Downs site holder agreement. In addition, during the year ended December 31, 2012, the Company recorded $10.3 of impairment related to land in Ontario that was written down to its estimated recoverable amount.

On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario racetracks. Under the terms of these letters, OLG would lease these areas for a five-year term commencing April 1, 2013. The Company and OLG operated as though the key provisions of these leases came into effect on April 1, 2013. On November 29, 2013, the Company signed definitive agreements with OLG related to these letters of intent.

On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding provided support to continue horse racing at the Ontario racetracks for up to two years beyond March 31, 2013 and was conditional upon achievement of specific cost reduction targets. The Company continued to work with the Ontario government and the province's horse racing industry to pursue a longer-term, more sustainable business model for horse racing in Ontario.

On April 26, 2013, Georgian Downs received from OLG a one-time settlement payment of $31.5 in connection with the Georgian Downs facility, and the Company and Georgian Downs provided OLG with a release of claims. The settlement payment was recorded as a reduction of Georgian Downs' property, plant and equipment.

During the first quarter of 2013, as a result of signing the non-binding letters of intent with OLG, the anticipated future execution of definitive agreements, and the settlement payment received from OLG on April 26, 2013, the Company recorded reversals of impairments related to Georgian Downs' and Flamboro Downs' intangible assets and property, plant and equipment.

In April 2014, as a result of signing the Standardbred Alliance agreements with five other Ontario racetrack operators and the Ontario Racing Commission, the Company secured racing funding for its Georgian Downs and Flamboro Downs racetracks for up to five years and will work with the Standardbred Alliance to realize racing operating cost efficiencies. As a result, Flamboro Downs recorded a $5.2 long-lived asset impairment reversal at March 31, 2014.

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

The following table summarizes the impairments during 2012 and the impairment reversals during 2013 and 2014 by property and by asset class:

	Georgian Downs				Flamboro Downs		
	Property, plant and equipment	Intangible assets	Goodwill	Total	Property, plant and equipment	Intangible assets	Total
Carrying amount at January 1, 2012	$ 64.9	$ 25.5	$ 3.2	$ 93.6	$ 13.9	$ 40.6	$ 54.5
Net additions and amortization	(1.9)	(1.7)	-	(3.6)	(1.3)	(4.6)	(5.9)
Impairments	(23.5)	(8.2)	(3.2)	(34.9)	(5.2)	(24.2)	(29.4)
Carrying amount at December 31, 2012	$ 39.5	$ 15.6	$ -	$ 55.1	$ 7.4	$ 11.8	$ 19.2
Net additions and amortization	(0.5)	(0.3)	-	(0.8)	(0.4)	(1.3)	(1.7)
Impairment reversals	11.7	8.0	-	19.7	1.5	7.3	8.8
Carrying amount at March 31, 2013	$ 50.7	$ 23.3	$ -	$ 74.0	$ 8.5	$ 17.8	$ 26.3
Net additions and amortization	0.4	(0.3)	-	0.1	(0.1)	(0.9)	(1.0)
Settlement payment	(31.5)	-	-	(31.5)	-	-	-
Carrying amount at June 30, 2013	$ 19.6	$ 23.0	$ -	$ 42.6	$ 8.4	$ 16.9	$ 25.3
Net additions and amortization	(0.2)	(0.5)	-	(0.7)	(0.3)	(1.8)	(2.1)
Carrying amount at December 31, 2013	$ 19.4	$ 22.5	$ -	$ 41.9	$ 8.1	$ 15.1	$ 23.2
Net additions and amortization	**(0.1)**	**(0.3)**	**-**	**(0.4)**	**(0.1)**	**(0.9)**	**(1.0)**
Impairment reversal	**-**	**-**	**-**	**-**	**1.0**	**4.2**	**5.2**
Carrying amount at March 31, 2014	**$ 19.3**	**$ 22.2**	**$ -**	**$ 41.5**	**$ 9.0**	**$ 18.4**	**$ 27.4**

The recoverable amounts for long-lived assets and goodwill at March 31, 2014 were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using an after-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, human resources and property, marketing and administration expenses, and the expected useful life of the CGU. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. As the carrying values of Georgian Downs' and Flamboro Downs' long-lived assets as at March 31, 2014 were equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or reversal of an impairment loss.

In connection with the impairments and subsequent impairment reversals recorded for Georgian Downs and Flamboro Downs, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of this change in estimate of remaining useful lives, the impairments and the impairment reversals will be a $0.3 increase in the annual non-cash amortization expense related to these assets on a prospective basis, when compared to the year ended December 31, 2013.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Building Improvements	Leasehold Improvements	Equipment	Properties Under Development	Total
Cost						
Balance at January 1, 2013	$ 82.3	$ 681.4	$ 81.4	$ 109.2	$ 11.0	$ 965.3
Additions	-	0.4	0.1	3.4	24.3	28.2
Settlement payment [(1)]	-	(31.5)	-	-	-	(31.5)
Disposals	-	-	-	(0.3)	-	(0.3)
Reclassifications	0.1	22.2	0.9	5.1	(28.3)	-
Translation and other	0.2	0.7	0.2	0.4	-	1.5
Balance at December 31, 2013	$ 82.6	$ 673.2	$ 82.6	$ 117.8	$ 7.0	$ 963.2
Additions	**-**	**-**	**-**	**0.8**	**1.7**	**2.5**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Reclassifications	**-**	**0.4**	**-**	**0.4**	**(0.8)**	**-**
Translation and other	**0.1**	**0.4**	**0.2**	**0.2**	**-**	**0.9**
Balance at March 31, 2014	**$ 82.7**	**$ 674.0**	**$ 82.8**	**$ 119.2**	**$ 7.9**	**$ 966.6**
Accumulated amortization and impairments						
Balance at January 1, 2013	$ (11.2)	$ (182.0)	$ (54.1)	$ (93.3)	$ (3.4)	$ (344.0)
Amortization	-	(25.3)	(3.5)	(6.9)	-	(35.7)
Disposals	-	-	-	0.3	-	0.3
Impairment reversals [(2)]	-	13.0	-	0.2	-	13.2
Translation and other	-	(0.2)	(0.2)	(0.3)	-	(0.7)
Balance at December 31, 2013	$ (11.2)	$ (194.5)	$ (57.8)	$ (100.0)	$ (3.4)	$ (366.9)
Amortization	**-**	**(6.5)**	**(0.8)**	**(2.0)**	**-**	**(9.3)**
Impairment reversal [(3)]	**-**	**0.9**	**-**	**0.1**	**-**	**1.0**
Translation and other	**-**	**(0.1)**	**(0.1)**	**(0.2)**	**-**	**(0.4)**
Balance at March 31, 2014	**$ (11.2)**	**$ (200.2)**	**$ (58.7)**	**$ (102.1)**	**$ (3.4)**	**$ (375.6)**
Carrying amount						
At December 31, 2013	$ 71.4	$ 478.7	$ 24.8	$ 17.8	$ 3.6	$ 596.3
At March 31, 2014	**$ 71.5**	**$ 473.8**	**$ 24.1**	**$ 17.1**	**$ 4.5**	**$ 591.0**

[(1)] The settlement payment received from OLG relates to the Georgian Downs facility (see Note 5).

[(2)] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 5).

[(3)] The impairment reversal relates to Flamboro Downs (see Note 5).

7. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder/ Lease Agreements	Other	Total
Cost					
Balance at January 1, 2013, January 1, 2014 and March 31, 2014	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at January 1, 2013	$ (47.3)	$ (23.9)	$ (78.6)	$ (1.4)	$ (151.2)
Amortization	(3.2)	(4.3)	(5.1)	(0.2)	(12.8)
Impairment reversals [1]	-	-	15.3	-	15.3
Balance at January 1, 2014	$ (50.5)	$ (28.2)	$ (68.4)	$ (1.6)	$ (148.7)
Amortization	**(0.6)**	**(1.1)**	**(1.2)**	**-**	**(2.9)**
Impairment reversal [2]	**-**	**-**	**4.2**	**-**	**4.2**
Balance at March 31, 2014	**$ (51.1)**	**$ (29.3)**	**$ (65.4)**	**$ (1.6)**	**$ (147.4)**
Carrying amount					
At December 31, 2013	$ 30.9	$ 6.4	$ 37.6	$ 0.9	$ 75.8
At March 31, 2014	**$ 30.3**	**$ 5.3**	**$ 40.6**	**$ 0.9**	**$ 77.1**

[1] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 5).
[2] The impairment reversal relates to Flamboro Downs (see Note 5).

8. GOODWILL

	Total
Cost	
Balance at January 1, 2013	$ 47.4
Foreign exchange movements	0.5
Balance at January 1, 2014	$ 47.9
Foreign exchange movements	0.3
Balance at March 31, 2014	**$ 48.2**
Impairments	
Balance at January 1, 2013, January 1, 2014 and March 31, 2014	**$ (27.3)**

Carrying amount	GCC [1]	GCEC [2]	ORL [3]	Great American Casinos	Total
At December 31, 2013	$ 1.6	$ 3.8	$ 8.1	$ 7.1	$ 20.6
At March 31, 2014	**$ 1.6**	**$ 3.8**	**$ 8.1**	**$ 7.4**	**$ 20.9**

[1] "GCC" means Great Canadian Casinos Inc., a wholly-owned subsidiary of the Company.
[2] "GCEC" means Great Canadian Entertainment Centres Ltd., a wholly-owned subsidiary of the Company.
[3] "ORL" means Orangeville Raceway Limited, a wholly-owned subsidiary of the Company.

9. LONG-TERM DEBT

	March 31, 2014	December 31, 2013
Senior Unsecured Notes, net of unamortized transaction costs of $8.8 (2013 - $9.0)	**$ 441.2**	$ 441.0

As at March 31, 2014 and December 31, 2013, the Company's long-term debt facilities consist of $450.0 Senior Unsecured Notes ("Senior Unsecured Notes") and a $350.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility").

a) *Senior Unsecured Notes*

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

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

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and are amortized through the "interest and financing costs, net" of the condensed interim consolidated statements of earnings over the term of the Senior Unsecured Notes using the effective interest method.

b) *Revolving Credit Facility*

As at March 31, 2014, subject to compliance with the related financial covenants, the Company has $320.2 (December 31, 2013 - $320.2) of available credit on its Revolving Credit Facility after deducting outstanding letters of credit of $29.8 (December 31, 2013 - $29.8). The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

On July 24, 2012, the Company extended the maturity of its Credit and Guarantee Agreement ("Credit Agreement"), which covers the terms of its $350.0 Revolving Credit Facility by one year to July 21, 2017. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio (as defined in the underlying Credit Agreement), which is calculated quarterly on a trailing twelve month basis (see Note 10).

Transaction costs associated with past refinancing of the Revolving Credit Facility totalling $0.5 during the year 2012 are included in the "other assets" line of the condensed interim consolidated statements of financial position and are amortized through the "interest and financing costs, net" line of the condensed interim consolidated statements of earnings over the term of the Revolving Credit Facility using the effective interest method.

The Revolving Credit Facility is guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. The Revolving Credit Facility requires the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are calculated quarterly on a trailing twelve month basis are: Total Debt to Adjusted EBITDA ratio of 5.00 or less, Senior Secured Debt to Adjusted EBITDA ratio of 3.50 or less, and Interest Coverage ratio of 2.25 or more (see Note 10).

10. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt;
- Cash and cash equivalents; 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.

As at March 31, 2014, 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	2.50
Senior Secured Debt to Adjusted EBITDA ratio (1)	< 3.50	0.00
Interest Coverage ratio (1)	> 2.25	5.65
Fixed Charge Coverage ratio (2)	> 2.00	5.67

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

As part of its capital structure monitoring process, the Company's independent credit ratings as at March 31, 2014 were as follows:

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

11. SHARE CAPITAL AND RESERVES

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

a) Normal course issuer bid

During the three months ended March 31, 2014, the Company purchased 800 common shares at a volume weighted-average price per share of $14.02 under its normal course issuer bid. This bid allows the Company to purchase up to 4,231,075 of its common shares, commenced on January 30, 2014, and expires on January 29, 2015, or earlier if the number of shares approved for purchase in the issuer bid has been obtained. All shares purchased by the Company were cancelled.

During the three months ended March 31, 2013, the Company purchased 751,040 common shares at a volume weighted-average price per share of $9.29 under its normal course issuer bid which expired January 29, 2014. All shares purchased by the Company were subsequently cancelled.

b) Share option plan

The changes in the number of share options and their weighted-average exercise price during the three months ended March 31, 2014 and the year ended December 31, 2013 were as follows:

	March 31, 2014		December 31, 2013	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**4,155**	**$ 8.02**	4,493	$ 7.08
Granted	**1,511**	**13.64**	1,432	9.11
Forfeited	**(1)**	**9.11**	(81)	8.68
Expired	**-**	**-**	(280)	13.40
Exercised	**(280)**	**6.95**	(1,409)	5.00
Outstanding, end of period	**5,385**	**$ 9.65**	4,155	$ 8.02

[1] Option information is presented in thousands.

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

	Three months ended March 31,	
	2014	2013
Option award fair value	**$ 2.62**	$ 1.54
Risk-free interest rate	**1.3%**	1.1%
Expected lives	**3.5 years**	2.5 years
Expected volatility [2]	**23.0%**	25.0%
Dividend yield	**0.0%**	0.0%

[2] 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 three months ended March 31, 2014, the Company recorded equity-settled share-based compensation expense of $0.4 (2013 - $1.2).

11. SHARE CAPITAL AND RESERVES (Continued)

c) Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs")

The changes in DSUs and RSUs provided to non-employee directors of the Company during the three months ended March 31, 2014 and the year ended December 31, 2013 were as follows:

	March 31, 2014		December 31, 2013	
Number of Units [1]	**DSUs**	**RSUs**	DSUs	RSUs
Outstanding, beginning of period	**278**	**-**	216	17
Issued	**4**	**-**	108	8
Settled in cash	**-**	**-**	(46)	(25)
Outstanding, end of period	**282**	**-**	278	-

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

The Company recorded a liability of $3.3 in "deferred credits, provisions and other liabilities" at March 31, 2014 (December 31, 2013 - $3.3), $0.5 in "accounts payable and accrued liabilities" at March 31, 2014 (December 31, 2013 - $0.5), and cash-settled share-based compensation expense of $nil for the three months ended March 31, 2014 (2013 - $0.9).

Effective January 1, 2014, the Company introduced a new employee incentive program. The new program contains the opportunity for eligible employees to be awarded employee cash-settled RSUs if they exceed certain business targets for a prior fiscal year. Any RSUs so granted would vest over two years from the date of grant.

12. REVENUES

	Three months ended March 31	
	2014	2013
Gaming revenues	**$ 71.1**	$ 74.9
Facility Development Commission	**8.8**	8.8
Hospitality, lease and other revenues	**25.6**	18.2
Racetrack revenues	**3.3**	3.2
	108.8	105.1
Less: Promotional allowances	**(5.0)**	(4.6)
	$ 103.8	$ 100.5

13. RESTRUCTURING AND OTHER

	Three months ended March 31,			
		2014		2013
Severance	**$**	**0.2**	$	1.0
Business development and other		**(0.2)**		0.1
	$	**-**	$	1.1

14. INCOME TAXES

	Three months ended March 31			
		2014		2013
Applicable federal and provincial statutory income tax rates [1]		**26.0%**		25.0%
Earnings (loss) before income taxes	**$**	**22.9**	$	42.6
Expected income tax expense (recovery) for the period		**6.0**		10.7
Effect of:				
Non-deductible share-based compensation		**0.1**		0.3
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries		**-**		0.4
Other items		**(0.2)**		(0.1)
	$	**5.9**	$	11.3

[1] The applicable federal and provincial statutory income tax rate used for the 2014 and 2013 reconciliations above is the income tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction. The rate increased effective April 1, 2013 from 25% to 26% due to an increase in the provincial income tax rate of 1%.

The Company's operations are conducted in countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to taxable income or loss, deferred tax assets or liabilities and operating or capital loss carry-forwards.

15. NET EARNINGS PER COMMON SHARE

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

		Three months ended March 31, 2014	2013
Net earnings	(A)	**$ 17.0**	$ 31.3
Weighted-average number of common shares outstanding [1]	(B)	**67,459**	70,432
Dilutive adjustment for stock options [1]		**1,668**	1,057
Diluted weighted-average number of common shares [1]	(C)	**69,127**	71,489
Net earnings per common share			
Basic	(A/B)	**$ 0.25**	$ 0.44
Diluted	(A/C)	**$ 0.25**	$ 0.44

(1) Share information is presented in thousands.

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

	Three months ended March 31, 2014	2013
Options [2]	**1,511**	1,465

(2) Option information is presented in thousands.

16. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended March 31 2014	2013
Accounts receivable	**(1.7)**	1.5
Prepaids, deposits and other assets	**1.2**	0.5
Accounts payable and accrued liabilities	**(2.9)**	1.1
	$ (3.4)	$ 3.1

17. SEGMENT INFORMATION

The Company's management considers each of its gaming properties to be an operating segment since it reviews their operating results, assesses their performance, and makes resource allocations decisions on a property-by-property basis. The Company has aggregated these operations as one reportable segment based on their similar economic characteristics, types of customers, types of services and products provided, the regulatory environment in which they operate and their management and reporting structure.

The Company also conducts its business in two geographic areas: Canada and the United States ("US"). Revenues, EBITDA[1] and additions to long-lived assets and goodwill attributable to these geographic locations are as follows:

	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 96.8**	**$ 36.9**	**$ 2.5**	$ 94.7	$ 37.4	$ 7.0
U.S.	**7.0**	**1.2**	**-**	5.8	0.9	-
	$ 103.8	**$ 38.1**	**$ 2.5**	$ 100.5	$ 38.3	$ 7.0

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

	Three months ended March 31, 2014	2013
EBITDA	**$ 38.1**	$ 38.3
Less:		
Amortization	**12.2**	13.0
Share-based compensation	**0.4**	2.1
Reversal of impairment of long-lived assets	**(5.2)**	(28.5)
Interest and financing costs, net	**8.1**	8.2
Restructuring and other	**-**	1.1
Foreign exchange gain and other	**(0.3)**	(0.2)
Earnings before income taxes	**$ 22.9**	$ 42.6

Property, plant and equipment, goodwill, and total assets attributable to each geographic location are as follows:

	As at March 31, 2014			As at December 31, 2013		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 578.3**	**$ 13.5**	**$ 898.5**	$ 583.9	$ 13.5	$ 890.0
U.S.	**12.7**	**7.4**	**26.5**	12.4	7.1	25.7
	$ 591.0	**$ 20.9**	**$ 925.0**	$ 596.3	$ 20.6	$ 915.7

[1] EBITDA is a non-IFRS measure and as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, share-based compensation, reversal of impairment of long-lived assets, restructuring and other, and foreign exchange gain and other.

18. RELATED PARTY TRANSACTIONS

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

	Three months ended March 31,	
	2014	2013
Human resources [1]	**$ 0.5**	$ 0.6
Share-based compensation [2]	**0.1**	1.3
Total	**$ 0.6**	$ 1.9

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

[2] Share-based compensation includes equity- and cash-settled share-based compensation described in Note 11.

As at March 31, 2014, the liabilities of the Company include amounts due to key management personnel of $0.7 (December 31, 2013 - $1.5) in “accounts payable and accrued liabilities” and $3.3 (December 31, 2013 - $3.3) in “deferred credits, provisions and other liabilities” of the condensed interim consolidated statements of financial position.

19. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

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

	Three months ended March 31,	
	2014	2013
Opening Approved Amounts	**$ 380.9**	$ 412.0
Additional Approved Amounts	**1.6**	1.1
FDC receipts	**(8.8)**	(8.8)
Closing Approved Amounts	**$ 373.7**	$ 404.3

FDC is a reimbursement by BCLC of Approved Amounts of qualified, primarily capital, expenditures that have been incurred by the Company and is calculated as a fixed percentage of gross gaming win. Reimbursement of the Approved Amounts under the terms of BCLC's FDC policy requires that the Company's operating agreements with BCLC remain in good standing and that sufficient gross gaming win is generated. As a result, Approved Amounts have not been recorded in the condensed interim consolidated statements of financial position.

20. FAIR VALUE MEASUREMENTS

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

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

The Company's long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at March 31, 2014, the fair value and carrying value of the Company's cash equivalents was $30.2 (December 31, 2013 - $30.1). As at March 31, 2014, the Company's long-term debt instruments had a fair value of $473.2 (December 31, 2013 - $464.7) and a carrying value of $441.2 (December 31, 2013 - $441.0).

The Company's contingent future trailing payments are recurring Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at March 31, 2014, the fair value and carrying value of the Company's contingent future trailing payments was $3.3 (December 31, 2013 - $3.7). The following table reconciles the opening to the ending balances of the trailing payments:

		Trailing payments
Balance at January 1, 2014	$	3.7
Net credit to earnings[1]		(0.1)
Settlement		(0.3)
Balance at March 31, 2014	**$**	**3.3**

[1] The net credit to earnings comprise of a decrease in the estimated provision of $0.2 recorded in "restructuring and other" and accretion of $0.1 recorded in "interest and financing costs, net" on the condensed interim consolidated statements of earnings.

The valuation technique used in the determination of the fair value measurement of contingent future trailing payments is the discounted cash flow approach. The valuation model considers the present value of the cash flows expected to be paid as trailing payments. The key unobservable inputs are the estimated future slot revenues at Chances Chilliwack and the discount rate. The estimated fair value of this liability increases with higher estimated future slot revenues and lower discount rates. The calculation of the fair value of the contingent future trailing payments is performed by the Company at the end of each reporting period.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and Level 3 financial instruments during the period.

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in millions of Canadian dollars)

			March 31, 2014		December 31, 2013
Assets					
Current					
Cash and cash equivalents	Note 4	**$**	**204.7**	$	192.6
Accounts receivable			**8.7**		7.2
Income taxes receivable			**2.8**		3.7
Prepaids, deposits and other assets			**6.9**		8.0
			223.1		211.5
Property, plant and equipment	Note 6		**591.0**		596.3
Intangible assets	Note 7		**77.1**		75.8
Goodwill	Note 8		**20.9**		20.6
Deferred tax assets			**10.3**		8.8
Other assets			**2.6**		2.7
		$	**925.0**	$	915.7
Liabilities					
Current					
Accounts payable and accrued liabilities	Note 11(c)	**$**	**54.3**	$	67.9
Other liabilities			**2.4**		2.6
			56.7		70.5
Long-term debt	Note 9		**441.2**		441.0
Deferred credits, provisions and other liabilities	Note 11(c)		**25.8**		26.4
Deferred tax liabilities			**73.6**		70.3
			597.3		608.2
Shareholders' equity					
Share capital and reserves	Note 11		**307.4**		305.1
Accumulated other comprehensive income			**1.3**		0.4
Retained earnings			**19.0**		2.0
			327.7		307.5
		$	**925.0**	$	915.7

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 6, 2014

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Earnings

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

		Three months ended March 31, 2014	2013
Revenues	Note 12	**$ 103.8**	$ 100.5
Expenses			
Human resources	Note 18	**40.6**	39.1
Property, marketing and administration		**25.1**	23.1
Amortization		**12.2**	13.0
Share-based compensation	Note 11,18	**0.4**	2.1
Reversal of impairment of long-lived assets	Note 5	**(5.2)**	(28.5)
Interest and financing costs, net		**8.1**	8.2
Restructuring and other	Note 13	**-**	1.1
Foreign exchange gain and other		**(0.3)**	(0.2)
		80.9	57.9
Earnings before income taxes		**22.9**	42.6
Income taxes	Note 14	**5.9**	11.3
Net earnings		**$ 17.0**	$ 31.3
Net earnings per common share	Note 15		
Basic		**$ 0.25**	$ 0.44
Diluted		**$ 0.25**	$ 0.44
Weighted average number of common shares			
Basic		**67,459,236**	70,432,051
Diluted		**69,127,202**	71,488,532

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited - Expressed in millions of Canadian dollars)

	Three months ended March 31,	
	2014	2013
Net earnings	**$ 17.0**	$ 31.3
Other comprehensive income, net of tax		
Unrealized effect of foreign currency translation of foreign operations	**0.9**	0.4
Total comprehensive income	**$ 17.9**	$ 31.7

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - Expressed in millions of Canadian dollars)

		Share Capital			Share Capital and	Accumulated Other Comprehensive	Retained Earnings	
		Number [1]	Amount	Reserves	Reserves	Income (Loss)	(Deficit)	Total
At January 1, 2013		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3
Share-based compensation	Note 11	-	-	1.2	1.2	-	-	1.2
Exercise of incentive stock options		132	1.3	(0.4)	0.9	-	-	0.9
Common shares purchased	Note 11	(751)	(2.9)	-	(2.9)	-	(4.0)	(6.9)
Net earnings		-	-	-	-	-	31.3	31.3
Other comprehensive income		-	-	-	-	0.4		0.4
At March 31, 2013		69,817	$ 269.7	$ 43.0	$ 312.7	$ (0.6)	$ (4.9)	$ 307.2
At January 1, 2014		67,333	$ 262.7	$ 42.4	$ 305.1	$ 0.4	$ 2.0	$ 307.5
Share-based compensation	Note 11	-	-	0.4	0.4	-	-	0.4
Exercise of incentive stock options		280	2.5	(0.6)	1.9	-	-	1.9
Common shares purchased	Note 11	(1)	-	-	-	-	-	-
Net earnings		-	-	-	-	-	17.0	17.0
Other comprehensive income		-	-	-	-	0.9		0.9
At March 31, 2014		**67,612**	**$ 265.2**	**$ 42.2**	**$ 307.4**	**$ 1.3**	**$ 19.0**	**$ 327.7**

[1] Share information is presented in thousands.

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in millions of Canadian dollars)

		Three months ended March 31, 2014	2013
Cash Flows from Operating Activities			
Earnings before income taxes		**$ 22.9**	$ 42.6
Adjustments to reconcile earnings before income taxes to cash generated by operating activities:			
Amortization		**12.2**	13.0
Reversal of impairment of long-lived assets	Note 5	**(5.2)**	(28.5)
Share-based compensation	Note 11,18	**0.4**	2.1
Interest and financing cost, net		**8.1**	8.2
Foreign exchange gain and other		**(0.3)**	(0.2)
Other		**(0.4)**	(0.3)
Changes in non-cash operating working capital	Note 16	**(3.4)**	3.1
Income taxes paid		**(3.3)**	(4.9)
Cash generated by operating activities		**31.0**	35.1
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net of related accounts payable		**(6.0)**	(6.1)
Interest income received		**0.4**	0.3
Other		**(0.1)**	(0.9)
Cash used in investing activities		**(5.7)**	(6.7)
Cash Flows from Financing Activities			
Proceeds from exercise of incentive stock options, net of issuance costs		**1.9**	0.9
Purchase of common shares	Note 11	**-**	(6.7)
Interest paid		**(15.6)**	(15.8)
Cash used in financing activities		**(13.7)**	(21.6)
Effect of foreign exchange on cash and cash equivalents		**0.5**	0.3
Cash inflow		**12.1**	7.1
Cash and cash equivalents, beginning of period		**192.6**	121.1
Cash and cash equivalents, end of period	Note 4	**$ 204.7**	$ 128.2

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

1. NATURE OF BUSINESS

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

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. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013 ("Annual Financial Statements").

These condensed interim consolidated financial statements were prepared using the same accounting policies as set out in the Company's Annual Financial Statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 3 of the Company's Annual Financial Statements.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2014, the Company adopted the following revised IASs and IFRSs issued by the IASB and interpretation of the International Financial Reporting Standards Interpretations Committee ("IFRIC"). These revised standards and interpretation did not have a material impact on the Company's condensed interim consolidated financial statements.

- *IAS 32, Financial Instruments: Presentation* – amended to clarify under what circumstances financial assets and financial liabilities should be offset.

- *IAS 36, Impairment of Assets* – amended to clarify the standard's disclosure requirements and require the disclosure of the discount rate used in determining an impairment value calculated using a present value technique.

- *IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") and IAS 27, Separate Financial Statements ("IAS 27")* – IFRS 10 has been amended to introduce an exception from the requirement to consolidate subsidiaries for an investment entity. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. IFRS 12 and IAS 27 have been amended to introduce new disclosure requirements for investment entities.

- *IFRIC 21, Levies* – provides guidance for applying IAS 37, *Provisions, contingent liability and contingent assets*, with respect to when a company should recognize a liability for a levy imposed by a government.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements

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 2, Share based payments* – amended the definitions of "vesting condition" and "market conditions" and added definitions for "performance condition" and service condition". These amendments apply to share based payment transactions with a grant date on or after July 1, 2014.
- *IFRS 8, Operating Segments* – amended to require the disclosure of the judgements made by management in applying the aggregation criteria to operating segments and to clarify that the reconciliation of the segment assets is required if they are regularly provided to the chief operation decision-maker. It is effective for annual periods beginning on or after July 1, 2014.
- *IFRS 13, Fair Value Measurement ("IFRS 13")* – the Basis of Conclusions was amended to clarify that issuing IFRS 13 and amending IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39") did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. IFRS 13 was also amended to clarify the scope of the portfolio exception. It is effective for annual periods beginning on or after July 1, 2014.
- *IAS 16, Property, Plant and Equipment and IAS 38, Intangible assets* – amended to clarify that, under the revaluation method, the gross amount of property, plant and equipment and intangible asset is adjusted in a manner consistent with the revaluation of the carrying amount of the asset. It is effective for annual periods beginning on or after July 1, 2014.
- *IAS 24, Related Party Disclosures ("IAS 24")* – amended to clarify how payments to entities providing management services are to be disclosed. It is effective for annual periods beginning on or after July 1, 2014.
- *IFRS 9* – replaces IAS 39. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The IASB tentatively decided that the mandatory effective date will be for annual periods beginning on or after January 1, 2018.

4. CASH AND CASH EQUIVALENTS

	March 31, 2014	December 31, 2013
Cash in banks	**$ 166.8**	$ 152.4
Cash floats	**7.7**	10.1
Cash equivalents	**30.2**	30.1
	$ 204.7	$ 192.6

5. REVERSAL OF IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF GOODWILL

In March 2012, the Government of Ontario announced the cancellation of the "Slots at Racetracks" program for all Ontario racetracks. As a result of this announcement, OLG was directed to both end this program on March 31, 2013 and strategically redistribute the province's slot facilities in an effort to modernize that province's gaming model. On March 29, 2012, OLG provided notice that the site holder agreements with the Company's Ontario racetracks would terminate on March 31, 2013. Georgian Downs' site holder agreement was otherwise scheduled to expire in November 2021 and Flamboro Downs' site holder agreement was otherwise scheduled to expire in April 2016.

As a result of the early termination of the Georgian Downs site holder agreement, the Company recorded impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with the Flamboro Downs site holder agreement. In addition, during the year ended December 31, 2012, the Company recorded $10.3 of impairment related to land in Ontario that was written down to its estimated recoverable amount.

On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario racetracks. Under the terms of these letters, OLG would lease these areas for a five-year term commencing April 1, 2013. The Company and OLG operated as though the key provisions of these leases came into effect on April 1, 2013. On November 29, 2013, the Company signed definitive agreements with OLG related to these letters of intent.

On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding provided support to continue horse racing at the Ontario racetracks for up to two years beyond March 31, 2013 and was conditional upon achievement of specific cost reduction targets. The Company continued to work with the Ontario government and the province's horse racing industry to pursue a longer-term, more sustainable business model for horse racing in Ontario.

On April 26, 2013, Georgian Downs received from OLG a one-time settlement payment of $31.5 in connection with the Georgian Downs facility, and the Company and Georgian Downs provided OLG with a release of claims. The settlement payment was recorded as a reduction of Georgian Downs' property, plant and equipment.

During the first quarter of 2013, as a result of signing the non-binding letters of intent with OLG, the anticipated future execution of definitive agreements, and the settlement payment received from OLG on April 26, 2013, the Company recorded reversals of impairments related to Georgian Downs' and Flamboro Downs' intangible assets and property, plant and equipment.

In April 2014, as a result of signing the Standardbred Alliance agreements with five other Ontario racetrack operators and the Ontario Racing Commission, the Company secured racing funding for its Georgian Downs and Flamboro Downs racetracks for up to five years and will work with the Standardbred Alliance to realize racing operating cost efficiencies. As a result, Flamboro Downs recorded a $5.2 long-lived asset impairment reversal at March 31, 2014.

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

The following table summarizes the impairments during 2012 and the impairment reversals during 2013 and 2014 by property and by asset class:

	Georgian Downs				Flamboro Downs		
	Property, plant and equipment	Intangible assets	Goodwill	Total	Property, plant and equipment	Intangible assets	Total
Carrying amount at January 1, 2012	$ 64.9	$ 25.5	$ 3.2	$ 93.6	$ 13.9	$ 40.6	$ 54.5
Net additions and amortization	(1.9)	(1.7)	-	(3.6)	(1.3)	(4.6)	(5.9)
Impairments	(23.5)	(8.2)	(3.2)	(34.9)	(5.2)	(24.2)	(29.4)
Carrying amount at December 31, 2012	$ 39.5	$ 15.6	$ -	$ 55.1	$ 7.4	$ 11.8	$ 19.2
Net additions and amortization	(0.5)	(0.3)	-	(0.8)	(0.4)	(1.3)	(1.7)
Impairment reversals	11.7	8.0	-	19.7	1.5	7.3	8.8
Carrying amount at March 31, 2013	$ 50.7	$ 23.3	$ -	$ 74.0	$ 8.5	$ 17.8	$ 26.3
Net additions and amortization	0.4	(0.3)	-	0.1	(0.1)	(0.9)	(1.0)
Settlement payment	(31.5)	-	-	(31.5)	-	-	-
Carrying amount at June 30, 2013	$ 19.6	$ 23.0	$ -	$ 42.6	$ 8.4	$ 16.9	$ 25.3
Net additions and amortization	(0.2)	(0.5)	-	(0.7)	(0.3)	(1.8)	(2.1)
Carrying amount at December 31, 2013	$ 19.4	$ 22.5	$ -	$ 41.9	$ 8.1	$ 15.1	$ 23.2
Net additions and amortization	**(0.1)**	**(0.3)**	**-**	**(0.4)**	**(0.1)**	**(0.9)**	**(1.0)**
Impairment reversal	**-**	**-**	**-**	**-**	**1.0**	**4.2**	**5.2**
Carrying amount at March 31, 2014	**$ 19.3**	**$ 22.2**	**$ -**	**$ 41.5**	**$ 9.0**	**$ 18.4**	**$ 27.4**

The recoverable amounts for long-lived assets and goodwill at March 31, 2014 were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using an after-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, human resources and property, marketing and administration expenses, and the expected useful life of the CGU. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. As the carrying values of Georgian Downs' and Flamboro Downs' long-lived assets as at March 31, 2014 were equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or reversal of an impairment loss.

In connection with the impairments and subsequent impairment reversals recorded for Georgian Downs and Flamboro Downs, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of this change in estimate of remaining useful lives, the impairments and the impairment reversals will be a $0.3 increase in the annual non-cash amortization expense related to these assets on a prospective basis, when compared to the year ended December 31, 2013.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Building Improvements	Leasehold Improvements	Equipment	Properties Under Development	Total
Cost						
Balance at January 1, 2013	$ 82.3	$ 681.4	$ 81.4	$ 109.2	$ 11.0	$ 965.3
Additions	-	0.4	0.1	3.4	24.3	28.2
Settlement payment [1]	-	(31.5)	-	-	-	(31.5)
Disposals	-	-	-	(0.3)	-	(0.3)
Reclassifications	0.1	22.2	0.9	5.1	(28.3)	-
Translation and other	0.2	0.7	0.2	0.4	-	1.5
Balance at December 31, 2013	$ 82.6	$ 673.2	$ 82.6	$ 117.8	$ 7.0	$ 963.2
Additions	**-**	**-**	**-**	**0.8**	**1.7**	**2.5**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Reclassifications	**-**	**0.4**	**-**	**0.4**	**(0.8)**	**-**
Translation and other	**0.1**	**0.4**	**0.2**	**0.2**	**-**	**0.9**
Balance at March 31, 2014	**$ 82.7**	**$ 674.0**	**$ 82.8**	**$ 119.2**	**$ 7.9**	**$ 966.6**
Accumulated amortization and impairments						
Balance at January 1, 2013	$ (11.2)	$ (182.0)	$ (54.1)	$ (93.3)	$ (3.4)	$ (344.0)
Amortization	-	(25.3)	(3.5)	(6.9)	-	(35.7)
Disposals	-	-	-	0.3	-	0.3
Impairment reversals [2]	-	13.0	-	0.2	-	13.2
Translation and other	-	(0.2)	(0.2)	(0.3)	-	(0.7)
Balance at December 31, 2013	$ (11.2)	$ (194.5)	$ (57.8)	$ (100.0)	$ (3.4)	$ (366.9)
Amortization	**-**	**(6.5)**	**(0.8)**	**(2.0)**	**-**	**(9.3)**
Impairment reversal [3]	**-**	**0.9**	**-**	**0.1**	**-**	**1.0**
Translation and other	**-**	**(0.1)**	**(0.1)**	**(0.2)**	**-**	**(0.4)**
Balance at March 31, 2014	**$ (11.2)**	**$ (200.2)**	**$ (58.7)**	**$ (102.1)**	**$ (3.4)**	**$ (375.6)**
Carrying amount						
At December 31, 2013	$ 71.4	$ 478.7	$ 24.8	$ 17.8	$ 3.6	$ 596.3
At March 31, 2014	**$ 71.5**	**$ 473.8**	**$ 24.1**	**$ 17.1**	**$ 4.5**	**$ 591.0**

[1] The settlement payment received from OLG relates to the Georgian Downs facility (see Note 5).

[2] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 5).

[3] The impairment reversal relates to Flamboro Downs (see Note 5).

7. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder/ Lease Agreements	Other	Total
Cost					
Balance at January 1, 2013, January 1, 2014 and March 31, 2014	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at January 1, 2013	$ (47.3)	$ (23.9)	$ (78.6)	$ (1.4)	$ (151.2)
Amortization	(3.2)	(4.3)	(5.1)	(0.2)	(12.8)
Impairment reversals [1]	-	-	15.3	-	15.3
Balance at January 1, 2014	$ (50.5)	$ (28.2)	$ (68.4)	$ (1.6)	$ (148.7)
Amortization	**(0.6)**	**(1.1)**	**(1.2)**	**-**	**(2.9)**
Impairment reversal [2]	**-**	**-**	**4.2**	**-**	**4.2**
Balance at March 31, 2014	**$ (51.1)**	**$ (29.3)**	**$ (65.4)**	**$ (1.6)**	**$ (147.4)**
Carrying amount					
At December 31, 2013	$ 30.9	$ 6.4	$ 37.6	$ 0.9	$ 75.8
At March 31, 2014	**$ 30.3**	**$ 5.3**	**$ 40.6**	**$ 0.9**	**$ 77.1**

[1] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 5).
[2] The impairment reversal relates to Flamboro Downs (see Note 5).

8. GOODWILL

	Total
Cost	
Balance at January 1, 2013	$ 47.4
Foreign exchange movements	0.5
Balance at January 1, 2014	$ 47.9
Foreign exchange movements	0.3
Balance at March 31, 2014	**$ 48.2**
Impairments	
Balance at January 1, 2013, January 1, 2014 and March 31, 2014	**$ (27.3)**

Carrying amount	GCC [1]	GCEC [2]	ORL [3]	Great American Casinos	Total
At December 31, 2013	$ 1.6	$ 3.8	$ 8.1	$ 7.1	$ 20.6
At March 31, 2014	**$ 1.6**	**$ 3.8**	**$ 8.1**	**$ 7.4**	**$ 20.9**

[1] "GCC" means Great Canadian Casinos Inc., a wholly-owned subsidiary of the Company.
[2] "GCEC" means Great Canadian Entertainment Centres Ltd., a wholly-owned subsidiary of the Company.
[3] "ORL" means Orangeville Raceway Limited, a wholly-owned subsidiary of the Company.

9. LONG-TERM DEBT

	March 31, 2014	December 31, 2013
Senior Unsecured Notes, net of unamortized transaction costs of $8.8 (2013 - $9.0)	**$ 441.2**	$ 441.0

As at March 31, 2014 and December 31, 2013, the Company's long-term debt facilities consist of $450.0 Senior Unsecured Notes ("Senior Unsecured Notes") and a $350.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility").

a) *Senior Unsecured Notes*

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

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

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and are amortized through the "interest and financing costs, net" of the condensed interim consolidated statements of earnings over the term of the Senior Unsecured Notes using the effective interest method.

b) *Revolving Credit Facility*

As at March 31, 2014, subject to compliance with the related financial covenants, the Company has $320.2 (December 31, 2013 - $320.2) of available credit on its Revolving Credit Facility after deducting outstanding letters of credit of $29.8 (December 31, 2013 - $29.8). The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

On July 24, 2012, the Company extended the maturity of its Credit and Guarantee Agreement ("Credit Agreement"), which covers the terms of its $350.0 Revolving Credit Facility by one year to July 21, 2017. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio (as defined in the underlying Credit Agreement), which is calculated quarterly on a trailing twelve month basis (see Note 10).

Transaction costs associated with past refinancing of the Revolving Credit Facility totalling $0.5 during the year 2012 are included in the "other assets" line of the condensed interim consolidated statements of financial position and are amortized through the "interest and financing costs, net" line of the condensed interim consolidated statements of earnings over the term of the Revolving Credit Facility using the effective interest method.

The Revolving Credit Facility is guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. The Revolving Credit Facility requires the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are calculated quarterly on a trailing twelve month basis are: Total Debt to Adjusted EBITDA ratio of 5.00 or less, Senior Secured Debt to Adjusted EBITDA ratio of 3.50 or less, and Interest Coverage ratio of 2.25 or more (see Note 10).

10. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt;
- Cash and cash equivalents; 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.

As at March 31, 2014, 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	2.50
Senior Secured Debt to Adjusted EBITDA ratio (1)	< 3.50	0.00
Interest Coverage ratio (1)	> 2.25	5.65
Fixed Charge Coverage ratio (2)	> 2.00	5.67

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

As part of its capital structure monitoring process, the Company's independent credit ratings as at March 31, 2014 were as follows:

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

11. SHARE CAPITAL AND RESERVES

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

a) Normal course issuer bid

During the three months ended March 31, 2014, the Company purchased 800 common shares at a volume weighted-average price per share of $14.02 under its normal course issuer bid. This bid allows the Company to purchase up to 4,231,075 of its common shares, commenced on January 30, 2014, and expires on January 29, 2015, or earlier if the number of shares approved for purchase in the issuer bid has been obtained. All shares purchased by the Company were cancelled.

During the three months ended March 31, 2013, the Company purchased 751,040 common shares at a volume weighted-average price per share of $9.29 under its normal course issuer bid which expired January 29, 2014. All shares purchased by the Company were subsequently cancelled.

b) Share option plan

The changes in the number of share options and their weighted-average exercise price during the three months ended March 31, 2014 and the year ended December 31, 2013 were as follows:

	March 31, 2014		December 31, 2013	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**4,155**	**$ 8.02**	4,493	$ 7.08
Granted	**1,511**	**13.64**	1,432	9.11
Forfeited	**(1)**	**9.11**	(81)	8.68
Expired	**-**	**-**	(280)	13.40
Exercised	**(280)**	**6.95**	(1,409)	5.00
Outstanding, end of period	**5,385**	**$ 9.65**	4,155	$ 8.02

[1] Option information is presented in thousands.

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

	Three months ended March 31,	
	2014	2013
Option award fair value	**$ 2.62**	$ 1.54
Risk-free interest rate	**1.3%**	1.1%
Expected lives	**3.5 years**	2.5 years
Expected volatility [2]	**23.0%**	25.0%
Dividend yield	**0.0%**	0.0%

[2] 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 three months ended March 31, 2014, the Company recorded equity-settled share-based compensation expense of $0.4 (2013 - $1.2).

11. SHARE CAPITAL AND RESERVES (Continued)

c) Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs")

The changes in DSUs and RSUs provided to non-employee directors of the Company during the three months ended March 31, 2014 and the year ended December 31, 2013 were as follows:

	March 31, 2014		December 31, 2013	
Number of Units [1]	**DSUs**	**RSUs**	DSUs	RSUs
Outstanding, beginning of period	**278**	**-**	216	17
Issued	**4**	**-**	108	8
Settled in cash	**-**	**-**	(46)	(25)
Outstanding, end of period	**282**	**-**	278	-

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

The Company recorded a liability of $3.3 in "deferred credits, provisions and other liabilities" at March 31, 2014 (December 31, 2013 - $3.3), $0.5 in "accounts payable and accrued liabilities" at March 31, 2014 (December 31, 2013 - $0.5), and cash-settled share-based compensation expense of $nil for the three months ended March 31, 2014 (2013 - $0.9).

Effective January 1, 2014, the Company introduced a new employee incentive program. The new program contains the opportunity for eligible employees to be awarded employee cash-settled RSUs if they exceed certain business targets for a prior fiscal year. Any RSUs so granted would vest over two years from the date of grant.

12. REVENUES

	Three months ended March 31	
	2014	2013
Gaming revenues	**$ 71.1**	$ 74.9
Facility Development Commission	**8.8**	8.8
Hospitality, lease and other revenues	**25.6**	18.2
Racetrack revenues	**3.3**	3.2
	108.8	105.1
Less: Promotional allowances	**(5.0)**	(4.6)
	$ 103.8	$ 100.5

13. RESTRUCTURING AND OTHER

	Three months ended March 31,			
		2014		2013
Severance	**$**	**0.2**	$	1.0
Business development and other		**(0.2)**		0.1
	$	**-**	$	1.1

14. INCOME TAXES

	Three months ended March 31			
		2014		2013
Applicable federal and provincial statutory income tax rates [1]		**26.0%**		25.0%
Earnings (loss) before income taxes	**$**	**22.9**	$	42.6
Expected income tax expense (recovery) for the period		**6.0**		10.7
Effect of:				
Non-deductible share-based compensation		**0.1**		0.3
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries		**-**		0.4
Other items		**(0.2)**		(0.1)
	$	**5.9**	$	11.3

[1] The applicable federal and provincial statutory income tax rate used for the 2014 and 2013 reconciliations above is the income tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction. The rate increased effective April 1, 2013 from 25% to 26% due to an increase in the provincial income tax rate of 1%.

The Company's operations are conducted in countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to taxable income or loss, deferred tax assets or liabilities and operating or capital loss carry-forwards.

15. NET EARNINGS PER COMMON SHARE

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

		Three months ended March 31, 2014	2013
Net earnings	(A)	**$ 17.0**	$ 31.3
Weighted-average number of common shares outstanding [1]	(B)	**67,459**	70,432
Dilutive adjustment for stock options [1]		**1,668**	1,057
Diluted weighted-average number of common shares [1]	(C)	**69,127**	71,489
Net earnings per common share			
Basic	(A/B)	**$ 0.25**	$ 0.44
Diluted	(A/C)	**$ 0.25**	$ 0.44

(1) Share information is presented in thousands.

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

	Three months ended March 31, 2014	2013
Options [2]	**1,511**	1,465

(2) Option information is presented in thousands.

16. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended March 31 2014	2013
Accounts receivable	**(1.7)**	1.5
Prepaids, deposits and other assets	**1.2**	0.5
Accounts payable and accrued liabilities	**(2.9)**	1.1
	$ (3.4)	$ 3.1

17. SEGMENT INFORMATION

The Company's management considers each of its gaming properties to be an operating segment since it reviews their operating results, assesses their performance, and makes resource allocations decisions on a property-by-property basis. The Company has aggregated these operations as one reportable segment based on their similar economic characteristics, types of customers, types of services and products provided, the regulatory environment in which they operate and their management and reporting structure.

The Company also conducts its business in two geographic areas: Canada and the United States ("US"). Revenues, EBITDA[1] and additions to long-lived assets and goodwill attributable to these geographic locations are as follows:

	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 96.8**	**$ 36.9**	**$ 2.5**	$ 94.7	$ 37.4	$ 7.0
U.S.	**7.0**	**1.2**	**-**	5.8	0.9	-
	$ 103.8	**$ 38.1**	**$ 2.5**	$ 100.5	$ 38.3	$ 7.0

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

	Three months ended March 31, 2014	2013
EBITDA	**$ 38.1**	$ 38.3
Less:		
Amortization	**12.2**	13.0
Share-based compensation	**0.4**	2.1
Reversal of impairment of long-lived assets	**(5.2)**	(28.5)
Interest and financing costs, net	**8.1**	8.2
Restructuring and other	**-**	1.1
Foreign exchange gain and other	**(0.3)**	(0.2)
Earnings before income taxes	**$ 22.9**	$ 42.6

Property, plant and equipment, goodwill, and total assets attributable to each geographic location are as follows:

	As at March 31, 2014			As at December 31, 2013		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 578.3**	**$ 13.5**	**$ 898.5**	$ 583.9	$ 13.5	$ 890.0
U.S.	**12.7**	**7.4**	**26.5**	12.4	7.1	25.7
	$ 591.0	**$ 20.9**	**$ 925.0**	$ 596.3	$ 20.6	$ 915.7

[1] EBITDA is a non-IFRS measure and as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, share-based compensation, reversal of impairment of long-lived assets, restructuring and other, and foreign exchange gain and other.

18. RELATED PARTY TRANSACTIONS

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

	Three months ended March 31,			
		2014		2013
Human resources [1]	**$**	**0.5**	$	0.6
Share-based compensation [2]		**0.1**		1.3
Total	**$**	**0.6**	$	1.9

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

[2] Share-based compensation includes equity- and cash-settled share-based compensation described in Note 11.

As at March 31, 2014, the liabilities of the Company include amounts due to key management personnel of $0.7 (December 31, 2013 - $1.5) in "accounts payable and accrued liabilities" and $3.3 (December 31, 2013 - $3.3) in "deferred credits, provisions and other liabilities" of the condensed interim consolidated statements of financial position.

19. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

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

	Three months ended March 31,			
		2014		2013
Opening Approved Amounts	**$**	**380.9**	$	412.0
Additional Approved Amounts		**1.6**		1.1
FDC receipts		**(8.8)**		(8.8)
Closing Approved Amounts	**$**	**373.7**	$	404.3

FDC is a reimbursement by BCLC of Approved Amounts of qualified, primarily capital, expenditures that have been incurred by the Company and is calculated as a fixed percentage of gross gaming win. Reimbursement of the Approved Amounts under the terms of BCLC's FDC policy requires that the Company's operating agreements with BCLC remain in good standing and that sufficient gross gaming win is generated. As a result, Approved Amounts have not been recorded in the condensed interim consolidated statements of financial position.

20. FAIR VALUE MEASUREMENTS

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

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

The Company's long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at March 31, 2014, the fair value and carrying value of the Company's cash equivalents was $30.2 (December 31, 2013 - $30.1). As at March 31, 2014, the Company's long-term debt instruments had a fair value of $473.2 (December 31, 2013 - $464.7) and a carrying value of $441.2 (December 31, 2013 - $441.0).

The Company's contingent future trailing payments are recurring Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at March 31, 2014, the fair value and carrying value of the Company's contingent future trailing payments was $3.3 (December 31, 2013 - $3.7). The following table reconciles the opening to the ending balances of the trailing payments:

		Trailing payments
Balance at January 1, 2014	$	3.7
Net credit to earnings[1]		(0.1)
Settlement		(0.3)
Balance at March 31, 2014	**$**	**3.3**

[1] The net credit to earnings comprise of a decrease in the estimated provision of $0.2 recorded in "restructuring and other" and accretion of $0.1 recorded in "interest and financing costs, net" on the condensed interim consolidated statements of earnings.

The valuation technique used in the determination of the fair value measurement of contingent future trailing payments is the discounted cash flow approach. The valuation model considers the present value of the cash flows expected to be paid as trailing payments. The key unobservable inputs are the estimated future slot revenues at Chances Chilliwack and the discount rate. The estimated fair value of this liability increases with higher estimated future slot revenues and lower discount rates. The calculation of the fair value of the contingent future trailing payments is performed by the Company at the end of each reporting period.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and Level 3 financial instruments during the period.

GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended
December 31, 2013

As at March 4, 2014

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

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INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, major developments, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation ("Great Canadian", the "Company", "we", "our") is dated as of March 4, 2014.

This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013 ("Annual Financial Statements"). The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Capitalized terms are either defined when they first appear or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms Used in the MD&A".

Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings (loss) determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, share-based compensation, (reversal of) impairment of long-lived assets, impairment of goodwill, litigation settlement, restructuring and other, and foreign exchange (gain) loss and other. EBITDA is derived from the consolidated statements of earnings (loss), and can be computed as revenues less human resources expenses and property, marketing and administration expenses. We believe EBITDA is a useful measure because it provides information to management about the operating and financial performance of the Company and its ability to generate operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures. EBITDA is also used by the investors and analysts for the purpose of valuing the Company. A reconciliation of EBITDA to shareholders' net earnings (loss) under IFRS is shown in the "Consolidated Results of Operations" section of this MD&A.

Adjusted net earnings, as defined by the Company, means net earnings (loss) plus or minus items of note that management may reasonably quantify and that it believes will provide the reader with a better understanding of the Company's underlying business performance. Items of note may vary from time to time and in this MD&A include (reversal of) impairment of long-lived assets and goodwill, a special share-based award to employees for Company share purchases, rebranding and pre-opening costs for Hard Rock Casino Vancouver, Chances Maple Ridge and Chances Chilliwack, one-time non-recurring accelerated FDC at Chances Chilliwack, litigation settlement, equity investment loss, FDC revenues previously deferred at Fraser Downs, without prejudice dispute resolution payments received from the Ontario Lottery and Gaming Corporation ("OLG"), Senior Subordinated Notes redemption costs and previously deferred transaction costs associated with Term Loan B and Senior Subordinated Notes, settlement of derivative liabilities associated with the cross-currency interest rate and principal swaps, human resources severance costs, restructuring severance costs, and income taxes on the above items of note. A reconciliation between net earnings (loss) and adjusted net earnings is presented in the

"Financial Highlights" section of this MD&A. Adjusted net earnings per common share is defined as adjusted net earnings divided by the weighted average number of common shares outstanding.

The following non-IFRS measures have common definitions in the gaming industry and provide both investors and management with indications of its business' operating volumes and the volatility inherent in the Company's casino games:

- Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate amount of money counted in the table games' drop boxes. Generally, the table drop is an indicator of our gaming business; however over the short-term, the table drop is subject to shifts in customer behaviour around buying, retaining and cashing-in of casino chips.

- Table hold is calculated as the table drop plus or minus the net change in casino chip inventory.

- Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips.

- Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played.

- Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines.

- Slot win is the slot coin-in less amounts cashed out and prizes won by customers.

- Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period.

- Slot win percentage is the ratio of slot win divided by slot coin-in.

Forward-Looking Information

This MD&A contains certain "forward-looking information" or statements within the meaning of applicable securities legislation. Forward-looking information is based on the Company's current expectations, estimates, projections and assumptions that were made by the Company in light of its historical trends and other factors. All information or statements, other than statements of historical fact, are forward-looking information including statements that address expectations, estimates or projections about the future, the terms and expected benefits of the normal course issuer bid, the Company's strategy for growth and its objectives, expected future expenditures, costs, operating and financial results and expected impact of future commitments, the future ability of the Company to operate the Georgian Downs and Flamboro Downs facilities beyond the terms of the signed Ontario Lease Agreements and Ontario Racing Agreements, and expectations and implications of changes in legislation and government policies. Forward-looking information may be identified by words such as "anticipate", "believe", "expect", or similar expressions. Such forward-looking information is not a guarantee of future performance and may involve a number of risks and uncertainties.

Although forward-looking information is based on information and assumptions that the Company believes are current, reasonable and complete, they are subject to unknown risks, uncertainties, and a

number of factors that could cause actual results to vary materially from those expressed or implied by such forward-looking information. Such factors may include, but are not limited to: terms of operational services agreements with lottery corporations; changes to gaming laws that may impact the operational services agreements; pending, proposed or unanticipated regulatory or policy changes; the outcome of restructuring of gaming in Ontario; the Company's ability to obtain and renew required business licenses, leases, and operational services agreements; the future of horse racing in Ontario; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; impact of global liquidity and credit availability; adverse tourism trends and further decreases in levels of travel, leisure and consumer spending; competition from established competitors and new entrants in the gaming business; dependence on key personnel; the Company's ability to manage its capital projects and its expanding operations; the risk that systems, procedures and controls may not be adequate to meet regulatory requirements or to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations rights with respect to some land on which we conduct our operations; future or current legal proceedings; construction disruptions; financial covenants associated with credit facilities and long-term debt; credit, liquidity and market risks associated with our financial instruments; interest and exchange rate fluctuations; non-realization of cost reductions and synergies; demand for new products and services; fluctuations in operating results; economic uncertainty and financial market volatility; technology dependence; and privacy breaches and data theft. The Company cautions that this list of factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2013, and as identified in the Company's disclosure record on SEDAR at www.sedar.com.

The forward-looking information in documents incorporated by reference speak only as of the date of those documents. Readers are cautioned not to place undue reliance on the forward-looking information, as there can be no assurance that the plans, intentions, or expectations upon which they are based will occur. The Company undertakes no obligation to revise forward-looking information to reflect subsequent events or circumstances except as required by law. The forward-looking information contained herein is made as of the date hereof, is subject to change after such date, and is expressly qualified in its entirety by cautionary statements in this MD&A.

FINANCIAL HIGHLIGHTS

	Fourth Quarter			Twelve Months of				
	2013	2012	% Chg	**2013**	2012	% Chg	2011	% Chg
Revenues	**$ 101.6**	$ 102.8	(1%)	**$ 407.3**	$ 408.7	0%	$ 388.2	5%
EBITDA [(1)]	**$ 35.2**	$ 37.5	(6%)	**$ 150.6**	$ 147.6	2%	$ 138.9	6%
EBITDA as a % of Revenues	**34.6%**	36.5%		**37.0%**	36.1%		35.8%	
Net earnings (loss)	**$ 7.2**	$ 2.5	188%	**$ 63.1**	$ (27.6)		$ 26.2	
Net earnings (loss) per common share								
Basic	**$ 0.11**	$ 0.04		**$ 0.92**	$ (0.36)		$ 0.32	
Diluted	**$ 0.10**	$ 0.03		**$ 0.90**	$ (0.36)		$ 0.31	
Adjusted net earnings [(1)]	**$ 11.7**	$ 9.0	30%	**$ 46.9**	$ 45.2	4%	$ 33.2	36%
				December 31, 2013	December 31, 2012	% Chg	December 31, 2011	% Chg
Total assets				**$ 915.7**	$ 862.7	6%	$ 976.1	(12%)
Long-term debt & Derivative liabilities, excluding current portion				**$ 441.0**	$ 439.9	0%	$ 398.9	10%

[(1)] EBITDA and Adjusted net earnings are non-IFRS measures and are defined in the "Introduction - Non-IFRS Measures" section of this MD&A.

Recent Developments
Chances Maple Ridge opened its new permanent facility on October 23, 2013. Hard Rock Casino Vancouver (formerly "Boulevard Casino") was launched on December 20, 2013.

Revenues
For the three month period ended December 31, 2013 ("fourth quarter of 2013"), the Company recorded revenues of $101.6, a $1.2 decrease from the fourth quarter of 2012. This revenue decrease was primarily due to declines at Flamboro Downs and Georgian Downs (the "Ontario Racetracks"), Boulevard Casino (now "Hard Rock Casino Vancouver"), and the Other BC Casinos. As described in the "Major Developments" section of this MD&A, since April 1, 2013, the Company's Ontario Racetracks no longer receive 10% of OLG's slot machine revenues nor directly share in the horse racing pari-mutuel wagering revenues that the tracks generate. Instead, these Ontario Racetracks currently receive slot facility lease revenues from the OLG and horse racing transition funds from the Government of Ontario. Consequently, there was a decline in revenues at the Ontario Racetracks in the fourth quarter of 2013 when compared to the fourth quarter of 2012. At Boulevard Casino ("Boulevard"), the declines in table drop, slot coin-in and food and beverage revenues were attributable to decreased visitation mostly due to disruptions arising from the property refresh, a weakened local economy and construction disruption primarily associated with a heightened level of proximate highway construction that has been ongoing since 2010. The drop in revenues at the Other BC Casinos is primarily due to the $1.7 non-recurring accelerated FDC revenues related to the previous bingo operations at Chilliwack Bingo in the fourth quarter of 2012. These decreases were partially offset by increased revenues at River Rock Casino Resort ("River Rock") and Great American Casinos.

For the twelve month period ended December 31, 2013 ("twelve months of 2013"), the Company recorded revenues of $407.3, a $1.4 decrease from the twelve months of 2012. The revenue decrease was primarily due to declines at Boulevard and the Ontario Racetracks. These decreases were partially offset by increased revenues at River Rock, the Other BC Casinos and Great American Casinos.

Revenues for the twelve month period ended December 31, 2012 were $408.7, a $20.5 increase from the twelve months of 2011. This revenue increase was primarily due to River Rock's growth in table drop, slot coin-in, and hospitality revenues. The Other BC Casinos also experienced an increase in revenue, primarily due to both the non-recurring accelerated FDC revenues of Chilliwack Bingo and the commencement of slot operations at Chances Chilliwack. These increases were partially offset by

decreased gaming revenues at Great American Casinos and by decreased racetrack revenues at the BC Racinos.

EBITDA
The $2.3 decrease in EBITDA in the fourth quarter of 2013 was primarily due to both the decreased revenue performances from the Ontario Racetracks and Boulevard and Chances Chilliwack's receipt of $1.7 in retroactive accelerated FDC revenues in the fourth quarter of 2012. Also contributing to the decrease in EBITDA was the $1.1 pre-opening expenses that the Company incurred for Hard Rock Casino Vancouver and Chances Maple Ridge during the fourth quarter of 2013. The EBITDA deteriorations were partially offset by growth at River Rock and Great American Casinos. EBITDA as a percentage of revenues for the fourth quarter of 2013 was 34.6%, a 1.9 percentage point drop from the fourth quarter of 2012.

The $3.0 increase in EBITDA in the twelve months of 2013 was primarily due to increases at River Rock, Other BC Casinos, Corporate & Other and Great American Casinos, which were partially offset by EBITDA decreases at Boulevard and the Ontario Racetracks. EBITDA as a percentage of revenues for the twelve months of 2013 was 37.0%, a 0.9 percentage point increase from the twelve months of 2012.

EBITDA in the twelve months of 2012 was $147.6, an $8.7 increase from the twelve months of 2011. This increase was primarily due to the increased revenues, which were partially offset by increased operating costs that included non-recurring severance costs of $1.8.

Net earnings (loss)
During the fourth quarter of 2013, Great Canadian's net earnings increased by $4.7, primarily due to both a $6.9 non-cash impairment charge on long-lived assets and $1.8 higher restructuring and other costs that were recognized during the fourth quarter of 2012 as well as $1.3 reduced amortization expenses in 2013. These items were partially offset by the reductions in both EBITDA and income taxes as well as a $5.9 increase in share based compensation expenses related to a special share-based award to certain employees for the purpose of purchasing the Company's shares, as described in the "Major Developments" section of this MD&A.

Net earnings was $63.1 in the twelve months of 2013, compared to net loss of $27.6 in the twelve months of 2012. The improvement is primarily due to two factors: the reversal of $28.5 in non-cash impairment charges on long-lived assets in the twelve months of 2013 associated with Georgian Downs and Flamboro Downs that were originally part of the $64.3 non-cash impairment charges recorded in the twelve months of 2012, as described in the "Major Developments" section of this MD&A, as well as the non-recurring expense of $11.0 associated with the litigation settlement in the second quarter of 2012. Partially offsetting these two factors was the increase in share-based compensation expense, higher income taxes due to earnings growth, which included the non-cash long-lived asset impairment reversals and the increase to the British Columbia provincial corporate income tax rate in 2013.

Net loss was $27.6 in the twelve months of 2012, compared to net earnings of $26.2 in the twelve months of 2011. During the twelve months of 2012, the Company recognized non-cash impairment charges of $54.0 associated with Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, non-cash impairment charges of $10.3 related to land in Ontario that was written down to its estimated recoverable amount, a non-recurring expense of $11.0 related to a litigation settlement and non-recurring expenses of $14.4 associated with the debt refinancing and settlement of the related derivative liabilities. These items were partially offset by lower amortization expense and improved EBITDA.

The current and prior periods' net earnings (loss) included some items of note, which are summarized in the following adjusted net earnings table:

	Fourth Quarter			Twelve Months of				
	2013	2012	% Chg	**2013**	2012	% Chg	2011	% Chg
Net earnings (loss)	**$ 7.2**	$ 2.5	188%	**$ 63.1**	$ (27.6)		$ 26.2	
Items of note								
(Reversal of) impairment of long-lived assets and goodwill	**-**	6.9		**(28.5)**	64.3		4.4	
Special share-based award to employees	**4.8**	-		**4.8**	-		-	
Rebranding and pre-opening costs for Hard Rock Casino Vancouver, Chances Maple Ridge and Chances Chilliwack	**1.1**	0.2		**1.7**	0.2		-	
One-time non-recurring accelerated FDC revenues at Chances Chilliwack	**-**	(1.7)		**-**	(1.7)		-	
Litigation settlement	**-**	-		**-**	11.0		-	
Equity investment loss	**-**	0.9		**-**	3.5		-	
FDC revenues previously deferred at Fraser Downs	**-**	-		**(0.7)**	-		-	
Without prejudice dispute resolution payments received from OLG	**-**	-		**(0.7)**	-		-	
Senior Subordinated Notes redemption costs and previously deferred transaction costs associated with Term Loan B and Senior Subordinated Notes	**-**	-		**-**	6.3		-	
Settlement of derivative liabilities associated with the cross-currency interest rate and principal swaps	**-**	-		**-**	8.1		5.0	
Human resources severance costs	**-**	-		**-**	1.8		-	
Restructuring severance costs	**0.2**	**-**		**1.3**	-		-	
Income taxes on the above items of note	**(1.6)**	0.2		**5.9**	(20.7)		(2.4)	
Adjusted net earnings [(1)]	**$ 11.7**	$ 9.0	30%	**$ 46.9**	$ 45.2	4%	$ 33.2	36%
Adjusted net earnings per common share [(1)]								
Basic	**$ 0.17**	$ 0.13		**$ 0.68**	$ 0.59		$ 0.40	
Diluted	**$ 0.17**	$ 0.13		**$ 0.67**	$ 0.58		$ 0.39	
Weighted average shares outstanding								
Basic	**67,327**	70,346		**68,560**	76,814		82,670	
Diluted	**69,208**	71,605		**69,934**	78,219		84,210	

(1) Adjusted net earnings and Adjusted net earnings per common share are non-IFRS measures and are defined in the "Introduction - Non-IFRS Measures" section of this MD&A.

After adjusting for the above items of note, the Company's adjusted net earnings increased by $2.7, or 30%, in the fourth quarter of 2013, when compared to the fourth quarter of 2012. This increase was primarily due higher earnings and a decrease in income taxes. Adjusted net earnings for the twelve months of 2013 were relatively consistent with the twelve months of 2012. The Company's adjusted net earnings increased by 36% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the growth in EBITDA and lower amortization expense.

Total assets

Total assets increased by $53.0 in the twelve months of 2013, when compared to the total assets as at December 31, 2012. This increase was primarily due to cash generated by operating activities and reversal of impairment charges associated with Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, which was partially offset by the $31.5 settlement payment from OLG, common shares repurchased of $46.6 and the amortization of property, plant and equipment.

Total assets decreased by $113.4 as at December 31, 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares during 2012, non-cash impairment charges of $64.3 associated with Georgian Downs, Flamboro Downs, and land in Ontario that was written down to its estimated recoverable amount and the amortization of property, plant and equipment and intangibles. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment and net proceeds of $31.7 associated with the debt refinancing.

Long-term debt

Long-term debt was relatively consistent at the end of the fourth quarter of 2013 when compared with the balance as at December 31, 2012.

Long-term debt and derivative liabilities increased by $41.0 as at December 31, 2012, when compared to the long-term debt and derivative liabilities as at December 31, 2011. This increase was primarily due to the net proceeds associated with the debt refinancing.

BUSINESS DESCRIPTION

General

The Company operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of three community gaming centres, four racetracks and ten casinos, including one with a Four Diamond hotel resort. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under long-term agreements as partners with provincial lottery corporations. As at December 31, 2013, the Company had approximately 4,600 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and the Company's operating agreements in these jurisdictions are included in the Annual Information Form located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

The Company's principal operating entities as at December 31, 2013 and 2012 were:

Entity	Ownership interest at December 31, 2013 and 2012
Chilliwack Gaming Ltd.	100%
Flamboro Downs Limited	100%
Georgian Downs Limited	100%
Great American Gaming Corporation	100%
Great Canadian Casinos Inc.	100%
Great Canadian Entertainment Centres Ltd.	100%
Hastings Entertainment Inc.	100%
Metropolitan Entertainment Group	100%
Orangeville Raceway Limited	100%
TBC Teletheatre B.C.[1]	50%

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

Business Strategy

The Company's vision is to be the leading gaming, entertainment and hospitality company in its chosen markets by providing superior entertainment value and exceptional experiences. To achieve this goal, the Company has adopted the strategies as outlined below.

1. **Discover New Growth Opportunities.** Great Canadian is actively seeking opportunities to grow shareholder value. These opportunities may be located within both the Company's existing markets and new jurisdictions, and include property expansions, the implementation of new offerings, the development of new properties or projects, and strategic acquisitions. Depending upon the size, scope, and regulatory requirements associated with these opportunities, the Company may elect to align itself with strategic business partners. As a result, the Company may hold minority positions in new investment vehicles.

2. **Drive Incremental Growth at the Company's Existing Facilities.** The majority of Great Canadian's existing properties operate within mature, highly regulated markets. As a result of this regulation, these markets feature considerable barriers to entry that offer significant advantages and protection for incumbent operators. This regulation also requires that the Company work alongside its Crown corporation partners when expanding or introducing gaming offerings. These partners also oversee any loyalty programs within the Company's existing markets. In order to increase market share, penetrate new demographics, and drive incremental growth within this environment, the Company seeks to provide its patrons with a superior entertainment experience. In pursuit of this goal, the Company actively reinvests in its properties, supports its gaming offerings with premium non-gaming entertainment and hospitality options, and strives to maintain the highest standards of guest service.

3. **Continually Improve Guest Experiences.** Great Canadian believes guest satisfaction to be the primary driver of patron loyalty, particularly within mature markets. As a result, the Company constantly strives to distinguish itself from its peers by providing exceptional guest service across its entire property portfolio. The Company pursues this service vision through staff training, performance recognition, and communication, all of which emphasizes the importance of each employee taking personal responsibility to exceed our guests' expectations.

4. **Continuously Improve the Company's Operating Efficiency and Effectiveness.** Much of Great Canadian's recent success can be attributed to the Company's commitment to operating efficiency. This efficiency has been primarily driven by an integrated corporate structure that centralizes major property functions such as accounting, purchasing, and human resources. This structure has been supported by investments in technology and resources that have allowed the Company to realize operational synergies, business process improvements and enhanced labour analysis.

5. **Pursue and Promote Exceptional Corporate Culture.** Since its founding, Great Canadian has placed great emphasis on the importance of social responsibility and corporate citizenship. These core values are best reflected in the Company's commitment to developing and assisting the communities in which it operates. The Company is also committed to maintaining an inclusive corporate culture that rewards and recognizes exceptional service and teamwork. The Company mandates a respectful workplace that prioritizes regulatory compliance.

Operations

The following table summarizes our Canadian casino operations as at December 31, 2013:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates[1]
British Columbia					
River Rock Casino Resort, Richmond, BC	2012	2 hotels with 395 rooms, 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook[3], marina, 28 Touch Bet Roulette terminals	1,110	102	June 23, 2024[2]
Boulevard Casino[4] (now "Hard Rock Casino Vancouver"), Coquitlam, BC	2013	1,051 seat show theatre convertible to 729 seat cabaret with dance floor, 7 dining options, 22 Touch Bet Roulette terminals, 12 Touch Bet Baccarat terminals	949	58	November 16, 2015 / November 16, 2025
View Royal Casino, Victoria, BC	2009	2 dining options, 10 Touch Bet Roulette terminals	601	14	February 28, 2021
Casino Nanaimo, Nanaimo, BC	2013	1 dining option, Racebook[3], 1 electronic table gaming device	384	6	February 28, 2021
Chances Dawson Creek, Dawson Creek, BC	2006	Bingo, 1 dining option, 2 electronic table gaming devices	147	-	June 30, 2016/ June 30, 2026
Chances Maple Ridge[5], Maple Ridge, BC	2013	Bingo, 1 dining option, 2 meeting rooms, entertainment space, outdoor patio, Racebook[3], 2 electronic table gaming devices	173	-	October 31, 2023 / October 31, 2033
Chances Chilliwack, Chilliwack, BC	2012	Bingo, 1 dining option, meeting facility, 2 electronic table gaming devices	173	-	October 31, 2022 / October 31, 2032
Hastings Racecourse and Slots Facility (Thoroughbred Racing), Vancouver, BC	2008	3 dining options[6], concession, Racebook[3]	596	-	October 28, 2017[7]
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, BC	2005	4 dining options, 6 Touch Bet Roulette terminals, Racebook[3]	469	22	March 31, 2014 / March 31, 2024
TBC Teletheatre BC[3]	various	21 Racebooks[3]	-	-	-
Ontario					
Georgian Downs (Standardbred Racing)[8], Innisfil, Ontario	2009	4 dining options, concession, meeting facilities, Racebook, 1,000 slot machines owned and operated by OLG	-	-	March 31, 2018
Flamboro Downs (Standardbred Racing)[8], Flamborough, Ontario	2001	4 dining options, meeting facility, Racebook, 800 slot machines owned and operated by OLG	-	-	March 31, 2018
Nova Scotia					
Casino Nova Scotia Halifax[9], Halifax, Nova Scotia	2006	2 dining options, entertainment show room, lounge, meeting facilities	541	32	July 1, 2015/ July 1, 2025
Casino Nova Scotia Sydney[9], Sydney, Nova Scotia	2006	1 dining option, lounge	275	11	July 1, 2015/ July 1, 2025
			5,418	245	

[1] Renewal terms, at the option of the Company in BC and Nova Scotia. Renewal terms, at the option of OLG in Ontario.
[2] On September 19, 2013, BCLC approved the Company's request to exercise its 10-year extension for River Rock's COSA.

[3] The Company owns or holds an interest in 23 Racebooks in BC. We own and operate two Racebooks; one at each of Hastings Racecourse and Slots Facility and Fraser Downs Racetrack and Casino. The remaining 21 Racebooks, including those at River Rock Casino & Resort, Hard Rock Casino Vancouver, Casino Nanaimo and Chances Maple Ridge are operated by TBC. TBC also offers internet and phone racetrack wagering. The Company owns a 50% interest in TBC and the remaining 50% interest is held by two horsemen's associations, the Harness Racing BC Society and the Horsemen's Benevolent and Protective Association.

[4] The Company completed its rebranding of Boulevard Casino into Hard Rock Casino Vancouver in December 2013, as described in the "Major Developments" section of this MD&A.

[5] Chances Maple Ridge opened its permanent facility in October 2013, as described in the "Major Developments" section of this MD&A. The Community Gaming Centre Operational Services Agreement with BCLC was extended for a 10-year term.

[6] There are up to 5 dining options during the racing season.

[7] The term of Hastings' COSA with BCLC is conditional upon the renewal of the lease term with the City of Vancouver, which expires on November 9, 2014.

[8] The Site Holder Agreements with OLG for the Ontario Racetracks terminated on March 31, 2013. Effective April 1, 2013, OLG is leasing the slot machine areas at the Ontario Racetracks for a five-year term, as described in the "Major Developments" section of this MD&A. Slot machines are owned and operated by OLG and lease revenues are earned from OLG at these properties.

[9] Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

The following table summarizes the Company's consolidated Revenues for the years ended December 31, 2013, 2012, and 2011:

	Twelve Months of		
	2013	2012	2011
Gross Gaming Revenues	**$ 821.3**	$ 827.9	$ 787.6
Facility Development Commission	**34.1**	35.2	32.1
Hospitality, lease and other revenues	**96.8**	82.6	70.4
Racetrack revenues	**14.3**	15.8	19.5
	966.5	961.5	909.6
Less:			
Provincial / state government portion of Gross Gaming Revenues	**(540.7)**	(533.0)	(505.7)
Promotional allowances	**(18.5)**	(19.8)	(15.7)
Revenues	**$ 407.3**	$ 408.7	$ 388.2

The following table summarizes the Company's racetrack operations and the number of actual live race days in 2013, 2012, and 2011:

		Live Race Days		
Property	**Location**	**2013**	2012	2011
Hastings Racecourse and Slot Facility	Vancouver, BC	**63**	67	69
Fraser Downs Racetrack and Casino	Surrey, BC	**77**	79	74
Georgian Downs	Innisfil, ON	**29**	103	103
Flamboro Downs	Flamborough, ON	**94**	188	195

All of our racetrack operations offer simulcast wagering, which allows patrons to place wagers on international and domestic live horse racing events.

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the British Columbia Lottery Corporation ("BCLC"). BCLC in turn engages service providers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based upon its casinos' gaming win, but a significant portion of that gaming win is retained by BCLC. BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates the funds to many areas. These areas include the consolidated revenue fund for public service programs such as education, the Health Special Account for health care expenditures, and disbursements to charitable organizations.

Since 1997, when BCLC assumed responsibility for casino gaming and introduced slot machines in the BC marketplace, the casino business has developed into BCLC's largest earnings stream. The Company believes that the current market and regulatory environment favours the province's incumbent gaming operators.

BCLC's strategy is to continue to develop casino properties that provide players with an exceptional entertainment experience, while positioning casino gaming as a potential tourism attraction where market demand allows. BCLC is also working closely with service provider partners to provide players with tournaments and services that provide entertaining gaming experiences. In addition, the FDC component of the operational services agreements encourages service providers such as the Company to earn additional commissions by investing capital in the improvement of their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2013, the Company's facilities represented 43% of the province's slot machines, which produced 44% of the province's win from slot machines, and 45% of the province's table games, which produced 58% of the province's win from table games.

In BC, the strategic direction and business leadership of the local horse racing industry is provided by the B.C. Horse Racing Industry Management Committee ("BCHRIMC"), which also provides a forum for industry participants to cooperate collectively in the development of the industry. The current BCHRIMC members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of BCLC, representatives from the Government of British Columbia, and the Vice-President of Business Development for the Company. The Agreement provides for mandatory representation on the Committee of a representative of the major racetracks in the province that are owned by the Company.

Under the direction of the BCHRIMC, as described in the "Business of the Company" section of the Company's 2013 Annual Information Form, the Company's BC horse racing operations shared approximately 42% of a consolidated horse racing industry revenue fund in 2013 (2012 – 42%). This fund includes all revenues generated from horse racing and government grants in the province and which has been established and maintained for the purpose of facilitating financial allocations among industry organizations. Also under the direction of the BCHRIMC, TBC Teletheatre B.C., currently operates on a break-even basis whereby it is allocated and permitted to retain a sufficient portion of its revenues to cover its operating expenses, with any surplus of funds being provided to the consolidated horse racing industry revenue fund. Financial allocations from the consolidated horse racing industry revenue fund may be adjusted by resolution of the BCHRIMC. Under the current financial allocations for 2014, the Company's racing industry revenue share percentage is expected to be consistent with 2013.

Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to the timing of their respective live racing seasons. Live racing generally operates from April to October at Hastings Racecourse, and from August to May at Fraser Downs. Gaming offerings and Racebooks at both locations operate year-round.

Metro Vancouver and Vancouver Island, where the majority of the Company's BC facilities are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can produce a negative impact upon short-term attendance at the Company's BC facilities.

Ontario

Regulatory

In Ontario, gaming activities are managed and conducted by OLG. OLG's operations and revenues are organized under four business lines: lotteries, slots and casinos, resort casinos, and bingo. Prior to April 1, 2013, the Company operated two racetracks, with slot operations owned and operated by OLG pursuant to site holder agreements. The Company earned a site holder payment based upon the win generated from the OLG slot machines, but a substantial portion of that win was retained by OLG. According to OLG's website, it directs gaming proceeds to Ontario's health care, education, infrastructure, amateur sports, problem gaming prevention, treatment and research, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation.

In March 2012, the Government of Ontario and OLG decided to end the "Slots at Racetracks" program for all Ontario racetracks on March 31, 2013 as part of an overall plan to modernize that province's gaming model. As part of that plan, and as permitted under the related agreements, on March 29, 2012, OLG provided notice that the site holder agreements with the Company's Georgian Downs and Flamboro Downs racetracks would terminate on March 31, 2013. On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario racetracks. On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding would provide support to continue horse racing at the Ontario Racetracks for up to two years beyond March 31, 2013 and is conditional upon achievement of specific cost reduction targets. On November 29, 2013, the Company signed definitive agreements with OLG whereby OLG would lease slot machine areas at the Ontario racetracks for a five-year term terminating on March 31, 2018.

Seasonality

According to the Ontario Racing Agreements, Georgian Downs will operate live racing from June to August of 2013 and 2014, and Flamboro Downs will operate between November 2013 and March 2014 and for six consecutive months during the twelve-months ending March 31, 2015.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the Nova Scotia Provincial Lotteries & Casinos Corporation ("NSPLCC"). NSPLCC operates two different gaming models: commercial casinos, of which the Company operates the only two within the province, and ticket and video lotteries. Lottery ticket sales are permitted at various locations, whereas video lottery terminals are permitted in licensed liquor establishments, and on First Nations' land. The Company is a service supplier to NSPLCC and earns a commission based upon its casinos' revenues, a portion of which are retained by the NSPLCC. According to NSPLCC's website, the revenues that it retains are directed to the provincial government's general revenue account to help pay for programs and services that benefit the province's residents. These programs and services include investments in infrastructure, schools, hospitals, and community outreach and prevention programs.

In October 2012, the Company signed the second amended and restated operating contract ("AROC") with NSPLCC, effective October 1, 2012. Under the AROC, the Company is entitled to receive an operator's fee equal to 52.24% of the facilities' total revenues, plus an additional 47.76% of non-gaming revenues after

deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue and $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive an additional operator's fee equal to the lesser of $1.3 or 10% of leased slot machines revenues. Prior to October 1, 2012, the Company received 55.5% of both gross gaming and non-gaming revenues, after deduction of the CRC, as well as $1.0 per year related to the operation of leased slot machines. Prior to October 1, 2012, the $1.0 per year received for the leased slot machines was recorded as a reduction to the related leased slot operating expenses that were part of property, marketing and administration expenses.

Seasonality

Halifax and Sydney, where the Nova Scotia casinos are located, do not generally experience harsh weather during the summer months. However, occasional extreme weather conditions in the winter can result in a negative impact on short-term attendance. The gaming industry in Nova Scotia has also historically witnessed a slight increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

Washington State

The following table summarizes our Washington gaming operations as at December 31, 2013:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		59

Regulatory

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates four commercial card rooms in the Greater Seattle area.

While the commercial gaming environment in Washington State is highly regulated, it does not feature the significant barriers to entry associated with the Company's Canadian operations. Individual cities or counties within Washington State may choose to restrict card room operations within their jurisdiction, which could result in the closure of certain locations. Washington State card room operations are conducted pursuant to house banked card room licenses that limit the number of table games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically.

MAJOR DEVELOPMENTS

British Columbia

Boulevard Casino (now "Hard Rock Casino Vancouver")

On July 3, 2013, the Company announced that it planned to rebrand its wholly owned and operated Boulevard Casino, located in Coquitlam, British Columbia, into the "Hard Rock Casino Vancouver" by the end of 2013 under a trademark license from Hard Rock Hotel & Casino HRHH IP, LLC ("HRHH"). The Hard Rock Casino Vancouver facility continues to be owned and operated by Great Canadian, and the renovations are intended to deliver an improved entertainment experience, including a refreshed gaming floor, updated food and beverage offerings, rock and roll memorabilia as well as guest service that is consistent with the brand standard. The initial term of the license agreement is for a period of 10 years and will renew for additional two periods of five years provided the property achieves specified increased revenue targets. If such revenue targets are not achieved, the license agreement may be extended at the Company's option.

The license fees, which are subject to a minimum annual amount, are not expected to have a significant effect on the facility's property, marketing and administration expenses. However, as the facility's revenues grow, the license fees will also increase based on a graduated percentage of revenues. By applying this graduated license fee formula, the value of revenue increases will be significantly more than the value of the license fee increases, so as the business grows, more dollars will be available to contribute to the property's increased operating expenses required to support such growth.

During the third quarter of 2012, the Company commenced the refresh and repositioning of Boulevard Casino to both attract new patrons and bring back guests who had been inconvenienced by proximate local highway construction. The first phase of the project was substantially completed on December 20, 2013 with the relaunch of the property as Hard Rock Casino Vancouver. The Company anticipates our guests' access to the property may still be affected by some continued municipal and provincial roadwork during the first quarter of 2014, and it will take some time for them to become familiar with the improved access and newly established routes to the property. As at December 31, 2013, the Company has spent approximately $12.3 of an estimated total of $13.2 on this first phase of the project. Non-recurring pre-opening and training costs associated with the rebranding of the casino of $1.0 and $1.5 were expensed in the fourth quarter and twelve months of 2013, respectively.

The second phase of the redevelopment is being considered. It is contemplated that this second phase will feature a hotel, conference facilities, additional dining options, and better integration of the facility's existing entertainment and dining amenities. The property's performance has experienced substantial erosion and the local economy has not recovered the way the Company had expected when plans were initially made for this second phase of development. The Company will need to gain greater certainty of the business's recovery before proceeding with the second phase investments. Management believes the Hard Rock Casino Vancouver brand will improve the property's long-term performance and is optimistic that it will create momentum that will support proceeding with the second phase plans. The timeline for the second phase will be announced at a later date. The property redevelopments and modifications remain subject to approvals from BCLC and the City of Coquitlam. As at December 31, 2013, the Company has spent approximately $2.7 of an estimated total of $50.0 on this second phase of the project.

Chances Maple Ridge (formerly "Maple Ridge Community Gaming Centre")

On October 23, 2013, the Company closed its temporary facility and relocated its Maple Ridge Community Gaming Centre operations to the newly opened "Chances Maple Ridge", a community gaming centre in Maple Ridge, BC. This permanent facility features 173 slot machines, two electronic table games, bingo, dining options with liquor service throughout the facility, a meeting facility, and improved parking capacity. In order to facilitate both the operation of slots at the Company's temporary facility in Maple Ridge and the construction of the permanent facility, the Company committed $4.3 for both property enhancements and servicing commitments to the District of Maple Ridge. As at December 31, 2013, the Company has incurred $3.5 towards fulfilling servicing commitments related to the construction of the permanent facility. The Company has also invested $4.7 for the purchase of land required for the permanent facility and incurred $13.6 in construction costs, which was $0.2 below the original estimate of $13.8.

With the opening of the new facility, the CGCCOSA with BCLC was extended for a 10-year term, expiring on October 31, 2023, with a second renewal term at the Company's option until October 31, 2033.

River Rock

On September 19, 2013, BCLC approved the Company's request to exercise its 10-year extension option for the River Rock Casino Resort's Casino Operational Services Agreement ("COSA"). This 10-year extension resets the COSA expiry date to June 23, 2024.

Chances Chilliwack

On November 1, 2012, the Company relocated its Chilliwack Bingo operations to the newly opened 'Chances Chilliwack', a community gaming centre in Chilliwack, BC. This new, permanent facility has been developed on the approximately five-acre site that the Company purchased as part of the Chilliwack Bingo acquisition in May 2011. The facility features 173 slot machines, two electronic table gaming devices, bingo, dining options and a meeting facility. In December 2013, the facility obtained a liquor primary license and is now permitted to serve liquor throughout the facility. The total cost to develop this facility and to acquire adjacent land was $14.3, which was $0.7 below the original estimate of $15.0.

BC Horse Racing

On February 14, 2014, BCHRIMC finalized a multi-year industry funding arrangement amongst both the province's Thoroughbred sector and the Standardbred sector and their respective track operators, Hastings Racecourse and Fraser Downs. The BCHRIMC has indicated that this funding arrangement will be in place for the next three years for the Thoroughbred sector and for the next five years for Standardbreds.

The funding model is an extension of the arrangements in place since 2012 whereby pooled income from all the industry's revenue sources is allocated to the industry stakeholders. For 2014, the total of both Hastings' and Fraser Downs' racing industry revenue share percentage is expected to be consistent with the prior year. The BRHRIMC also approved race days and seasons lengths for 2014, subject to ratification by the provincial GPEB. These include 51 confirmed Thoroughbred race days at Hastings over a six-month season and 71 confirmed Standardbred race days at Fraser Downs over an eight-month season. The season length at Fraser Downs will move to seven months in 2015 and to six months in 2016.

The Company is optimistic about reaching this multi-year industry funding arrangement and looks forward to collaborating with industry stakeholders to reverse the negative trend on the provinces racing revenues.

Ontario

Termination of Site Holder Agreements

As described in the "Business Description" section of this MD&A, the Government of Ontario terminated the "Slots at Racetracks" program and OLG terminated the site holder agreements with the Company's Ontario properties effective March 31, 2013. Georgian Downs' site holder agreement was otherwise scheduled to expire in November 2021 and Flamboro Downs' site holder agreement was otherwise scheduled to expire in April 2016. The termination of the "Slots at Racetracks" program has had and is expected to have a negative effect on the future revenues of Georgian Downs and Flamboro Downs.

Lease Agreements and Horse Racing Agreements

The Government of Ontario asked a panel of three former Ontario Cabinet ministers (the "Ontario Horse Racing Industry Transition Panel" or the "Panel") to consult with the horse racing industry to determine how the Government of Ontario can support the industry's transition to a self-sufficient business model, including the allocation of transition funds. In October 2012, the Panel released a report that included recommendations to materially reduce the total province-wide annual horse racing days by approximately half, with these reduced days to be provided by a minimum of six racetracks. The model proposed by the Panel assumes that the participating racetrack operators will not derive profit from racing operations. The Panel recommended that operating costs incurred by the racetracks would be publicly funded and that additional public funding be provided to the horse racing industry over three years, subject to ongoing accountability audits. The Panel also supported the development of an alliance between the participating racetracks in Ontario to manage racing operations, subject to certain conditions. While not exhaustive, these conditions include pooling all Ontario pari-mutuel wagering revenues, allocating and directing those revenues towards racing purses and reinvesting any residual industry earnings.

On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario Racetracks. Under the terms of these letters, OLG will lease these areas for a five-year term commencing April 1, 2013. The Company and OLG have been operating as though the key provisions of these leases came into effect on April 1, 2013 as evidenced by interim lease arrangements. On April 26, 2013, Georgian Downs received from OLG a one-time settlement payment of $31.5 in connection with the Georgian Downs facility, and the Company and Georgian Downs provided OLG with a release of claims. The settlement payment has been recorded as a reduction to Georgian Downs' property, plant and equipment. On November 29, 2013, the Company signed definitive lease agreements with OLG related to these letters of intent.

On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario Racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding will provide support to continue horse racing at the Ontario Racetracks for up to two years beyond March 31, 2013 and is conditional upon achievement of specific cost reduction targets. On October 11, 2013, the Government of Ontario released a five-year horse racing plan (the "Horse Racing Plan"), consistent with the recommendations of the Panel as contained in their final report which was also publicly released on the same day. Effective April 1, 2014, the Horse Racing Plan includes proposed annual government funding of $80.0 to support live racing, approximately 75% of

which would be directed to supporting industry programs and a core group of tracks centred around the concentrated horse supply in Central and South West Ontario that would conduct Thoroughbred, Standardbred and Quarter Horse racing attractive to wagering customers. The core group of tracks includes an alliance of Standardbred tracks, including the Company's own Georgian Downs and Flamboro Downs. According to the Horse Racing Plan, the alliance would work cooperatively to coordinate race dates, standardize purses for races of similar calibre, and create a racing circuit. The Horse Racing Plan also includes creating a new arm of the Ontario Racing Commission ("ORC") to be called Ontario Horse Racing ("OHR") which would oversee all the non-regulatory aspects of racing, including the distribution of government and consolidated industry funds, and would develop new business and marketing synergies with OLG. Under the Horse Racing Plan, public funding would be directed to purse support and pari-mutuel commissions would be split between the racetrack operator and horsepeople. If the Company enters into an agreement as part of the alliance to receive funding under the Horse Racing Plan effective April 1, 2014, the second year of the current Ontario Racing Agreements would be rescinded. The Company is evaluating the implications of the Horse Racing Plan on its businesses in Ontario and looks forward to working with both ORC and OHR on a long-term, more sustainable model for racing in the province.

Georgian Downs operated 29 race days during the twelve months ended December 31, 2013, a significant reduction as compared to the twelve months ended December 31, 2012 (103 race days over a 10-month period). Flamboro Downs operated 94 race days during the twelve months ended December 31, 2013, a significant reduction as compared to the twelve months ended December 31, 2012 (188 race days over an 11-month period). Since April 1, 2013, the Ontario Racetracks no longer directly share in the horse racing pari-mutuel wagering revenues that these properties generate, other than any that may be attributed as a source of funding for the horse racing transition payments received from the Government of Ontario.

Based on the terms of both the lease agreements with OLG and the Ontario Racing Agreements with the Province of Ontario, the anticipated racing schedules, which also remain subject to approval by ORC, and assumptions regarding operating costs, the Company expects that the Ontario Racetracks' future EBITDA will decline as compared to levels realized prior to March 31, 2013.

On January 14, 2014, the Company made progress with certain other Standardbred horse racing tracks in Ontario by reaching a non-binding agreement in principle to implement the Horse Racing Plan with respect to forming a Standardbred Alliance for the province. The Standardbred Alliance intends to implement a racing program that will see a coordinated racing calendar of year-round racing, a program of racing that is expected to be attractive to both foreign and domestic customers, consistent purses levels at each member track's and enhanced efficiencies.

The Standardbred Alliance has advised both the Ministry of Agriculture and Food and ORC about its agreement in principle and racing program plans. If ORC supports the agreement in principle and the proposed racing program, then the Company expects that definitive Standardbred Alliance agreements will be entered into.

Long-lived assets impairments and impairment reversals

As a result of the early termination of the site holder agreements for both Georgian Downs and Flamboro Downs, the Company recorded in the first quarter of 2012 impairments of goodwill, intangible assets, and property, plant and equipment for each property. During the first quarter of 2013, as a result of signing the non-binding letters of intent with OLG, the anticipated execution of definitive agreements, and the settlement payment received from OLG on April 26, 2013, the Company recorded reversals of impairments related to Georgian Downs' and Flamboro Downs' intangible assets and property, plant and equipment.

In addition, during the three months ended March 31, 2012 and the year ended December 31, 2012, the Company recorded impairments of $3.4 and $10.3, respectively, related to land in Ontario that was written down to its estimated recoverable amount.

The following table summarizes the impairments during 2012 and the impairment reversals during 2013 by property and by asset class:

	Georgian Downs				Flamboro Downs		
	Property, plant and equipment	Intangible assets	Goodwill	Total	Property, plant and equipment	Intangible assets	Total
Carrying amount at January 1, 2012	$ 64.9	$ 25.5	$ 3.2	$ 93.6	$ 13.9	$ 40.6	$ 54.5
Net additions and amortization	(0.7)	(0.5)	-	(1.2)	(0.3)	(0.7)	(1.0)
Impairments	(16.6)	(8.2)	(3.2)	(28.0)	(5.2)	(24.2)	(29.4)
Carrying amount at March 31, 2012	$ 47.6	$ 16.8	$ -	$ 64.4	$ 8.4	$ 15.7	$ 24.1
Net additions and amortization	(1.2)	(1.2)	-	(2.4)	(1.0)	(3.9)	(4.9)
Impairments	(6.9)	-	-	(6.9)	-	-	-
Carrying amount at December 31, 2012	$ 39.5	$ 15.6	$ -	$ 55.1	$ 7.4	$ 11.8	$ 19.2
Net additions and amortization	(0.5)	(0.3)	-	(0.8)	(0.4)	(1.3)	(1.7)
Impairment reversals	11.7	8.0	-	19.7	1.5	7.3	8.8
Carrying amount at March 31, 2013	$ 50.7	$ 23.3	$ -	$ 74.0	$ 8.5	$ 17.8	$ 26.3
Net additions and amortization	0.4	(0.3)	-	0.1	(0.1)	(0.9)	(1.0)
Settlement payment	(31.5)	-	-	(31.5)	-	-	-
Carrying amount at June 30, 2013	$ 19.6	$ 23.0	$ -	$ 42.6	$ 8.4	$ 16.9	$ 25.3
Net additions and amortization	**(0.2)**	**(0.5)**	**-**	**(0.7)**	**(0.3)**	**(1.8)**	**(2.1)**
Carrying amount at December 31, 2013	**$ 19.4**	**$ 22.5**	**$ -**	**$ 41.9**	**$ 8.1**	**$ 15.1**	**$ 23.2**

The recoverable amounts for Georgian Downs' and Flamboro Downs' long-lived assets and goodwill at December 31, 2013 were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using an after-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, EBITDA, and the expected useful life of the cash generating unit ("CGU"). The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. As the carrying values of Georgian Downs' and Flamboro Downs' long-lived assets as at December 31, 2013 were equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or reversal of an impairment loss.

Request for Gaming Service Providers

In May 2012, OLG issued a request for information ("RFI") to obtain input from potential industry participants regarding the modernization of gaming in Ontario. OLG stated that as a result of the feedback from the RFI, and to enable OLG to more effectively manage the gaming market in Ontario, OLG is grouping many of the 29 Gaming Zones into Gaming Bundles where each bundle represents a separate bidding opportunity. In November 2012, OLG initiated the request for pre-qualifications ("RFPQ") process to pre-qualify service providers for eligibility to participate in the request for proposals process for the Gaming Bundles. The Company is participating in the potential future opportunities that have arisen and from the continued modernization of gaming in Ontario. It is not certain at this time the full extent of the impact that the continued modernization of gaming in Ontario may have on the Company.

Casino Nova Scotia

In October 2012, the Company and NSPLCC signed the second AROC, as described in the "Business Description" section of this MD&A. Prior to October 1, 2012, when the AROC was amended, the Company received $1.0 per year related to the operation of leased slot machines that was recorded as a reduction in leased slot operating expenses that were part of property, marketing and administration expenses. Since October 1, 2012, the Company has been receiving an additional operator's fee, recorded as gaming revenues, equal to the lesser of $1.3 per year or 10% of leased slot machine revenues.

Debt Refinancing

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

Issuer Bids

In January 2013, the Company commenced a normal course issuer bid that authorized the Company to purchase up to 4,511,644 of its common shares. For the year ended December 31, 2013, the Company completed this normal course issuer bid by purchasing 4,511,644 common shares at a volume weighted-average price per share of $10.32.

For the year ended December 31, 2012, the Company purchased for cancellation 3,657,210 common shares at a weighted-average price per share of $8.15 under its normal course issuer bid, which expired on January 26, 2013. On July 6, 2012, the Company commenced a substantial issuer bid, pursuant to which the Company offered to purchase for cancellation up to 10,000,000 of its outstanding common shares from shareholders at a purchase price of $10.00 per share. On August 21, 2012, the Company accepted for purchase 10,000,000 of the validly tendered common shares at a purchase price of $10.00 per share for a total of $100.0 and $0.3 in related transaction costs. At the time of the repurchase, the paid-up capital per common share for the purposes of the *Income Tax Act (Canada)* was $3.79.

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

Subsequent to December 31, 2013, the Company received approval from the TSX to commence another normal course issuer bid for up to 4,231,075 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on January 30, 2014 and will end on January 29, 2015, or earlier if the number of shares approved for purchase in the issuer bid has been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 17,799 common shares or 25% of the prior six-month average trading volume of 71,194 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.

Board approved special share-based award to certain management and employees

As part of the Board of Directors' ongoing review of management's performance, during December 2013, the Board awarded certain members of management and other employees bonuses which were required to be used to buy common shares in the Company that are subject to a mandatory minimum three year hold period. The related shares were purchased on behalf of the employees on the open, public market through the Company's employee share purchase plan in December 2013. As a result, each recipient paid the same $15.03 price for each of his/her common shares. This share-based compensation incentive has helped to better align the interests of these employees with those of our shareholders.

MARKET UPDATE

British Columbia

Extension of Operating Agreement for Hastings Racecourse and Slots Facility

On October 25, 2012, the Company reached an agreement with the City of Vancouver for a two-year extension to the operating agreement at Hastings Racecourse and Slots Facility until November 9, 2014 on substantially the same terms. This two-year period was intended to afford the horse racing industry, under the leadership of the BCHRIMC, time to determine the appropriate plan of action to best assure itself of long-term sustainability. With the multi-year industry funding arrangement announced by the BCHRIMC in February 2014, the Company has commenced discussions with the City of Vancouver for a new longer term arrangement at Hastings Racecourse that works for both parties.

Competition

One of the Company's direct competitors, Paragon Gaming LLC ("Paragon"), operates the Edgewater Casino in downtown Vancouver, BC. Paragon has received approval to redevelop the Edgewater Casino. This redevelopment would relocate its current facility to a new location within the same area of downtown Vancouver. In December 2013, the City of Vancouver conditionally approved Paragon's development application for a $535 million casino complex adjacent to B.C. Place Stadium. The new casino is permitted to host a maximum of 600 slot machines and 75 table games (the same number that they are permitted to operate at their current facility) and includes plans to add two hotel towers, a conference centre, and restaurants. However, the application is subject to final approval by the City of Vancouver. Management is closely monitoring the development as it may impact our facilities.

In October 2012, the City of Surrey approved the installation of up to 150 temporary slot machines in the existing Newton bingo hall, which commenced operations in November 2012. The operation of the temporary slot machines, as approved by the City of Surrey, will be limited to: 18 calendar months from the date of activation, or the date on which permanent slot machines are activated in a new Newton community gaming centre, whichever occurs first.

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and twelve month periods ended December 31, 2013 with comparatives for the prior periods.

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 67.7**	$ 71.4	(5%)	**$ 280.6**	$ 294.9	(5%)
Facility Development Commission	**8.2**	10.7	(23%)	**34.1**	35.2	(3%)
Hospitality, lease and other revenues	**27.1**	21.9	24%	**96.8**	82.6	17%
Racetrack revenues	**3.4**	3.5	(3%)	**14.3**	15.8	(9%)
	106.4	107.5	(1%)	**425.8**	428.5	(1%)
Less: Promotional allowances	**(4.8)**	(4.7)	2%	**(18.5)**	(19.8)	(7%)
Revenues	**101.6**	102.8	(1%)	**407.3**	408.7	0%
Human resources	**40.8**	40.8	0%	**160.5**	163.8	(2%)
Property, marketing and administration	**25.6**	24.5	4%	**96.2**	97.3	(1%)
	66.4	65.3	2%	**256.7**	261.1	(2%)
EBITDA	**35.2**	37.5	(6%)	**150.6**	147.6	2%
Human resources as a % of Revenues before Promotional allowances	**38.3%**	38.0%		**37.7%**	38.2%	
EBITDA as a % of Revenues	**34.6%**	36.5%		**37.0%**	36.1%	
Amortization	**11.6**	12.9		**48.5**	51.6	
Share-based compensation	**6.1**	0.2		**9.7**	3.6	
(Reversals of) impairments of long-lived assets	**-**	6.9		**(28.5)**	61.1	
Impairment of goodwill	**-**	-		**-**	3.2	
Interest and financing costs, net	**8.0**	8.4		**32.8**	37.0	
Litigation settlement	**-**	-		**-**	11.0	
Restructuring and other	**0.6**	2.4		**2.0**	5.1	
Foreign exchange (gain) loss and other	**(0.3)**	(0.2)		**(0.9)**	6.8	
Income taxes	**2.0**	4.4		**23.9**	(4.2)	
Net earnings (loss)	**$ 7.2**	$ 2.5	188%	**$ 63.1**	$ (27.6)	
Net earnings (loss) per common share						
Basic	**$ 0.11**	$ 0.04		**$ 0.92**	$ (0.36)	
Diluted	**$ 0.10**	$ 0.03		**$ 0.90**	$ (0.36)	
Weighted average number of common shares (in thousands)						
Basic	**67,327**	70,346		**68,560**	76,814	
Diluted	**69,208**	71,605		**69,934**	76,814	

Discussion of Results

The Company's operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations on the previous page.

REVENUES and EBITDA

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
REVENUES						
Casinos						
River Rock Casino Resort	**$ 43.2**	$ 39.6	9%	**$ 170.1**	$ 159.5	7%
Boulevard Casino (now "Hard Rock Casino Vancouver")	**13.0**	14.4	(10%)	**50.0**	57.9	(14%)
Vancouver Island Casinos	**9.1**	10.1	(10%)	**38.2**	39.2	(3%)
Other BC Casinos	**5.0**	6.1	(18%)	**19.1**	15.3	25%
Nova Scotia Casinos	**9.8**	10.4	(6%)	**41.0**	41.8	(2%)
Great American Casinos	**6.6**	5.3	25%	**24.8**	21.6	15%
	86.7	85.9	1%	**343.2**	335.3	2%
BC Racinos	**8.4**	8.9	(6%)	**37.9**	40.1	(5%)
Ontario Racetracks	**6.5**	8.0	(19%)	**26.2**	33.3	(21%)
Total Revenues	**$ 101.6**	$ 102.8	(1%)	**$ 407.3**	$ 408.7	0%
EBITDA						
Casinos						
River Rock Casino Resort	**$ 22.3**	$ 18.8	19%	**$ 89.8**	$ 79.4	13%
Boulevard Casnio (now "Hard Rock Casino Vancouver")	**2.6**	5.1	(49%)	**13.3**	21.1	(37%)
Vancouver Island Casinos	**4.8**	5.7	(16%)	**20.9**	21.6	(3%)
Other BC Casinos	**2.0**	3.4	(41%)	**8.9**	7.1	25%
Nova Scotia Casinos	**2.3**	3.1	(26%)	**11.1**	11.4	(3%)
Great American Casinos	**0.9**	0.6	50%	**3.9**	2.6	50%
	34.9	36.7	(5%)	**147.9**	143.2	3%
BC Racinos	**1.3**	1.6	(19%)	**7.2**	7.3	(1%)
Ontario Racetracks	**3.6**	4.3	(16%)	**14.0**	17.3	(19%)
Corporate & Other	**(4.6)**	(5.1)	10%	**(18.5)**	(20.2)	8%
Total EBITDA	**$ 35.2**	$ 37.5	(6%)	**$ 150.6**	$ 147.6	2%

Casinos

River Rock Casino Resort

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 29.0**	$ 26.2	11%	**$ 116.6**	$ 108.4	8%
Facility Development Commission	**4.2**	3.9	8%	**16.8**	15.8	6%
Hospitality and other revenues	**11.9**	11.4	4%	**44.4**	43.3	3%
Revenues before Promotional allowances	**45.1**	41.5	9%	**177.8**	167.5	6%
Less: Promotional allowances	**(1.9)**	(1.9)	0%	**(7.7)**	(8.0)	(4%)
Revenues	**43.2**	39.6	9%	**170.1**	159.5	7%
Human resources	**13.3**	13.0	2%	**51.4**	51.2	0%
Property, marketing and administration	**7.6**	7.8	(3%)	**28.9**	28.9	0%
EBITDA	**$ 22.3**	$ 18.8	19%	**$ 89.8**	$ 79.4	13%
Human resources as a % of Revenues before Promotional allowances	**29.5%**	31.3%		**28.9%**	30.6%	
EBITDA as a % of Revenues	**51.6%**	47.5%		**52.8%**	49.8%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 241.4	$ 283.0	$ 221.4	$ 227.6	$ 233.4	$ 205.3	$ 189.0	$ 219.6	$ 169.4	
Table Hold	$ 48.7	$ 49.7	$ 44.6	$ 53.8	$ 41.7	$ 42.0	$ 40.9	$ 53.3	$ 32.5	
Table Hold %	20.2%	17.6%	20.2%	23.7%	17.9%	20.5%	21.6%	24.3%	19.2%	20.5%
Poker Rake	$ 1.1	$ 1.0	$ 0.9	$ 1.0	$ 1.2	$ 1.0	$ 1.1	$ 1.1	$ 1.2	
Slot Coin-In	$ 525.2	$ 536.0	$ 511.5	$ 545.4	$ 521.7	$ 518.1	$ 519.6	$ 493.4	$ 522.8	
Slot Win	$ 35.5	$ 37.0	$ 35.3	$ 35.2	$ 34.9	$ 35.2	$ 34.6	$ 33.9	$ 34.5	
Slot Win/Slot/Day(1,2)	$ 351	$ 364	$ 352	$ 355	$ 345	$ 349	$ 355	$ 372	$ 375	
Slot Win %	6.8%	6.9%	6.9%	6.5%	6.7%	6.8%	6.7%	6.9%	6.6%	6.7%

(1) Slot Win/Slot/Day is an average, presented in dollars.
(2) During the second quarter of 2012, the Company added 104 slot machines at River Rock, resulting in 1,110 slot machines since June 30, 2012.

Revenues

Gaming revenues at River Rock increased by 11% in the fourth quarter of 2013 when compared to the fourth quarter of 2012. This growth was primarily due to the 3% increase in table drop and the 2.3 percentage point increase in table hold percentage, resulting in a 17% increase in table hold. Slot win increased by 2% due to a 1% increase in slot coin-in and 0.1 percentage point increase in slot win percentage.

Gaming revenues increased by 8% in the twelve months of 2013, when compared to the twelve months of 2012. This increase was primarily attributable to the growth in table drop of 15%.

Hospitality and other revenues in the fourth quarter and twelve months of 2013 were relatively consistent with the fourth quarter and twelve months of 2012.

River Rock's hotel capacity includes the "River Rock Casino Resort Suites", which has 202 rooms, and "The Hotel at River Rock" with 193 rooms offered at a lower price point. On a combined basis, River Rock's average daily hotel revenue per available room ("REVPAR") was $106 dollars in the fourth quarter of 2013, compared to $96 dollars in the fourth quarter of 2012. This increase was due to a seven percentage point increase in the average hotel occupancy rate to 70%. The average daily room rate ("ADR") remained consistent at $152 dollars. For the twelve months of 2013, River Rock's REVPAR was $106 dollars, compared to $102 dollars in the twelve months of 2012. This increase was due to a three percentage point increase in the average hotel occupancy rate to 72%, partially offset by a 0.2% decrease in ADR to $147 dollars.

Expenses
Both human resources and property, marketing and administration expenses in the fourth quarter and twelve months of 2013 were relatively consistent with the fourth quarter and twelve months of 2012.

EBITDA
EBITDA increased by 19% and 13% in the fourth quarter and twelve months of 2013, respectively, when compared to the same periods in 2012. These increases were primarily due to River Rock's revenue increase.

Boulevard Casino (now "Hard Rock Casino Vancouver")

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 9.7**	$ 10.6	(8%)	**$ 37.5**	$ 43.3	(13%)
Facility Development Commission	**1.5**	1.7	(12%)	**6.2**	7.1	(13%)
Hospitality and other revenues	**2.5**	2.6	(4%)	**8.6**	9.7	(11%)
Revenues before Promotional allowances	**13.7**	14.9	(8%)	**52.3**	60.1	(13%)
Less: Promotional allowances	**(0.7)**	(0.5)	40%	**(2.3)**	(2.2)	5%
Revenues	**13.0**	14.4	(10%)	**50.0**	57.9	(14%)
Human resources	**6.6**	6.2	6%	**24.5**	24.9	(2%)
Property, marketing and administration	**3.8**	3.1	23%	**12.2**	11.9	3%
EBITDA	**$ 2.6**	$ 5.1	(49%)	**$ 13.3**	$ 21.1	(37%)
Human resources as a % of Revenues before Promotional allowances	**48.2%**	41.6%		**46.8%**	41.4%	
EBITDA as a % of Revenues	**20.0%**	35.4%		**26.6%**	36.4%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 38.9	$ 32.7	$ 36.2	$ 37.9	$ 41.6	$ 40.9	$ 42.1	$ 42.0	$ 41.6	
Table Hold	$ 7.6	$ 6.6	$ 7.3	$ 7.8	$ 8.2	$ 8.4	$ 8.4	$ 9.0	$ 8.4	
Table Hold %	19.4%	20.2%	20.2%	20.6%	19.7%	20.5%	20.0%	21.4%	20.2%	20.2%
Poker Rake	$ 1.1	$ 0.8	$ 0.6	$ 0.7	$ 1.0	$ 0.7	$ 0.9	$ 1.2	$ 1.1	
Slot Coin-In	$ 306.0	$ 304.0	$ 313.8	$ 353.3	$ 385.5	$ 391.3	$ 414.6	$ 400.4	$ 400.6	
Slot Win	$ 23.0	$ 22.6	$ 23.9	$ 24.8	$ 26.7	$ 27.2	$ 28.5	$ 26.6	$ 26.7	
Slot Win/Slot/Day[1,2]	$ 271	$ 300	$ 326	$ 310	$ 292	$ 302	$ 315	$ 298	$ 289	
Slot Win %	7.5%	7.4%	7.6%	7.0%	6.9%	6.9%	6.9%	6.6%	6.7%	7.0%

[1] Slot Win/Slot/Day is an average, presented in dollars.
[2] During the twelve months of 2013, the Company removed 41 slot machines at Hard Rock resulting in 949 slot machines as at December 31, 2013.

Recent Developments

As described in the "Major Developments" section of this MD&A, Boulevard completed the refresh and repositioning of the property with the relaunch of Boulevard as Hard Rock Casino Vancouver on December 20, 2013. Since the grand opening, the property has seen improvements in its gaming volumes and food and beverage revenues.

Revenues

Revenues at Boulevard decreased by 10% in the fourth quarter and 14% in the twelve months of 2013, when compared to the same periods in 2012. These decreases were attributed to declines in table drop, slot coin-in and food and beverage revenues, which we believe was a result of decreased visitation due to a weakened local economy and guest disruption primarily associated with a heightened level of proximate highway construction that has been ongoing since 2010. During the twelve months of 2013, this construction included intermittent weekday and multiple weekend evening road closures affecting access to the property. Guests were also affected by the property repositioning and refresh that commenced on the gaming floor in January 2013 and had the most impact on visitation in the fourth quarter of 2013. The completion of the first phase of the property redevelopment coincided with the substantial completion of the highway construction, although some minor roadwork is expected during the first quarter of 2014, which may continue to hinder our guests' access to the property. These decreases were partially offset by a 0.6 percentage point improvement in the slot win percentage during the fourth quarter of 2013 when compared to the fourth quarter of 2012. Boulevard has also been impacted by nearby competition, including the Company's properties in Chilliwack, Maple Ridge and Surrey.

Expenses

Included in human resources and property, marketing and administration expenses were rebranding and

pre-opening costs of $1.0 and $1.5 for the fourth quarter and twelve months of 2013, respectively. Human resources expenses increased by 6% in the fourth quarter of 2013, when compared to the fourth quarter of 2012, primarily due to an increase in pre-opening training costs. Human resources expenses for the twelve months of 2013 were relatively consistent with the twelve months of 2012. Property, marketing and administration expenses increased by 23% in the fourth quarter and 3% in the twelve months of 2013, when compared to the same periods in 2012, primarily due to increased marketing costs related to the rebranding.

EBITDA

EBITDA decreased by 49% and 37% in the fourth quarter and twelve months of 2013, respectively, when compared to the same periods in 2012. These decreases were primarily due to the decline in revenues, as well as the increase in property, marketing and administration expenses that was primarily associated with the Hard Rock Casino Vancouver rebranding and pre-opening expenses.

Vancouver Island Casinos (View Royal Casino and Casino Nanaimo)

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 7.3**	$ 7.6	(4%)	**$ 30.3**	$ 31.0	(2%)
Facility Development Commission	**1.2**	1.9	(37%)	**5.2**	5.9	(12%)
Hospitality and other revenues	**1.1**	1.0	10%	**4.4**	4.1	7%
Revenues before Promotional allowances	**9.6**	10.5	(9%)	**39.9**	41.0	(3%)
Less: Promotional allowances	**(0.5)**	(0.4)	25%	**(1.7)**	(1.8)	(6%)
Revenues	**9.1**	10.1	(10%)	**38.2**	39.2	(3%)
Human resources	**3.0**	3.0	0%	**11.9**	12.2	(2%)
Property, marketing and administration	**1.3**	1.4	(7%)	**5.4**	5.4	0%
EBITDA	**$ 4.8**	$ 5.7	(16%)	**$ 20.9**	$ 21.6	(3%)
Human resources as a % of Revenues before Promotional allowances	**31.3%**	28.6%		**29.8%**	29.8%	
EBITDA as a % of Revenues	**52.7%**	56.4%		**54.7%**	55.1%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 10.8	$ 12.2	$ 12.6	$ 12.4	$ 12.5	$ 13.0	$ 12.4	$ 13.0	$ 11.6	
Table Hold	$ 2.7	$ 2.6	$ 2.8	$ 2.9	$ 2.9	$ 2.8	$ 2.9	$ 2.7	$ 2.5	
Table Hold %	25.0%	21.1%	22.0%	23.4%	23.2%	21.5%	23.4%	20.8%	21.6%	22.4%
Slot Coin-In	$ 359.8	$ 382.0	$ 392.0	$ 372.6	$ 379.8	$ 390.0	$ 397.2	$ 378.1	$ 381.4	
Slot Win	$ 25.9	$ 27.6	$ 28.0	$ 26.7	$ 26.9	$ 28.3	$ 27.8	$ 27.1	$ 27.5	
Slot Win/Slot/Day(1)	$ 287	$ 305	$ 314	$ 294	$ 289	$ 305	$ 303	$ 295	$ 296	
Slot Win %	7.2%	7.2%	7.2%	7.2%	7.1%	7.3%	7.0%	7.2%	7.2%	7.2%

(1) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Vancouver Island Casinos decreased by 10% in the fourth quarter and 3% in the twelve months of 2013, when compared to the fourth quarter and twelve months of 2012. These decreases were primarily due to decreases in table drop and slot coin-in, attributable to lower visitation caused by inclement winter weather conditions, and lower accelerated FDC revenues. As at December 31, 2012, the majority of the eligible expenditures approved by BCLC for the accelerated FDC project at Casino Nanaimo were reimbursed.

Expenses

Both human resources and property, marketing and administration expenses in the fourth quarter and twelve months of 2013 were relatively consistent with the same periods in 2012.

EBITDA

EBITDA decreased by 16% in the fourth quarter and 3% in the twelve months of 2013, when compared to the fourth quarter and twelve months of 2012. These decreases were primarily due to the decrease in FDC revenues.

Other BC Casinos (Chances Dawson Creek, Chances Maple Ridge (formerly "Maple Ridge Community Gaming Centre") and Chances Chilliwack)

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 3.5**	$ 3.0	17%	**$ 14.1**	$ 10.3	37%
Facility Development Commission	**0.7**	2.6	(73%)	**2.7**	3.5	(23%)
Hospitality and other revenues	**1.0**	0.7	43%	**3.0**	2.0	50%
Revenues before Promotional allowances	**5.2**	6.3	(17%)	**19.8**	15.8	25%
Less: Promotional allowances	**(0.2)**	(0.2)	0%	**(0.7)**	(0.5)	40%
Revenues	**5.0**	6.1	(18%)	**19.1**	15.3	25%
Human resources	**1.6**	1.6	0%	**6.0**	5.0	20%
Property, marketing and administration	**1.4**	1.1	27%	**4.2**	3.2	31%
EBITDA	**$ 2.0**	$ 3.4	(41%)	**$ 8.9**	$ 7.1	25%
Human resources as a % of Revenues before Promotional allowances	**30.8%**	25.4%		**30.3%**	31.6%	
EBITDA as a % of Revenues	**40.0%**	55.7%		**46.6%**	46.4%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Slot Coin-In	$ 196.5	$ 180.6	$ 189.6	$ 191.2	$ 165.3	$ 107.3	$ 107.9	$ 114.1	$ 118.7	
Slot Win	$ 13.2	$ 12.4	$ 13.2	$ 12.6	$ 10.6	$ 7.0	$ 7.1	$ 7.6	$ 7.4	
Slot Win/Slot/Day[(1)]	$ 286	$ 308	$ 331	$ 321	$ 315	$ 296	$ 305	$ 327	$ 316	
Slot Win %	6.7%	6.9%	7.0%	6.6%	6.4%	6.5%	6.6%	6.7%	6.2%	6.6%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

Recent Developments
As described in the "Major Developments" section of this MD&A, Chances Maple Ridge relocated from its temporary facility to its new permanent facility on October 23, 2013. Since the grand opening, the property has seen improvements in its gaming volumes and food and beverage revenues.

Revenues
Gaming revenues at the Company's Other BC Casinos increased by 17% in the fourth quarter and 37% in the twelve months of 2013, when compared to the same periods in 2012. These increases were primarily due to incremental revenues associated with the increase in slot coin-in arising from the opening of the permanent facility for Chances Maple Ridge in October 2013, which features an additional 73 slot machines over the now closed temporary facility, and the commencement of slot operations at Chances Chilliwack on November 1, 2012. The decline in FDC revenues for the fourth quarter and twelve months of 2013 compared to the same periods in 2012 was due to the non-recurring accelerated FDC revenues of $1.7 related to the previous bingo operations at Chilliwack Bingo recorded in the fourth quarter of 2012.

Expenses
Human resources expenses remained relatively consistent in the fourth quarter of 2013, when compared to the fourth quarter of 2012. Human resources expenses increased 20% in the twelve months of 2013, when compared to the same period in 2012. Property, marketing and administration expenses increased by 27% in the fourth quarter and 31% in the twelve months of 2013 when compared to the fourth quarter and twelve months of 2012. These increases were primarily due to the incremental costs associated with Chances Chilliwack, which commenced slot operations on November 1, 2012, as well as the opening of the permanent facility for Chances Maple Ridge in October 2013.

EBITDA
EBITDA decreased by 41% in the fourth quarter of 2013 compared with the fourth quarter of 2012. This was attributable to the decrease in accelerated FDC revenue, which was partially offset by the increases in

gaming and hospitality and other revenues. EBITDA increased by 25% in the twelve months of 2013, when compared to the same period in 2012. This increase was primarily due to the growth in gaming revenues, which was partially offset by the decrease in accelerated FDC revenues and increase in expenses.

Labour Relations

Previously a collective agreement between Chilliwack Gaming Limited and National Automobile, Aerospace, Transportation and General Workers Union of Canada ("CAW"), Local 3000, governed wages and working conditions for the property's bingo workers.

Effective February 13, 2013, following a decertification application and a representation vote, the BC Labour Relations Board cancelled the Certification held by the CAW for the property's bingo workers.

Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 8.4**	$ 9.0	(7%)	**$ 36.1**	$ 39.2	(8%)
Hospitality and other revenues	**1.8**	2.0	(10%)	**6.6**	5.7	16%
Revenues before Promotional allowances	**10.2**	11.0	(7%)	**42.7**	44.9	(5%)
Less: Promotional allowances	**(0.4)**	(0.6)	(33%)	**(1.7)**	(3.1)	(45%)
Revenues	**9.8**	10.4	(6%)	**41.0**	41.8	(2%)
Human resources	**4.0**	4.2	(5%)	**16.1**	17.1	(6%)
Property, marketing and administration	**3.5**	3.1	13%	**13.8**	13.3	4%
EBITDA	**$ 2.3**	$ 3.1	(26%)	**$ 11.1**	$ 11.4	(3%)
Human resources as a % of Revenues before Promotional allowances	**39.2%**	38.2%		**37.7%**	38.1%	
EBITDA as a % of Revenues	**23.5%**	29.8%		**27.1%**	27.3%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 10.0	$ 11.9	$ 11.3	$ 9.6	$ 10.9	$ 10.4	$ 9.8	$ 10.5	$ 11.0	
Table Hold	$ 2.4	$ 2.2	$ 2.0	$ 2.4	$ 2.5	$ 1.9	$ 1.9	$ 2.3	$ 2.2	
Table Hold %	24.0%	18.8%	17.7%	25.0%	22.9%	18.3%	19.4%	21.9%	20.0%	20.8%
Poker Rake	$ 0.4	$ 0.5	$ 0.5	$ 0.6	$ 0.5	$ 0.5	$ 0.4	$ 0.4	$ 0.5	
Slot Coin-In	$ 182.0	$ 222.5	$ 202.6	$ 174.4	$ 193.7	$ 228.3	$ 206.2	$ 192.6	$ 193.5	
Slot Win	$ 14.0	$ 17.6	$ 15.8	$ 13.6	$ 14.8	$ 18.3	$ 16.1	$ 15.2	$ 15.0	
Slot Win/Slot/Day[(1)]	$ 186	$ 228	$ 208	$ 184	$ 185	$ 227	$ 205	$ 191	$ 185	
Slot Win %	7.7%	7.9%	7.8%	7.8%	7.6%	8.0%	7.8%	7.9%	7.8%	7.8%

(1) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the Nova Scotia Casinos decreased by 7% in the fourth quarter of 2013, when compared with the fourth quarter of 2012. This decrease is primarily due to declines in table drop and slot coin-in. Inclement weather conditions resulting in two days of closure during the fourth quarter of 2013 and the weakened local economy had an adverse impact on visitation. Gaming revenues decreased by 8% in the twelve months of 2013, when compared to the same period in 2012. This decline was primarily due to a decrease in the Company's percentage of gaming revenues earned from NSPLCC as a result of the AROC amendment on October 1, 2012, as described in the "Major Developments" section of this MD&A. The decrease in the Company's share of gaming revenues was offset by an increase in the operator's fee associated with leased slots of $1.0 prior to the AROC amendment that was recorded as a contribution towards slot lease operating expenses under property, marketing and administration expenses.

Hospitality and other revenues in the fourth quarter of 2013 decreased by 10%, when compared with the fourth quarter of 2012, which is primarily attributable to decreased food and beverage revenues. Hospitality and other revenues increased by 16% in the twelve months of 2013, when compared to the same period in 2012. This increase was primarily due to the increase in the Company's operator's fee related to non-gaming revenues as a result of the AROC amendment in the fourth quarter of 2012.

Promotional allowances decreased by 33% in the fourth quarter and 45% in the twelve months of 2013, when compared to the same periods in 2012. These decreases were primarily attributable to a change in direct marketing efforts and strategies.

Expenses

Human resources expenses decreased by 5% in the fourth quarter and 6% in the twelve months of 2013, when compared to the same periods in 2012, primarily due to staffing adjustments to address decreased

business volume.

Prior to October 1, 2012, when the AROC was amended, the Company received $1.0 per year related to the operation of leased slot machines that was recorded as a reduction to the related leased slot operating expenses that were part of property, marketing and administration expenses. Since October 1, 2012, the Company has been receiving an additional operator's fee, recorded as gaming revenues, equal to the lesser of $1.3 per year or 10% of leased slot machine revenues. As a result, property, marketing and administration expenses increased by 13% in the fourth quarter and by 4% in the twelve months of 2013, when compared with the same periods in 2012.

EBITDA

EBITDA decreased by 26% and 3% in the fourth quarter and twelve months of 2013 respectively, when compared to the same periods in 2012. These declines were primarily due to the decreases in revenues and human resources expenses, which were partially offset by the increase in property, marketing and administration expenses.

Great American Casinos

Results in U.S. Dollars (in millions)

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 5.0**	$ 4.4	14%	**$ 20.0**	$ 18.1	10%
Hospitality and other revenues	**1.9**	1.6	19%	**6.7**	5.8	16%
Revenues before Promotional allowances	**6.9**	6.0	15%	**26.7**	23.9	12%
Less: Promotional allowances	**(0.6)**	(0.7)	(14%)	**(2.6)**	(2.3)	13%
Revenues	**6.3**	5.3	19%	**24.1**	21.6	12%
Human resources	**3.4**	3.1	10%	**13.3**	12.8	4%
Property, marketing and administration	**2.0**	1.6	25%	**6.9**	6.2	11%
EBITDA	**$ 0.9**	$ 0.6	50%	**$ 3.9**	$ 2.6	50%
Human resources as a % of Revenues before Promotional allowances	**49.3%**	51.7%		**49.8%**	53.6%	
EBITDA as a % of Revenues	**14.3%**	11.3%		**16.2%**	12.0%	

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Average
Table Drop	$ 35.4	$ 34.7	$ 34.1	$ 33.9	$ 34.5	$ 31.6	$ 33.2	$ 35.5	$ 35.5	
Table Hold	$ 5.7	$ 5.6	$ 5.9	$ 5.5	$ 5.1	$ 4.7	$ 5.1	$ 5.4	$ 5.4	
Table Hold %	16.0%	16.1%	17.3%	16.2%	14.7%	14.9%	15.4%	15.2%	15.2%	15.6%

Results in Canadian Dollars

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Revenues	**$ 6.6**	$ 5.3	25%	**$ 24.8**	$ 21.6	15%
EBITDA	**$ 0.9**	$ 0.6	50%	**$ 3.9**	$ 2.6	50%

Discussion in U.S. Dollars

<u>Revenues</u>
Revenues at Great American Casinos increased by 19% in the fourth quarter and 12% in the twelve months of 2013 when compared to the same periods in 2012. These increases were mainly due to the improvements in table drop and hold percentage and increased food and beverage revenues.

<u>Expenses</u>
Human resources expenses increased by 10% in the fourth quarter and by 4% in the twelve months of 2013, when compared to the same periods in 2012. Property, marketing and administration expenses increased by 25% in the fourth quarter and 11% in the twelve months of 2013 when compared to the same periods in 2012. These increases were primarily due to increased staffing cost, marketing expenses and food and beverage costs associated with the growth in gaming and hospitality revenues.

<u>EBITDA</u>
Great American Casinos' EBITDA increased by 50% both in the fourth quarter and twelve months of 2013 when compared to the same periods in 2012. These increases were mainly due to the increase in revenues.

The value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affects the reported results of the Great American

Casinos. The average value of the U.S. dollar increased by 6% in the fourth quarter and increased by 3% in the twelve months of 2013, when compared to the same periods in 2012.

BC Racinos (Fraser Downs Racetrack and Casino, and Hastings Racecourse and Slots Facility)

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ 4.5**	$ 4.8	(6%)	**$ 19.0**	$ 20.1	(5%)
Facility Development Commission	**0.6**	0.6	0%	**3.2**	2.9	10%
Racetrack revenues	**2.2**	2.4	(8%)	**10.1**	11.3	(11%)
Hospitality and other revenues	**1.5**	1.5	0%	**7.3**	7.6	(4%)
Revenues before Promotional allowances	**8.8**	9.3	(5%)	**39.6**	41.9	(5%)
Less: Promotional allowances	**(0.4)**	(0.4)	0%	**(1.7)**	(1.8)	(6%)
Revenues	**8.4**	8.9	(6%)	**37.9**	40.1	(5%)
Human resources	**4.1**	4.3	(5%)	**17.9**	19.5	(8%)
Property, marketing and administration	**3.0**	3.0	0%	**12.8**	13.3	(4%)
EBITDA	**$ 1.3**	$ 1.6	(19%)	**$ 7.2**	$ 7.3	(1%)
Human resources as a % of Revenues before Promotional allowances	**46.6%**	46.2%		**45.2%**	46.5%	
EBITDA as a % of Revenues	**15.5%**	18.0%		**19.0%**	18.2%	

	Q4 2013	**Q3 2013**	**Q2 2013**	**Q1 2013**	**Q4 2012**	**Q3 2012**	**Q2 2012**	**Q1 2012**	**Q4 2011**	**Average**
Table Drop	$ 5.5	$ 5.6	$ 6.0	$ 7.0	$ 7.1	$ 7.0	$ 7.2	$ 6.4	$ 6.0	
Table Hold	$ 1.5	$ 1.4	$ 1.4	$ 1.7	$ 1.7	$ 1.4	$ 1.4	$ 1.4	$ 1.3	
Table Hold %	26.8%	24.6%	23.3%	24.3%	24.2%	20.0%	19.4%	21.9%	21.7%	22.8%
Poker Rake	$ 0.2	$ 0.1	$ 0.2	$ 0.3	$ 0.1	$ 0.5	$ 0.3	$ 0.2	$ -	
Slot Coin-In	$ 196.9	$ 207.3	$ 225.8	$ 218.5	$ 227.3	$ 239.4	$ 246.3	$ 234.7	$ 240.4	
Slot Win	$ 15.4	$ 16.1	$ 17.7	$ 16.1	$ 16.5	$ 17.9	$ 18.4	$ 17.6	$ 17.3	
Slot Win/Slot/Day[1]	$ 161	$ 167	$ 184	$ 170	$ 169	$ 184	$ 191	$ 183	$ 179	
Slot Win %	7.8%	7.8%	7.8%	7.4%	7.3%	7.5%	7.5%	7.5%	7.2%	7.5%

[1] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the BC Racinos decreased by 6% in the fourth quarter and 5% in the twelve months of 2013, when compared to the same periods in 2012. These decreases were primarily due to decreases in gaming and racetrack revenues, which are attributable to 2 and 6 fewer live races in the fourth quarter and twelve months of 2013, respectively, when compared to the same periods in 2012 and the ongoing industry-wide decline in horse race wagering.

FDC revenues increased in the twelve months of 2013, when compared to the twelve months of 2012, due to the recognition of $0.7 previously deferred FDC revenues that were realized in the second quarter of 2013 when BCLC approved the related eligible expenditures for reimbursement.

Expenses

Human resources and property, marketing and administration expenses were both relatively consistent in the fourth quarter of 2013, when compared with the fourth quarter of 2012. Human resources and property, marketing and administration expenses decreased by 8% and 4%, respectively, in the twelve months of 2013, when compared to the same period in 2012. These decreases were primarily due to operational efficiencies implemented as a result of reduced revenues.

EBITDA

EBITDA at the BC Racinos decreased by 19% in the fourth quarter and by 1% in the twelve months of 2013, when compared with the same periods in 2012. These decreases are a result of declines in revenues, which were partially offset by the decrease in expenses.

Labour Relations
A collective agreement with UNITE HERE!, Local 40, with a term covering April 01, 2008 through December 31, 2010, is applicable to food and beverage workers at Hastings Racecourse. Collective bargaining for a renewal collective agreement commenced on January 20, 2011 and no further meetings have been held since that date. Collective bargaining is in abeyance.

A collective agreement with Canadian Office and Professional Employees Union (COPE), Local 378, is applicable to specified racing, general and casino workers at the property. Collective bargaining commenced in January 2013, and a new collective agreement was reached in June 2013 covering the term August 1, 2012 through December 31, 2014.

Ontario Racetracks

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Gaming revenues	**$ -**	$ 5.8	(100%)	**$ 6.4**	$ 24.6	(74%)
Racetrack revenues	**1.2**	1.1	9%	**4.2**	4.5	(7%)
Hospitality, lease and other revenues [(1)]	**5.3**	1.1	382%	**15.6**	4.2	271%
Revenues	**6.5**	8.0	(19%)	**26.2**	33.3	(21%)
Human resources	**1.3**	1.9	(32%)	**5.5**	7.6	(28%)
Property, marketing and administration	**1.6**	1.8	(11%)	**6.7**	8.4	(20%)
EBITDA	**$ 3.6**	$ 4.3	(16%)	**$ 14.0**	$ 17.3	(19%)
Human resources as a % of Revenues before Promotional allowances	**20.0%**	23.8%		**21.0%**	22.8%	
EBITDA as a % of Revenues	**55.4%**	53.8%		**53.4%**	52.0%	

[(1)] Included in Hospitality, lease and other revenues are lease and food and beverage revenues from OLG since the second quarter of 2013.

Recent Developments

As described in the "Major Developments" section of this MD&A, the Company received notice from OLG regarding the early termination of Georgian Downs' and Flamboro Downs' site holder agreements effective March 31, 2013. On November 29, 2013, the Company and OLG signed lease agreements, whereby OLG would lease the previously-existing slot machine areas of the properties for a period of five years commencing on April 1, 2013.

In May 2013, the Company and the Government of Ontario signed Ontario Racing Agreements outlining terms under which the Company will operate a reduced level of horse racing at the properties until March 31, 2015 on a transitional basis and will receive transition funding from the Government of Ontario.

Revenues

Revenues decreased by 19% in the fourth quarter and 21% in the twelve months of 2013, when compared to the same periods in 2012. As described in the "Major Developments" section of this MD&A, since April 1, 2013, the Company's Ontario Racetracks no longer receive 10% of OLG's slot machine revenues nor directly share in the horse racing pari-mutuel wagering revenues that the tracks generate. Instead, these Ontario Racetracks currently receive slot facility lease revenues from the OLG and fixed horse racing transition funds from the Government of Ontario. Consequently, there has been a decline in revenues at the Ontario Racetracks in the fourth quarter and twelve months of 2013 when compared to the fourth quarter and twelve months of 2012.

Included in gaming revenues in the second quarter of 2013 was a total of $0.7 without prejudice payments received to resolve disputes with OLG regarding the calculation of compensation due under the Flamboro Downs and Georgian Downs site holder agreements that ended on March 31, 2013.

Expenses

Human resources and property, marketing and administration expenses decreased by 22% in the fourth quarter and 24% in the twelve months of 2013, when compared to the same periods in 2012. These decreases were primarily due to operational adjustments implemented as a result of operating cost reductions required under the Ontario Racing Agreements.

EBITDA

EBITDA declined by 16% in the fourth quarter and 19% in the twelve months of 2013, when compared to

the same periods in 2012 mainly as a result of the decreases in revenues.

Labour Relations

A collective agreement with Public Service Alliance of Canada, Local 00500 (PSAC), with a term covering September 18, 2010 to September 17, 2013, covers workers at Georgian Downs. Notice to commence collective bargaining was served on September 5, 2013, and collective bargaining concluded on October 24, 2013, resulting in a renewal collective agreement effective September 18, 2013 through September 17, 2015.

A collective agreement with Service Employees International Union, Local 2 (SEIU), with a term covering January 1, 2011 through December 31, 2013 and subsequently extended by mutual agreement to December 31, 2014, covers workers at Flamboro Downs.

Corporate & Other

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Human resources	**$ 3.3**	$ 3.5	(6%)	**$ 13.5**	$ 13.5	0%
Property, marketing and administration	**1.3**	1.6	(19%)	**5.0**	6.7	(25%)
EBITDA	**$ (4.6)**	$ (5.1)	10%	**$ (18.5)**	$ (20.2)	8%

EBITDA

Corporate & Other EBITDA improved by 10% in the fourth quarter and 8% in the twelve months of 2013, when compared to the same periods in 2012. EBITDA was lower in 2012 primarily due to legal costs associated with a litigation that was settled during the year.

Discussion of Items Excluded from EBITDA

Amortization
Amortization decreased by $1.3 in the fourth quarter and $3.1 in the twelve months of 2013, when compared to the fourth quarter and twelve months of 2012. These decreases were primarily due to the settlement payment received from OLG in 2013, which was applied against the long-lived assets at Georgian Downs as described in the "Major Developments" section of this MD&A.

Share-Based Compensation
Share-based compensation of $6.1 (2012 - $0.2) in the fourth quarter of 2013 comprises equity-settled share-based compensation of $0.3 (2012 - $0.4) and cash-settled share-based compensation of $5.8 (2012 - $0.2). The increase in share-based compensation was primarily due to the special share-based award of $4.8 as described in the "Major Developments" section of this MD&A. Also contributing to this increase was the higher cost of the Company's outstanding Deferred Share Units as a result of an increase in the Company's common share price.

Share-based compensation of $9.7 (2012 - $3.6) in the twelve months of 2013 comprises equity-settled share-based compensation of $2.3 (2012 - $2.2) and cash-settled share-based compensation of $7.4 (2012 - $1.4). The increase in share-based compensation was primarily due to both an increase in the cost of the Company's outstanding Deferred Share Units as a result of an increase in the Company's common share price and the special share-based award of $4.8.

(Reversal of) Impairment of Long-Lived Assets and Impairment of Goodwill
In the twelve months of 2013, the Company recorded non-cash impairment reversals of long-lived assets of $28.5 in connection with signing letters of intent for lease arrangements and horse racing transition funding for Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A.

In the twelve months of 2012, the Company recorded non-cash impairments of long-lived assets of $50.8 and a non-cash impairment of goodwill of $3.2 associated with the early termination notice of the site holder agreements for Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, as well as a non-cash impairment charge of $10.3 related to land in Ontario that was written down to its estimated recoverable amount.

Interest and Financing Costs, net
Interest and financing costs, net of interest income remained relatively consistent in the fourth quarter of 2013, when compared to the fourth quarter of 2012. Interest and financing costs, net of interest income decreased by $4.2 in the twelve months of 2013, when compared to the twelve months of 2012. This decrease was primarily due to the non-recurring expenses of $3.9 associated with the Subordinated Notes redemption and $2.4 in previously deferred financing transaction costs related to the Subordinated Notes and Term Loan B that were expensed during the twelve months of 2012 as part of the debt refinancing as described in the "Major Developments" section of this MD&A. These decreases were partially offset by higher net interest and financing costs primarily due to a higher amount of outstanding long-term debt.

Litigation Settlement
Litigation settlement of $11.0 in the twelve months of 2012 relates to the settlement of a legal dispute.

Restructuring and other
Restructuring and other expenses incurred in the fourth quarter of 2012 included the equity investment loss of $0.9 attributable to the acquisition of PDX Entertainment Company recognized in the fourth quarter

of 2012.

Restructuring and other expenses decreased by $3.1 in the twelve months of 2013, when compared to the twelve months of 2012, which was primarily attributable to the equity investment loss of $3.5 recognized in the twelve months of 2012. Restructuring expenses included $1.3 related to non-recurring staff severance costs incurred during the twelve months of 2013 primarily as a result of an expected reduction in the number of live horse racing days to be held at Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A.

Foreign exchange (gain) loss and other

Foreign exchange gain and other income in the fourth quarter of 2013 was relatively consistent with the fourth quarter of 2012. Foreign exchange gain and other income decreased by $7.7 in the twelve months of 2013, when compared to the same periods in 2012. Foreign exchange loss and other expenses in the fourth quarter of 2012 included $8.1 of accumulated losses on derivatives designated as cash flow hedges that were reclassified from "accumulated other comprehensive loss" on the final settlement of the Company's cross-currency interest rate and principal swaps in July 2012 as part of a debt refinancing.

Income Taxes

Income tax expense was higher in the fourth quarter of 2012, when compared to the fourth quarter of 2013. The higher tax expense was due to the non-recognition of a deferred tax asset, which was partially offset by a corporate income tax rate that was 0.75 percentage point lower when compared to 2013.

Income taxes increased by $28.1 in the twelve months of 2013, when compared to the twelve months of 2012. This increase was primarily due to higher earnings before income taxes and a corporate income tax rate that was 25.75% in 2013 compared to 25.0% in 2012.

CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Revenues	$ 101.6	$ 103.1	$ 102.1	$ 100.5	$ 102.8	$ 101.8	$ 101.3	$ 102.8	$ 95.7
EBITDA	$ 35.2	$ 39.1	$ 38.0	$ 38.3	$ 37.5	$ 35.8	$ 35.3	$ 39.0	$ 31.0
EBITDA as a % of Revenues	34.6%	37.9%	37.2%	38.1%	36.5%	35.2%	34.8%	37.9%	32.4%
Net earnings (loss)	$ 7.2	$ 13.3	$ 11.3	$ 31.3	$ 2.5	$ (0.9)	$ 2.7	$ (31.9)	$ 2.3
Net earnings (loss) per common share									
Basic	$ 0.11	$ 0.20	$ 0.17	$ 0.44	$ 0.04	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03
Diluted	$ 0.10	$ 0.19	$ 0.16	$ 0.44	$ 0.03	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03

In the fourth quarter of 2013, the Company's consolidated revenues decreased by 1% from those in the prior year comparable period. As described earlier in this MD&A, this decrease was primarily due to declines in revenues at the Ontario Racetracks, Boulevard and the Other BC Casinos and was partially offset by growth in revenues at River Rock and Great American Casinos. Gaming revenues have declined compared to the prior year primarily due to OLG's termination of the site holder agreement at Flamboro Downs and Georgian Downs as well as continued revenue decreases at Boulevard arising from a weakened local economy and guest disruption from the rebranding renovations and proximate highway construction that has been ongoing since 2010. During the twelve months of 2013, this construction included intermittent weekday and multiple weekend evening road closures affecting access to the property. Despite the receipt of lease revenues from OLG and horse racing transition funding from the Government of Ontario, there was an overall decline in revenues at the Ontario Racetracks since the second quarter of 2013.

Although the Company continues to focus on operating efficiencies, EBITDA has been affected by the one-time rebranding and pre-opening costs of $1.0 in the fourth quarter of 2013 for the relaunch of Boulevard as Hard Rock Casino Vancouver, which was completed in December 2013.

The net earnings (loss) trend reflects the items noted above, as well as certain impairment charges, reversals of impairment charges, share-based compensation expense, equity investment loss, business development expenses, litigation settlement costs, expenses associated with the debt refinancing and settlement of the related derivative liabilities, and the related income tax effects.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages liquidity risks by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its Revolving Credit Facility.

As at December 31, 2013, the Company had:

- Relatively low levels of receivables of which the majority are due from: sales tax rebates from the federal government, racetrack operators, other provincial gaming corporations, and financial institutions;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has relatively low levels of foreign denominated assets and liabilities and has fixed interest rates with its Canadian dollar denominated Senior Unsecured Notes;
- $320.2 of available credit on its Revolving Credit Facility, subject to compliance with the related financial covenants; and
- Counterparties to its existing debt and credit facilities that are primarily major financial institutions that have minimum grade "A" credit ratings.

Financial Position

		December 31, 2013		December 31, 2012	% Chg		December 31, 2011	% Chg
Cash and cash equivalents	**$**	**192.6**	$	121.1	59%	$	141.8	(15%)
Other current assets		**18.9**		13.8	37%		15.5	(11%)
Property, plant and equipment		**596.3**		621.3	(4%)		663.6	(6%)
Other long-term assets		**107.9**		106.5	1%		155.2	(31%)
Total Assets	**$**	**915.7**	$	862.7	6%	$	976.1	(12%)
Current liabilities	**$**	**70.5**	$	63.8	11%	$	64.9	(2%)
Long-term debt & Derivative liabilities (excluding current portion)		**441.0**		439.9	0%		398.9	10%
Other long-term liabilities		**96.7**		78.7	23%		89.9	(12%)
Total Liabilities		**608.2**		582.4	4%		553.7	5%
Shareholders' equity		**307.5**		280.3	10%		422.4	(34%)
Total Liabilities and Shareholders' equity	**$**	**915.7**	$	862.7	6%	$	976.1	(12%)

Total Assets

Total assets increased by $53.0 in the twelve months of 2013, when compared to the total assets as at December 31, 2012. This increase was primarily due to cash generated by operating activities and reversal of impairment charges on long-lived assets associated with Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, which was partially offset by the $31.5 settlement payment from OLG, common shares repurchased of $46.6 and the amortization of property, plant and equipment.

Total assets decreased by $113.4 as at December 31, 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares, non-cash impairment charges, and the amortization of property, plant and equipment and intangible assets. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment, and net proceeds of $31.7 associated with the debt refinancing.

Total Liabilities

Total liabilities increased by $25.8 in the twelve months of 2013, when compared to the total liabilities as at December 31, 2012. This increase was primarily due to increases in accounts payable and deferred tax liabilities associated with the reversals of impairments of Georgian Downs' and Flamboro Downs' long-lived assets.

Total liabilities increased by $28.7 as at December 31, 2012, when compared to the total liabilities as at December 31, 2011. This increase was primarily due to the increase in long-term debt related to the debt refinancing. This increase was partially offset by the decrease in deferred tax liabilities associated with the impairments of Georgian Downs' and Flamboro Downs' long-lived assets.

Shareholders' equity

Shareholders' equity increased by $27.2 in the twelve months of 2013, when compared to shareholders' equity as at December 31, 2012. This increase was primarily due to the net earnings of $63.1, comprehensive income of $1.4 and equity-settled share-based compensation of $2.3, and share options exercised of $7.0. The increase was partially offset by common shares repurchased of $46.6.

Shareholders' equity decreased by $142.1 as at December 31, 2012, when compared to shareholders' equity as at December 31, 2011. This decrease was primarily due to the common shares repurchased under the substantial issuer bid and normal course issuer bid totalling $130.1, and a net loss of $27.6. This decrease was partially offset by share options exercised of $7.9, other comprehensive income of $5.5, and equity-settled share-based compensation of $2.2.

Cash Flows

	Fourth Quarter			Twelve Months of		
	2013	2012	% Chg	**2013**	2012	% Chg
Cash generated by operating activities	**$ 34.2**	$ 36.5	(6%)	**$ 135.4**	$ 121.4	12%
Cash (used in) generated by investing activities	**(7.8)**	(5.9)	(32%)	**7.1**	(27.6)	
Cash used in financing activities	**(10.0)**	-		**(72.2)**	(114.9)	37%
Effect of foreign exchange on cash and cash equivalents	**0.5**	0.3	67%	**1.2**	0.4	200%
Cash inflow (outflow)	**$ 16.9**	$ 30.9	(45%)	**$ 71.5**	$ (20.7)	

Cash generated by operating activities was lower in the fourth quarter of 2013, when compared to the same period in 2012. This decrease was primarily due to lower EBITDA as discussed in the "Financial Highlights" section of this MD&A.

Cash generated by operating activities was higher in the twelve months of 2013, when compared to the same period in 2012. This increase was primarily due to higher EBITDA as discussed in the "Financial Highlights" section of this MD&A.

Cash used in investing activities in the fourth quarter of 2013 was primarily for the development of Chances Maple Ridge and the rebranding and redevelopment of Boulevard.

Cash generated by investing activities in the twelve months of 2013 was mainly attributable to the settlement payment related to the Georgian Downs facility that was received from OLG in April 2013 as described in the "Major Developments" section of this MD&A. This was partially offset by the capital investment for the development of Chances Maple Ridge and the redevelopment of Boulevard.

Cash used in financing activities was higher in the fourth quarter of 2013, when compared to the fourth quarter of 2012. A higher amount of cash was used to repurchase and cancel the Company's common shares in the fourth quarter of 2013, when compared to the same period in 2012.

Cash used in financing activities was lower in the twelve months of 2013, when compared to the twelve months of 2012. A lower amount of cash was used to repurchase and cancel the Company's common shares in the twelve months of 2013, when compared to the twelve months of 2012, which included a $100.0 substantial issuer bid. The Company also paid transaction costs of $6.3 associated with a debt refinancing in the twelve months of 2012. This decrease was partially offset by an $8.2 increase in interest paid during the twelve months of 2013, when compared to the twelve months of 2012.

Capital Resources

Long-Term Debt and Equity

	December 31, 2013	December 31, 2012
Senior Unsecured Notes, net of unamortized transaction costs of $9.0 (2012 - $10.1)	**$ 441.0**	$ 439.9

As at December 31, 2013, 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	2.51
Senior Secured Debt to Adjusted EBITDA ratio [1]	< 3.50	0.00
Interest Coverage ratio [1]	> 2.25	5.61
Fixed Charge Coverage ratio [2]	> 2.00	5.65

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

(2) Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt

The Company and its debt facilities had independent credit ratings as at December 31, 2013 as follows:

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

Outstanding Share Data

As at December 31, 2013 there were 67,333,249 common shares issued and outstanding compared to 70,436,319 as at December 31, 2012. This decrease was primarily due to the purchase and cancellation of common shares under the Company's normal course issuer bid during the year ended December 31, 2013 which was partially offset by stock option exercises.

As at December 31, 2013, there were 4,155,107 share options outstanding at a weighted-average exercise price of $8.02.

As at March 4, 2014, there were 67,527,482 common shares outstanding and 3,959,874 share options outstanding.

Capital Spending and Development

Under its operating agreements in BC, the Company earns a commission on capital investments as a percentage of Gross Gaming Revenues. Under its operating agreement in Nova Scotia, the Company is reimbursed for the majority of its capital projects. The majority of the Company's capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In British Columbia, through the FDC program, BCLC provides commissions for approved capital and operating expenditures related to the development or improvement of gaming properties as defined in the operating services agreements. Currently, the FDC percentage is 3% of the Gross Gaming Revenues from gaming activities. BCLC provides for an additional accelerated FDC equal to 2% of the Gross Gaming Revenues and is intended to be a one-time reimbursement of the timely development or redevelopment of gaming facilities and additional entertainment amenities of significant value which may be completed through phases. The Company continues to receive accelerated FDC until the approved eligible costs of the project are recovered.

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

	Year ended December 31,	
	2013	2012
Opening Approved Amounts	**$ 412.0**	$ 424.4
Additional Approved Amounts	**3.0**	22.8
FDC receipts	**(34.1)**	(35.2)
Closing Approved Amounts	**$ 380.9**	$ 412.0

The differences between the FDC Additional Approved Amounts and the additions to property, plant and equipment are primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

Approved expenditures incurred to improve or maintain the two Nova Scotia casinos are reimbursed by NSPLCC from a Capital Reserve Account ("CRA"). The Company is required to make contributions to the CRA 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. If the CRA is in a deficit balance, the amount owed to the Company accrues interest at a rate of bank prime plus 2% per annum.

The following table summarizes the Company's maintenance and development capital expenditures net of accounts payable for the fourth quarter and twelve months of 2013:

	Fourth Quarter		Twelve Months of	
	2013	2012	**2013**	2012
Maintenance capital expenditures net of related accounts payable	**$ -**	$ 0.5	**$ 3.6**	$ 3.3
Development capital expenditures net of related accounts payable	**7.3**	5.3	**21.3**	16.2
Total capital expenditures net of related accounts payable	**$ 7.3**	$ 5.8	**$ 24.9**	$ 19.5

Maintenance capital expenditures were primarily related to various property upgrades and information technology. Development capital expenditures during the fourth quarter and twelve months of 2013 were primarily related to Chances Maple Ridge and the rebranding and redevelopment of Boulevard. For the upcoming twelve months of 2014, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately $5.0 and $5.0, respectively.

Contingencies

The Company has issued letters of credit to guarantee performance primarily under gaming cash floats, construction contracts, and provincial gaming corporation payables in the aggregate amount of $29.8 as at December 31, 2013 (December 31, 2012 - $29.9).

Litigation

On June 29, 2012, the Company settled a long-standing legal dispute with a former Ontario-based consultant for a total cash payment of $11.0.

The Company is subject to legal proceedings, claims and investigations in the ordinary course of business. Liabilities related to such matters are recorded when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. All legal costs associated with litigation are expensed as incurred.

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:

- 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;
- certain vendors of acquired companies or properties for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

Commitments

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, 2013				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 67.9	$ -	$ -	$ -	$ 67.9
Income taxes payable	-	-	-	-	-
Senior Unsecured Notes	29.8	59.6	59.6	569.3	718.3
Provisions	1.3	2.0	1.0	6.9	11.2
Operating leases (1)	3.7	4.1	3.6	7.6	19.0
Other contractual commitments (2)	6.5	2.9	2.1	5.6	17.1
Total	$ 109.2	$ 68.6	$ 66.3	$ 589.4	$ 833.5

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

(2) Other contractual commitments include the acquisition of property, plant and equipment of $0.8 (2012 - $1.0), various service contracts of $14.6 (2012 - $4.6), and amounts committed to NSPLCC to fund responsible gaming programs of $1.5 (2012 - $2.7).

Expected payments related to facility development projects are not reflected in this table unless they are contractually committed.

Future Cash Requirements

Management believes that the Company's current operational requirements and major development plans can be funded from existing cash and cash equivalents, cash generated from operations, and existing capacity on our Revolving Credit Facility. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates.

OTHER FINANCIAL INFORMATION

Related Party Transactions

As defined under International Accounting Standards ("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,			
		2013		2012
Human resources [(1)]	**$**	**2.4**	$	2.3
Share-based compensation [(2)]		**5.6**		2.3
Total	**$**	**8.0**	$	4.6

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

[(2)] Share-based compensation includes equity and cash settled share-based compensation.

As at December 31, 2013, the liabilities of the Company included amounts due to key management personnel of $1.5 (2012 - $0.9) in "accounts payable and accrued liabilities" and $3.3 (2012 - $2.2) in "deferred credits, provisions and other liabilities" in the consolidated statements of financial position.

Restricted Cash

Restricted cash balance of $4.9, previously presented as "restricted cash" on the consolidated statements of financial position at December 31, 2012, has been retrospectively reclassified to "cash and cash equivalents." This change is also reflected in the calculation of cash flows for the fourth quarter and twelve months of 2012. Management believes this presentation better demonstrates the Company's true cash and cash equivalent position on the consolidated statements of financial position and cash flows.

Changes in Accounting Policies

Effective January 1, 2013, the Company adopted the following revised IASs and IFRSs issued by the International Accounting Standards Board ("IASB"). These revised IFRSs did not have a material impact on the Company's consolidated financial statements.

- *IAS 1, Presentation of Financial Statements* – amended to clarify the requirements for comparative information in the financial statements.
- *IAS 16, Property, Plant and Equipment* – amended to clarify the classification of servicing equipment.
- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures.
- *IAS 32, Financial Instruments: Presentation ("IAS 32")* – amended to clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12, *Income Taxes.*

- *IAS 34, Interim Financial Reporting* – amended to clarify the requirements for segment information related to total assets and total liabilities.

- *IFRS 7, Financial Instruments: Disclosures ("IFRS 7")* – amended to require disclosure about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

- *IFRS 13, Fair Value Measurement ("IFRS 13")* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. IFRS 13 was subsequently amended to clarify the scope of the portfolio exception.

Effective January 1, 2013, the Company also concurrently adopted the following five new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities. These standards did not have a material impact on the Company's consolidated financial statements.

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

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

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

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

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

Recent Accounting Pronouncements

The Company is currently evaluating the effects of the following new and revised accounting pronouncements and their impact on the Company's consolidated financial statements:

- *IAS 32* – amended to clarify under what circumstances financial assets and financial liabilities should be offset. It is effective for annual periods beginning on or after January 1, 2014.

- *IAS 36, Impairment of Assets* – amended to clarify the standard's disclosure requirements and require the disclosure of the discount rate used in determining an impairment value calculated using a present value technique. It is effective for annual periods beginning on or after January 1, 2014.

- *IFRS 10, 12 and IAS 27* – IFRS 10 has been amended to introduce an exception from the

requirement to consolidate subsidiaries for an investment entity. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. IFRS 7 and IAS 27 have been amended to introduce new disclosure requirements for investment entities. These amendments are effective for annual periods beginning on or after January 1, 2014.

- International Financial Reporting Standards Interpretations Committee's Interpretation 21, *Levies* – provides guidance for applying IAS 37, *Provisions, contingent liability and contingent assets*, with respect to when a company should recognize a liability for a levy imposed by a government. It is effective for annual periods beginning on or after January 1, 2014.

- *IFRS 2, Share based payments* – amended the definitions of "vesting condition" and "market conditions" and added definitions for "performance condition" and service condition". These amendments apply to share based payment transactions with a grant date on or after July 1, 2014.

- *IFRS 8, Operating Segments* – amended to require the disclosure of the judgments made by management in applying the aggregation criteria to operating segments and to clarify that the reconciliation of the segment assets is required if they are regularly provided to the chief operation decision-maker. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 13* – the Basis of Conclusions was amended to clarify that issuing IFRS 13 and amending IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39") did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 16 and IAS 38, Intangible assets* – amended to clarify that, under the revaluation method, the gross amount of property, plant and equipment and intangible asset is adjusted in a manner consistent with the revaluation of the carrying amount of the asset. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 24* – amended to clarify how payments to entities providing management services are to be disclosed. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 9* – replaces IAS 39. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The IASB tentatively decided that the mandatory effective date will be no earlier than annual periods beginning on or after 1 January 2017.

Critical Accounting Estimates and Judgments

The Company's reported financial position and results of operations are dependent on the selection of accounting policies that are based on IFRS and accounting estimates that underlie the preparation of the Company's Annual Financial Statements. The Company's Annual Financial Statements contain a summary of its significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause the Company's financial position and operating results to differ materially from those presented in the Company's Annual Financial Statements. Future changes in accounting estimates will be applied on a prospective basis.

The estimates used in determining the recorded amounts in the Company's Annual 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 human resources and property, marketing and administration expenses. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

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

- *Equity-settled share-based compensation*

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

- *Income taxes*

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

  Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations

of future timing difference reversals and may require material deferred tax adjustments.

- *Contingencies*

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

  The Company does not record contingent assets.

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

- *Hedge accounting*

  The Company designated its cross-currency interest rate and principal swaps as cash flow hedges, and assessed the effectiveness of its hedging instruments at each reporting period up to their settlement on July 24, 2012, as described in the "Capital Resources" section of this MD&A. The fair values of the Company's cross-currency interest rate and principal swaps were based on credit risk adjusted discounted cash flows that require assumptions regarding the U.S. dollar exchange rate and discount rates, which were based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applied hedge accounting as it believed this was more representative of the economic substance of the underlying transactions. 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 would have been recorded in the consolidated statements of earnings (loss).

- *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.

Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instrument that gives rise or may give rise to the most significant exposure to floating interest rate risk is the Revolving Credit Facility.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company and its subsidiaries would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2013.

As well, as of the end of the fiscal year ended December 31, 2013, the Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's internal controls over financial reporting, designed under the 1992 Committee of Sponsoring Organizations of the Treadway Commission's internal control integrated framework, are adequately designed and effective for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2013 there was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Definitions of Other Terms Used in the MD&A

Gross Gaming Revenues – the amounts wagered on gaming activities, less the payout or prizes to winning customers.

Racebook – an off-racetrack betting facility for pari-mutuel wagering on live horse races displayed by television broadcasts operated by the Company or TBC.

Revenues – the sum of the following:

- Casino gaming in BC – gaming revenues are net of amounts paid to BCLC (provincial government portion is 60% of the win on most table games and 75% of the slot machine win) and are net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.

- Bingo and slots at a community gaming centre in BC – gaming revenues are net of amounts paid to BCLC (provincial government portion is 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are net of prizes.

- Horse racing in BC – Racetrack revenues represent the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to other associations.

- Horse racing in Ontario – Effective April 1, 2013, racetrack revenues includes transition funding for horse racing received from the Government of Ontario. Prior to April 1, 2013, racetrack revenues represented the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and included the host track share of wagering on the Company's races simulcast to other associations.

- Casino gaming in Washington – gaming revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.

- Casino gaming in Nova Scotia – effective October 1, 2012, gaming revenues are approximately equal to 52.24% of the gross gaming revenues, after deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue or $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive additional Operator Fees equal to the lesser of $1.3, or 10% of leased slot machine revenues. Prior to October 1, 2012, gaming revenues were approximately equal to 55.5%, after deduction of the CRC, as described in the "Business Description" section of this MD&A.

- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming revenues, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). BCLC also provides for an accelerated FDC amount towards the timely development or redevelopment of gaming facilities and additional entertainment amenities of significant value which may be completed through phases. Generally, the FDC percentage is 3% or 5% of gross gaming win from casinos, racetracks and community gaming centres.

- Hospitality, lease and other revenues – food and beverage revenues, hotel revenues, and other revenues such as: ATM commissions, theatre revenues, advertising revenues, lease revenues and other income from ancillary services.

- Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in gaming revenues or hospitality, lease and other revenues, are deducted.

Additional Information

Additional information relating to the Company, including the Company's latest Annual Financial Statements and Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Gaming Revenues					
River Rock Casino Resort	$ 29.0	$ 29.7	$ 27.4	$ 30.6	$ 26.2
Boulevard (now "Hard Rock Casino Vancouver")	9.7	8.8	9.3	9.7	10.6
Vancouver Island Casinos	7.3	7.7	7.8	7.5	7.6
Other BC Casinos	3.5	3.4	3.7	3.5	3.0
Nova Scotia Casinos	8.4	10.2	9.2	8.3	9.0
Great American Casinos	5.3	5.1	5.3	4.8	4.4
BC Racinos	4.5	4.6	5.0	4.9	4.8
Ontario Racetracks	-	-	0.7	5.6	5.8
	67.7	**69.5**	**68.4**	**74.9**	**71.4**
Facility Development Commission					
River Rock Casino Resort	4.2	4.3	3.9	4.4	3.9
Boulevard (now "Hard Rock Casino Vancouver")	1.5	1.5	1.6	1.6	1.7
Vancouver Island Casinos	1.2	1.2	1.3	1.5	1.9
Other BC Casinos	0.7	0.7	0.7	0.7	2.6
BC Racinos	0.6	0.6	1.4	0.6	0.6
	8.2	**8.3**	**8.9**	**8.8**	**10.7**
Hospitality, Lease and Other Revenues					
River Rock Casino Resort	11.9	11.7	11.1	9.6	11.4
Boulevard (now "Hard Rock Casino Vancouver")	2.5	1.9	2.2	2.1	2.6
Vancouver Island Casinos	1.1	1.1	1.1	1.0	1.0
Other BC Casinos	1.0	0.7	0.7	0.6	0.7
Nova Scotia Casinos	1.8	1.7	1.7	1.4	2.0
Great American Casinos	2.0	1.7	1.6	1.6	1.6
BC Racinos	1.5	2.5	2.0	1.2	1.5
Ontario Racetracks	5.3	5.0	4.8	0.7	1.1
	27.1	**26.3**	**25.2**	**18.2**	**21.9**
Racetrack Revenues					
BC Racinos	2.2	2.7	2.9	2.2	2.4
Ontario Racetracks	1.2	1.1	1.1	1.0	1.1
	3.4	**3.8**	**4.0**	**3.2**	**3.5**
Promotional Allowances	(4.8)	(4.8)	(4.4)	(4.6)	(4.7)
Revenues	**$ 101.6**	**$ 103.1**	**$ 102.1**	**$ 100.5**	**$ 102.8**
EBITDA					
River Rock Casino Resort	$ 22.3	$ 23.7	$ 21.2	$ 22.7	$ 18.8
Boulevard (now "Hard Rock Casino Vancouver")	2.6	3.0	3.5	4.1	5.1
Vancouver Island Casinos	4.8	5.3	5.5	5.3	5.7
Other BC Casinos	2.0	2.2	2.4	2.3	3.4
Nova Scotia Casinos	2.3	3.9	2.9	2.1	3.1
Great American Casinos	0.9	0.8	1.3	0.9	0.6
BC Racinos	1.3	1.6	2.8	1.4	1.6
Ontario Racetracks	3.6	3.2	3.3	4.0	4.3
Corporate & Other	(4.6)	(4.6)	(4.9)	(4.5)	(5.1)
	$ 35.2	**$ 39.1**	**$ 38.0**	**$ 38.3**	**$ 37.5**

GREAT CANADIAN GAMING CORPORATION

AUDITOR’S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

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

Deloitte LLP
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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, 2013 and 2012, and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Great Canadian Gaming Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Accountants
March 4, 2014
Vancouver, British Columbia

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

			2013		2012
Assets					
Current					
Cash and cash equivalents	Note 5	**$**	**192.6**	$	121.1
Accounts receivable	Note 6		**7.2**		7.7
Income taxes receivable			**3.7**		-
Prepaids, deposits and other assets			**8.0**		6.1
			211.5		134.9
Property, plant and equipment	Note 8		**596.3**		621.3
Intangible assets	Note 9		**75.8**		73.3
Goodwill	Note 10		**20.6**		20.1
Deferred tax assets	Note 19		**8.8**		9.9
Other assets			**2.7**		3.2
		$	**915.7**	$	862.7
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**67.9**	$	60.4
Income taxes payable			**-**		0.5
Other liabilities	Note 11		**2.6**		2.9
			70.5		63.8
Long-term debt	Note 12		**441.0**		439.9
Deferred credits, provisions and other liabilities	Note 15		**26.4**		25.4
Deferred tax liabilities	Note 19		**70.3**		53.3
			608.2		582.4
Shareholders' equity					
Share capital and reserves	Note 16		**305.1**		313.5
Accumulated other comprehensive income (loss)			**0.4**		(1.0)
Retained earnings (deficit)			**2.0**		(32.2)
			307.5		280.3
		$	**915.7**	$	862.7

Commitments (Note 26); Subsequent events (Note 16(b))

These financial statements were approved and authorized for issue by the Company's Board of Directors on March 4, 2014.

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,

			2013		2012
Revenues	Note 17	**$**	**407.3**	$	408.7
Expenses					
Human resources	Note 23		**160.5**		163.8
Property, marketing and administration			**96.2**		97.3
Amortization			**48.5**		51.6
Share-based compensation	Note 16, 23		**9.7**		3.6
(Reversal of) impairment of long-lived assets	Note 7		**(28.5)**		61.1
Impairment of goodwill	Note 7		**-**		3.2
Interest and financing costs, net	Note 12		**32.8**		37.0
Litigation settlement	Note 26		**-**		11.0
Restructuring and other	Note 18		**2.0**		5.1
Foreign exchange (gain) loss and other			**(0.9)**		6.8
			320.3		440.5
Earnings (loss) before income taxes			**87.0**		(31.8)
Income taxes	Note 19		**23.9**		(4.2)
Net earnings (loss)		**$**	**63.1**	$	(27.6)
Net earnings (loss) per common share	Note 20				
Basic		**$**	**0.92**	$	(0.36)
Diluted		**$**	**0.90**	$	(0.36)
Weighted average number of common shares					
Basic			**68,559,932**		76,814,381
Diluted			**69,934,075**		76,814,381

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,

		2013		2012
Net earnings (loss)	**$**	**63.1**	$	(27.6)
Other comprehensive income (loss), net of tax				
Current period changes in fair values of derivatives designated as cash flow hedges, net of income taxes of $nil (2012 - $0.8)		**-**		(2.4)
Loss on derivatives designated as cash flow hedges transferred to net earnings (loss) in the period, net of income taxes of $nil (2012 - $2.7)		**-**		8.2
Unrealized effect of foreign currency translation of foreign operations		**1.4**		(0.3)
Other comprehensive income		**1.4**		5.5
Total comprehensive income (loss)	**$**	**64.5**	$	(22.1)

See Accompanying Notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION

Consolidated Statements of Changes in Equity

(Expressed in millions of Canadian dollars)

		Share Capital			Share Capital and	Accumulated Other Comprehensive	Retained Earnings	
		Number [(1)]	Amount	Reserves	Reserves	Income (Loss)	(Deficit)	Total
At January 1, 2012		82,477	$ 313.9	$ 42.6	$ 356.5	$ (6.5)	$ 72.4	$ 422.4
Share-based compensation	Note 16	-	-	2.2	2.2	-	-	2.2
Exercise of incentive stock options		1,616	10.5	(2.6)	7.9	-	-	7.9
Common shares purchased	Note 16	(13,657)	(53.1)	-	(53.1)	-	(77.0)	(130.1)
Net loss		-	-	-	-	-	(27.6)	(27.6)
Other comprehensive income		-	-	-	-	5.5	-	5.5
At December 31, 2012		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3
At January 1, 2013		70,436	$ 271.3	$ 42.2	$ 313.5	$ (1.0)	$ (32.2)	$ 280.3
Share-based compensation	Note 16	-	-	2.3	2.3	-	-	2.3
Exercise of incentive stock options		1,409	9.1	(2.1)	7.0	-	-	7.0
Common shares purchased	Note 16	(4,512)	(17.7)	-	(17.7)	-	(28.9)	(46.6)
Net earnings		-	-	-	-	-	63.1	63.1
Other comprehensive income		-	-	-	-	1.4	-	1.4
At December 31, 2013		**67,333**	**$ 262.7**	**$ 42.4**	**$ 305.1**	**$ 0.4**	**$ 2.0**	**$ 307.5**

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

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

			2013		2012
Cash Flows from Operating Activities					
Earnings (loss) before income taxes		**$**	**87.0**	$	(31.8)
Adjustments to reconcile earnings (loss) before income taxes to cash generated by operating activities:					
Amortization			**48.5**		51.6
(Reversal of) impairment of long-lived assets	Note 7		**(28.5)**		61.1
Impairment of goodwill	Note 7		**-**		3.2
Share-based compensation	Note 16		**9.7**		3.6
Interest and financing costs, net	Note 12		**32.8**		37.0
Foreign exchange (gain) loss and other			**(0.9)**		6.8
Special share-based award	Note 16		**(4.8)**		-
Equity investment loss	Note 18		**-**		3.5
Other			**(1.5)**		0.1
Changes in non-cash operating working capital	Note 21		**3.3**		(2.2)
Income taxes paid			**(10.2)**		(11.5)
Cash generated by operating activities			**135.4**		121.4
Cash Flows from Investing Activities					
Purchase of property, plant and equipment, net of related accounts payable			**(24.8)**		(25.4)
Georgian Downs facility settlement payment	Note 7, 8		**31.5**		-
Equity investment in PDX Entertainment Company			**-**		(3.5)
Interest income received			**1.6**		1.3
Other			**(1.2)**		-
Cash generated by (used in) investing activities			**7.1**		(27.6)
Cash Flows from Financing Activities					
Proceeds from long-term debt	Note 12		**-**		450.0
Repayment of debt			**-**		(403.4)
Debt refinancing transaction costs	Note 12		**-**		(14.9)
Common shares issued for cash, net of issuance costs			**7.0**		7.9
Purchase of common shares	Note 16		**(46.6)**		(130.1)
Interest paid			**(32.6)**		(24.4)
Cash used in financing activities			**(72.2)**		(114.9)
Effect of foreign exchange on cash and cash equivalents			**1.2**		0.4
Cash inflow (outflow)			**71.5**		(20.7)
Cash and cash equivalents, beginning of year			**121.1**		141.8
Cash and cash equivalents, end of year	Note 5	**$**	**192.6**	$	121.1

1. NATURE OF BUSINESS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Presentation

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

a) Principles of consolidation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Principles of consolidation (Continued)

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

b) Principal operating entities

Entity	Abbreviation	Ownership interest at December 31, 2013 and 2012
Chilliwack Gaming Ltd.	CGL	100%
Flamboro Downs Limited	FDL	100%
Georgian Downs Limited	GDL	100%
Great American Gaming Corporation	GAGC	100%
Great Canadian Casinos Inc.	GCC	100%
Great Canadian Entertainment Centres Ltd.	GCEC	100%
Hastings Entertainment Inc.	HEI	100%
Metropolitan Entertainment Group	MEG	100%
Orangeville Raceway Limited	ORL	100%
TBC Teletheatre B.C. (1)	TBC	50%

(1) The Company accounts for its ownership interest in TBC using the equity method.

c) Translation of foreign operations and foreign currency transactions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Operating segments

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

e) Cash and cash equivalents

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

f) Accounts receivable

Accounts 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.

g) Facility Development Commission

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

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

FDC is recorded as part of revenues on the consolidated statements of earnings (loss) when earned. Currently, the FDC percentage is 3% of the gross revenues from gaming activities. BCLC provides for an accelerated FDC equal to 2% of the gross gaming revenues and is intended to be a one-time reimbursement of the timely development or redevelopment of gaming facilities and additional entertainment amenities of significant value which may be completed through phases. The Company continues to receive accelerated FDC until the approved eligible costs of the project are recovered.

h) Marketing fees to BCLC

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Capital Reserve Account

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

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

j) Property, plant and equipment

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Intangible assets

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

Intangible assets are assessed 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 an after-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 an after-tax discount rate that reflects the current market rates and risks specific to the asset (or CGU).

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

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

n) Accounts payable and accrued liabilities

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

o) Provisions

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

p) Debt transaction costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Comprehensive income (loss)

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

r) Financial instruments

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Financial instruments (Continued)

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

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

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

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

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

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

Financial instrument	Classification
Cash	Loans and receivables
Cash equivalents	Held-to-maturity
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Hedges

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

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

t) Share-based compensation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Share-based compensation (Continued)

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

u) Revenue recognition

Gaming revenues, which include revenues from table games, slot machines, bingo games, Facility Development Commission from BCLC, and site holder payments from the Ontario Lottery and Gaming Corporation ("OLG") up to March 31, 2013, are recorded when earned by the Company after deduction for the portion of gaming and other revenues payable to BCLC, OLG, and NSPLCC, accruals for payouts on progressive games, and gaming taxes payable to Washington State.

Racetrack revenues are recorded when earned by the Company, net of amounts returned as winning wagers, provincial and federal taxes, and purses for wagering. Racetrack revenues also include the net amount of the on-site wagering on races simulcast from third parties as well as fees received based on off-site wagering on races simulcast to other racetracks. Transition funding for horse racing received from the Government of Ontario is recognized on a systematic basis over the periods in which the Company records the related eligible horse racing costs for which the funding is intended to compensate.

Food and beverage, hotel, entertainment, lease and other operating revenues are recorded as goods are delivered, or services are performed. Lease revenues includes income from OLG for leasing the slot machine areas at Georgian Downs and Flamboro Downs from April 1, 2013.

Promotional allowances are recorded as the retail value of food and beverage, accommodations, and other incentives furnished to guests without charge and are deducted from gross revenues (see Note 17).

v) Taxation

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Taxation (Continued)

Deferred tax

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

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

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

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

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

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

w) Net earnings (loss) per common share

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

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

- *(Reversal of) impairment of long-lived assets and impairment of 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 human resources and property, marketing and administration expenses. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

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

- *Equity-settled share-based compensation*

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

- *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 on the consolidated statements of financial position 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.

- *Contingencies*

  Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements of financial position 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 and disclosures include the following:

- *Hedge accounting*

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

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

- *Determination of CGUs*

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

- *Segment Reporting*

  The Company has aggregated its operating segments into one reportable segment based on an assessment that each operating segment has similar economic characteristics, types of customers, types of services and products provided, regulatory environments and management and reporting structures.

4. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2013, the Company adopted the following revised International Accounting Standards ("IAS") and IFRSs issued by the IASB. These revised IFRSs did not have a material impact on the Company's consolidated financial statements.

- *IAS 1, Presentation of Financial Statements* – amended to clarify the requirements for comparative information in the financial statements.
- *IAS 16, Property, Plant and Equipment* – amended to clarify the classification of servicing equipment.
- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures.
- *IAS 32, Financial Instruments: Presentation ("IAS 32")* – amended to clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12, *Income Taxes*.
- *IAS 34, Interim Financial Reporting* – amended to clarify the requirements for segment information related to total assets and total liabilities.
- *IFRS 7*, *Financial Instruments: Disclosures ("IFRS 7")* – amended to require disclosure about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.
- *IFRS 13, Fair Value Measurement ("IFRS 13")* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. IFRS 13 was subsequently amended to clarify the scope of the portfolio exception.

Effective January 1, 2013, the Company also concurrently adopted the following five new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities. These standards did not have a material impact on the Company's consolidated financial statements.

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements* ("IAS 27 (2008)"), and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.
- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.

4. CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

Recent accounting pronouncements

The Company is currently evaluating the effects of the following new and revised accounting pronouncements and their impact on the Company's consolidated financial statements:

- *IAS 32* – amended to clarify under what circumstances financial assets and financial liabilities should be offset. It is effective for annual periods beginning on or after January 1, 2014.

- *IAS 36, Impairment of Assets* – amended to clarify the standard's disclosure requirements and require the disclosure of the discount rate used in determining an impairment value calculated using a present value technique. It is effective for annual periods beginning on or after January 1, 2014.

- *IFRS 10, 12 and IAS 27* – IFRS 10 has been amended to introduce an exception from the requirement to consolidate subsidiaries for an investment entity. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. IFRS 7 and IAS 27 have been amended to introduce new disclosure requirements for investment entities. These amendments are effective for annual periods beginning on or after January 1, 2014.

- IFRIC 21, *Levies* – provides guidance for applying IAS 37, *Provisions, contingent liability and contingent assets*, with respect to when a company should recognize a liability for a levy imposed by a government. These amendments are effective for annual periods beginning on or after January 1, 2014.

- *IFRS 2, Share based payments* – amended the definitions of "vesting condition" and "market conditions" and added definitions for "performance condition" and service condition". These amendments apply to share based payment transactions with a grant date on or after July 1, 2014.

- *IFRS 8, Operating Segments* – amended to require the disclosure of the judgements made by management in applying the aggregation criteria to operating segments and to clarify that the reconciliation of the segment assets is required if they are regularly provided to the chief operation decision-maker. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 13* – the Basis of Conclusions was amended to clarify that issuing IFRS 13 and amending IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39") did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. It is effective for annual periods beginning on or after July 1, 2014.

- *IAS 16 and IAS 38, Intangible assets* – amended to clarify that, under the revaluation method, the gross amount of property, plant and equipment and intangible asset is adjusted in a manner consistent with the revaluation of the carrying amount of the asset. It is effective for annual periods beginning on or after July 1, 2014.

4. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

- *IAS 24, Related Party Disclosures ("IAS 24")* – amended to clarify how payments to entities providing management services are to be disclosed. It is effective for annual periods beginning on or after July 1, 2014.

- *IFRS 9* – replaces IAS 39. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The IASB tentatively decided that the mandatory effective date will be no earlier than annual periods beginning on or after 1 January 2017.

5. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Cash in banks	**$ 152.4**	$ 100.9
Cash floats	**10.1**	10.2
Cash equivalents	**30.1**	10.0
	$ 192.6	$ 121.1

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

Cash floats exclude amounts provided by BCLC of $16.2 (2012 - $16.1) 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 26(a)).

As at December 31, 2013, cash in banks included $4.8 and $0.9 of amounts related to the horsemen's purse pools and future payments for construction projects, respectively, which were previously recorded separately as "restricted cash". The current presentation better reflects the Company's true cash and cash equivalent position on the consolidated statements of financial position and consolidated statements of cash flows. As a result, the comparative period amounts at December 31, 2012 of $4.1, $0.5 and $0.3 related to the horsemen's purse pools, capital expenditures that require approval from OLG and future payments for construction projects, respectively, were reclassified from restricted cash to cash and cash equivalents in the consolidated statements of financial position. The effects of the change in presentation on the 2012 consolidated statement of cash flows are $2.0 decrease in cash generated by operating activities, $0.2 increase in cash used in investing activities, $2.2 increase in cash outflow, $7.1 increase in cash and cash equivalents, beginning of year, and $4.9 increase in cash and cash equivalents, end of year.

6. ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012
Trade receivables	**$ 5.0**	$ 4.6
Other receivables	**1.2**	3.1
Due from NSPLCC	**1.0**	-
	$ 7.2	$ 7.7

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

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

In March 2012, the Government of Ontario announced the cancellation of the "Slots at Racetracks" program for all Ontario racetracks. As a result of this announcement, OLG was directed to both end this program on March 31, 2013 and strategically redistribute the province's slot facilities in an effort to modernize that province's gaming model. On March 29, 2012, OLG provided notice that the site holder agreements with the Company's Ontario racetracks would terminate on March 31, 2013. Georgian Downs' site holder agreement was otherwise scheduled to expire in November 2021 and Flamboro Downs' site holder agreement was otherwise scheduled to expire in April 2016.

As a result of the early termination of the Georgian Downs site holder agreement, the Company recorded impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with the Flamboro Downs site holder agreement. In addition, during the year ended December 31, 2012, the Company recorded $10.3 of impairment related to land in Ontario that was written down to its estimated recoverable amount.

On March 9, 2013, the Company and OLG signed non-binding letters of intent governing the slot machine areas at the Ontario racetracks. Under the terms of these letters, OLG will lease these areas for a five-year term commencing April 1, 2013. The Company and OLG have been operating as though the key provisions of these leases came into effect on April 1, 2013. On November 29, 2013, the Company signed definitive agreements with OLG related to these letters of intent.

On March 26, 2013, the Company and the Government of Ontario signed non-binding letters of intent governing horse racing operations at the Ontario racetracks. On May 24, 2013, the Company signed binding agreements (the "Ontario Racing Agreements") with the Government of Ontario for horse racing transition funding. The funding will provide support to continue horse racing at the Ontario racetracks for up to two years beyond March 31, 2013 and is conditional upon achievement of specific cost reduction targets. The Company continues to work with the Ontario government and the province's horse racing industry to pursue a longer-term, more sustainable business model for horse racing in Ontario.

On April 26, 2013, Georgian Downs received from OLG a one-time settlement payment of $31.5 in connection with the Georgian Downs facility, and the Company and Georgian Downs provided OLG with a release of claims. The settlement payment has been recorded as a reduction of Georgian Downs' property, plant and equipment.

During the first quarter of 2013, as a result of signing the non-binding letters of intent with OLG, the anticipated future execution of definitive agreements, and the settlement payment received from OLG on April 26, 2013, the Company recorded reversals of impairments related to Georgian Downs' and Flamboro Downs' intangible assets and property, plant and equipment.

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

The following table summarizes the impairments during 2012 and the impairment reversals during 2013 by property and by asset class:

	Georgian Downs				Flamboro Downs		
	Property, plant and equipment	Intangible assets	Goodwill	Total	Property, plant and equipment	Intangible assets	Total
Carrying amount at January 1, 2012	$ 64.9	$ 25.5	$ 3.2	$ 93.6	$ 13.9	$ 40.6	$ 54.5
Net additions and amortization	(0.7)	(0.5)	-	(1.2)	(0.3)	(0.7)	(1.0)
Impairments	(16.6)	(8.2)	(3.2)	(28.0)	(5.2)	(24.2)	(29.4)
Carrying amount at March 31, 2012	$ 47.6	$ 16.8	$ -	$ 64.4	$ 8.4	$ 15.7	$ 24.1
Net additions and amortization	(1.2)	(1.2)	-	(2.4)	(1.0)	(3.9)	(4.9)
Impairments	(6.9)	-	-	(6.9)	-	-	-
Carrying amount at December 31, 2012	$ 39.5	$ 15.6	$ -	$ 55.1	$ 7.4	$ 11.8	$ 19.2
Net additions and amortization	(0.5)	(0.3)	-	(0.8)	(0.4)	(1.3)	(1.7)
Impairment reversals	11.7	8.0	-	19.7	1.5	7.3	8.8
Carrying amount at March 31, 2013	$ 50.7	$ 23.3	$ -	$ 74.0	$ 8.5	$ 17.8	$ 26.3
Net additions and amortization	0.4	(0.3)	-	0.1	(0.1)	(0.9)	(1.0)
Settlement payment	(31.5)	-	-	(31.5)	-	-	-
Carrying amount at June 30, 2013	$ 19.6	$ 23.0	$ -	$ 42.6	$ 8.4	$ 16.9	$ 25.3
Net additions and amortization	**(0.2)**	**(0.5)**	**-**	**(0.7)**	**(0.3)**	**(1.8)**	**(2.1)**
Carrying amount at December 31, 2013	**$ 19.4**	**$ 22.5**	**$ -**	**$ 41.9**	**$ 8.1**	**$ 15.1**	**$ 23.2**

The recoverable amounts for long-lived assets and goodwill at December 31, 2013 were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using an after-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, human resources and property, marketing and administration expenses, and the expected useful life of the CGU. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. As the carrying values of Georgian Downs' and Flamboro Downs' long-lived assets as at December 31, 2013 were equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or reversal of an impairment loss.

In connection with the impairments and subsequent impairment reversals recorded for Georgian Downs and Flamboro Downs, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of this change in estimate of remaining useful lives, the impairments and the impairment reversals will be a $1.0 decrease in the annual non-cash amortization expense related to these assets on a prospective basis, when compared to the year ended December 31, 2013.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Building Improvements	Leasehold Improvements	Equipment	Properties Under Development	Total
Cost						
Balance at January 1, 2012	$ 82.2	$ 673.2	$ 76.3	$ 102.3	$ 7.8	$ 941.8
Additions	0.1	0.1	0.2	2.6	21.4	24.4
Disposals	-	-	(0.1)	(0.2)	-	(0.3)
Reclassifications	-	8.4	5.2	4.6	(18.2)	-
Translation and other	-	(0.3)	(0.2)	(0.1)	-	(0.6)
Balance at December 31, 2012	$ 82.3	$ 681.4	$ 81.4	$ 109.2	$ 11.0	$ 965.3
Additions	**-**	**0.4**	**0.1**	**3.4**	**24.3**	**28.2**
Settlement payment [1]	**-**	**(31.5)**	**-**	**-**	**-**	**(31.5)**
Disposals	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Reclassifications	**0.1**	**22.2**	**0.9**	**5.1**	**(28.3)**	**-**
Translation and other	**0.2**	**0.7**	**0.2**	**0.4**	**-**	**1.5**
Balance at December 31, 2013	**$ 82.6**	**$ 673.2**	**$ 82.6**	**$ 117.8**	**$ 7.0**	**$ 963.2**
Accumulated amortization and impairments						
Balance at January 1, 2012	$ (0.9)	$ (136.5)	$ (51.1)	$ (86.1)	$ (3.6)	$ (278.2)
Amortization	-	(27.6)	(2.9)	(7.1)	-	(37.6)
Disposals	-	-	0.1	0.2	-	0.3
Impairments [2]	(10.3)	(18.0)	-	(0.4)	-	(28.7)
Reclassifications [3]	-	-	(0.2)	-	0.2	-
Translation and other	-	0.1	-	0.1	-	0.2
Balance at December 31, 2012	$ (11.2)	$ (182.0)	$ (54.1)	$ (93.3)	$ (3.4)	$ (344.0)
Amortization	**-**	**(25.3)**	**(3.5)**	**(6.9)**	**-**	**(35.7)**
Disposals	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Impairment reversals [4]	**-**	**13.0**	**-**	**0.2**	**-**	**13.2**
Translation and other	**-**	**(0.2)**	**(0.2)**	**(0.3)**	**-**	**(0.7)**
Balance at December 31, 2013	**$ (11.2)**	**$ (194.5)**	**$ (57.8)**	**$ (100.0)**	**$ (3.4)**	**$ (366.9)**
Carrying amount						
At December 31, 2012	$ 71.1	$ 499.4	$ 27.3	$ 15.9	$ 7.6	$ 621.3
At December 31, 2013	**$ 71.4**	**$ 478.7**	**$ 24.8**	**$ 17.8**	**$ 3.6**	**$ 596.3**

[1] The settlement payment received from OLG relates to the Georgian Downs facility (see Note 7).
[2] The impairments relate to Georgian Downs, Flamboro Downs and land previously held for development (see Note 7).
[3] The reclassifications relate to properties under development that were previously impaired and subsequently transferred to leasehold improvements.
[4] The impairment reversals relate to Georgian Downs and Flamboro Downs (see Note 7).

9. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder/ Lease Agreements	Other	Total
Cost					
Balance at January 1, 2012 and January 1, 2013	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at January 1, 2012	$ (44.0)	$ (19.7)	$ (39.9)	$ (1.2)	$ (104.8)
Amortization	(3.3)	(4.2)	(6.3)	(0.2)	(14.0)
Impairments [1]	-	-	(32.4)	-	(32.4)
Balance at January 1, 2013	$ (47.3)	$ (23.9)	$ (78.6)	$ (1.4)	$ (151.2)
Amortization	**(3.2)**	**(4.3)**	**(5.1)**	**(0.2)**	**(12.8)**
Impairment reversals [2]	**-**	**-**	**15.3**	**-**	**15.3**
Balance at December 31, 2013	**$ (50.5)**	**$ (28.2)**	**$ (68.4)**	**$ (1.6)**	**$ (148.7)**
Carrying amount					
At December 31, 2012	$ 34.1	$ 10.7	$ 27.4	$ 1.1	$ 73.3
At December 31, 2013	**$ 30.9**	**$ 6.4**	**$ 37.6**	**$ 0.9**	**$ 75.8**

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

10. GOODWILL

	Total
Cost	
Balance at January 1, 2013	$ 47.4
Foreign exchange movements	0.5
Balance at December 31, 2013	**$ 47.9**
Impairments	
Balance at January 1, 2012	$ (24.1)
Impairment [1]	(3.2)
Balance at January 1, 2013	$ (27.3)
Balance at December 31, 2013	**$ (27.3)**

Carrying amount	GCC	GCEC	ORL	GAGC	Total
At December 31, 2012	$ 1.6	$ 3.8	$ 8.1	$ 6.6	$ 20.1
At December 31, 2013	**$ 1.6**	**$ 3.8**	**$ 8.1**	**$ 7.1**	**$ 20.6**

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

There were no changes to the methodology used to assess goodwill impairment since the last annual impairment test. The recoverable value for each CGU was based on the value in use method, which estimates the net present value of the future cash flows expected to be generated by the CGU, discounted using an after-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 3% across the CGUs and earnings as a percentage of revenues was based on each CGU's most recent annual operating levels.

11. OTHER LIABILITIES

	December 31, 2013	December 31, 2012
Provisions, current	**$ 1.8**	$ 2.0
Deferred credits, current (Note 15)	**0.7**	0.7
Other current liabilities	**0.1**	0.2
	$ 2.6	$ 2.9

12. LONG-TERM DEBT

	December 31, 2013	December 31, 2012
Senior Unsecured Notes, net of unamortized transaction costs of $9.0 (2012 - $10.1)	**$ 441.0**	$ 439.9

As at December 31, 2013 and December 31, 2012, the Company's long-term debt facilities consist of $450.0 Senior Unsecured Notes ("Senior Unsecured Notes") and a $350.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility").

a) *Senior Unsecured Notes*

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

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

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

b) *Revolving Credit Facility*

As at December 31, 2013, subject to compliance with the related financial covenants, the Company has $320.2 (2012 - $320.1) of available credit on its Revolving Credit Facility after deducting outstanding letters of credit of $29.8 (2012 - $29.9). The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

12. LONG-TERM DEBT (Continued)

b) Revolving Credit Facility (Continued)

On July 24, 2012, the Company extended the maturity of its Credit and Guarantee Agreement ("Credit Agreement"), which covers the terms of its $350.0 Revolving Credit Facility by one year to July 21, 2017. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio (as defined in the underlying Credit Agreement), which is calculated quarterly (see Note 13).

Transaction costs associated with past refinancing of the Revolving Credit Facility totalling $0.5 during the year 2012 are included in the "other assets" line of the consolidated statements of financial position and are amortized through the "interest and financing costs, net" line of the consolidated statements of earnings (loss) over the term of the Revolving Credit Facility using the effective interest method.

The Revolving Credit Facility is guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. The Revolving Credit Facility requires the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are tested quarterly are: Total Debt to Adjusted EBITDA ratio of 5.00 or less, Senior Secured Debt to Adjusted EBITDA ratio of 3.50 or less, and Interest Coverage ratio of 2.25 or more (see Note 13).

c) Subordinated Notes

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

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

d) Interest and financing costs, net

	Year ended December 31,	
	2013	2012
Interest and financing costs on long-term debt	**$ 33.7**	$ 33.7
Subordinated Notes redemption premium and fees	**-**	3.9
Bank charges and other	**0.8**	0.7
Interest income	**(1.7)**	(1.3)
	$ 32.8	$ 37.0

13. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt;
- Cash and cash equivalents; 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.

As at December 31, 2013, 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	2.51
Senior Secured Debt to Adjusted EBITDA ratio (1)	< 3.50	0.00
Interest Coverage ratio (1)	> 2.25	5.61
Fixed Charge Coverage ratio (2)	> 2.00	5.65

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

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

As part of its capital structure monitoring process, the Company's independent credit ratings as at December 31, 2013 were as follows:

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

14. DERIVATIVES

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

On July 24, 2012, as part of the long-term debt refinancing (see Note 12), the Company settled all of its cross-currency interest rate and principal swaps and paid $69.9 to its counterparties, which represented the fair value of the swaps.

15. DEFERRED CREDITS, PROVISIONS AND OTHER LIABILITIES

	December 31, 2013	December 31, 2012
Deferred credits, non-current	**$ 18.4**	$ 19.1
Provisions, non-current	**3.8**	3.4
Other non-current liabilities	**4.2**	2.9
	$ 26.4	$ 25.4

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

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

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

16. SHARE CAPITAL AND RESERVES

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

a) Substantial issuer bid

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

16. SHARE CAPITAL AND RESERVES (Continued)

b) Normal course issuer bid

In January 2013, the Company commenced a normal course issuer bid that authorized the Company to purchase up to 4,511,644 of its common shares. For the year ended December 31, 2013, the Company completed this normal course issuer bid by purchasing 4,511,644 common shares at a volume weighted-average price per share of $10.32.

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

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

Subsequent to December 31, 2013, the Company received approval from the TSX to commence another normal course issuer bid for up to 4,231,075 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on January 30, 2014 and will end on January 29, 2015, 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 17,799 common shares or 25% of the prior six-month average trading volume of 71,194 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.

c) Share option plan

The changes in the number of share options and their weighted-average exercise price were as follows:

	December 31, 2013		December 31, 2012	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**4,493**	**$ 7.08**	5,895	$ 7.16
Granted	**1,432**	**9.11**	1,288	7.73
Forfeited	**(81)**	**8.68**	(89)	8.73
Expired	**(280)**	**13.40**	(985)	11.92
Exercised	**(1,409)**	**5.00**	(1,616)	4.88
Outstanding, end of period	**4,155**	**$ 8.02**	4,493	$ 7.08

[1] Option information is presented in thousands.

For the year ended December 31, 2013, the weighted-average share price at the time of exercise was $11.75 (2012 - $9.63).

16. SHARE CAPITAL AND RESERVES (Continued)

c) Share option plan (Continued)

Options outstanding and exercisable at December 31, 2013 were as follows:

	Options Outstanding					Options Exercisable		
Exercise Prices	**Number Outstanding(1)**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**			**Number Exercisable(1)**	**Weighted-Average Vested Exercise Price**	
$2.62-$6.99	46	0.2 years	$	2.62		46	$	2.62
$7.00-$7.49	571	2.0 years		7.14		571		7.14
$7.50-$7.64	934	1.1 years		7.62		934		7.62
$7.65-$7.84	1,044	3.2 years		7.67		667		7.67
$7.85-$8.99	175	2.5 years		7.94		175		7.94
$9.00-$9.29	1,385	4.1 years		9.12	#	461		9.12
	4,155	2.8 years	$	8.02		2,854	$	7.72

(1) Option information is presented as options for thousands of common shares.

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

	Year ended December 31, 2013	2012
Option award fair value	**$ 1.54**	$ 1.67
Risk-free interest rate	**1.1%**	1.1%
Expected lives	**2.5 years**	2.5 years
Expected volatility (1)	**25.0%**	30.5%
Dividend yield	**0.0%**	0.0%

(1) Based on the historical volatility of the Company's share price over the most recent period commensurate with the expected lives of the option.

The Company recorded equity-settled share-based compensation expense of $2.3 for the year ended December 31, 2013 (2012 - $2.2).

d) Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs")

The changes in the number of DSUs and RSUs provided to non-employee directors of the Company were as follows:

	December 31, 2013		December 31, 2012	
Number of Units (1)	**DSUs (2)**	**RSUs (2)**	DSUs (2)	RSUs (2)
Outstanding, beginning of period	**216**	**17**	106	7
Issued	**108**	**8**	128	10
Settled in cash	**(46)**	**(25)**	(18)	-
Outstanding, end of period	**278**	**-**	216	17

(1) DSU and RSU information is presented in thousands.

The Company recorded a liability of $3.3 in "deferred credits, provisions and other liabilities" and $0.5 in "accounts payable and accrued liabilities" at December 31, 2013 (2012 - $2.2), and cash-settled share-based compensation expense of $2.6 for the year ended December 31, 2013 (2012 - $1.4).

16. SHARE CAPITAL AND RESERVES (Continued)

e) Special Share-based Award

Included in share-based compensation expense is $4.8 of cash-settled share-based compensation related to a special share-based award paid to a select group of Company employees. The related common shares that the employees acquired may not be sold for a minimum of three years.

f) 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, 2013, 844,565 (2012 - 716,663) common shares were held by employees under the Share Purchase Plan and 24% of employees participated in the Plan (2012 - 25%).

17. REVENUES

	Year ended December 31,	
	2013	2012
Gaming revenues	**$ 280.6**	$ 294.9
Facility Development Commission	**34.1**	35.2
Hospitality, lease and other revenues	**96.8**	82.6
Racetrack revenues	**14.3**	15.8
	425.8	428.5
Less: Promotional allowances	**(18.5)**	(19.8)
	$ 407.3	$ 408.7

18. RESTRUCTURING AND OTHER

	Year ended December 31,	
	2013	2012
Severance [(a)]	**$ 1.3**	$ -
Equity investment loss [(b)]	**-**	3.5
Business development and other	**0.4**	0.1
Acquisition-related contingent future trailing payments [(c)]	**0.3**	1.5
	$ 2.0	$ 5.1

(a) Severance

Non-recurring severance costs were incurred during the year ended December 31, 2013 primarily as a result of an expected reduction in the number of live horse racing days to be held at the Company's Georgian Downs and Flamboro Downs properties (See Note 7).

18. RESTRUCTURING AND OTHER (Continued)

(b) Equity investment loss

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

(c) *Acquisition-related contingent future trailing payments*

The purchase price of the Chilliwack Bingo acquisition in 2011 included contingent future trailing payments to be paid over 20 years, dependent on the level of future slot win at Chances Chilliwack As at December 31, 2013, the discounted trailing payment provision was estimated at $3.0 (2012 - $2.5) based on the current performance of the facility. The change in the estimated provision of $0.3 was recorded as "restructuring and other" on the consolidated statements of earnings (loss) during the year ended December 31, 2013 (2012 - $1.5).

19. INCOME TAXES

a) Income tax recognized in net earnings (loss)

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

	Year ended December 31,	
	2013	2012
Current tax expense	**$ 5.8**	$ 11.4
Deferred tax expense (recovery)	**18.1**	(15.6)
Total tax expense (recovery)	**$ 23.9**	$ (4.2)

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

	Year ended December 31,	
	2013	2012
Applicable federal and provincial statutory income tax rate [(1)]	**25.75%**	25.00%
Earnings (loss) before income taxes	**$ 87.0**	$ (31.8)
Expected income tax expense (recovery)	**22.4**	(8.0)
Effect of:		
Non-deductible impairment of goodwill	**-**	0.8
Non-deductible share-based compensation	**0.6**	0.6
Impact of deferred income tax rates applied versus current income tax rates	**-**	(1.2)
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries	**0.4**	0.6
Adjustments to deferred tax attributable to changes in tax rates	**1.6**	-
Revaluation of current income tax liabilities from prior year taxes	**(0.4)**	(0.4)
Deferred tax benefits not recognized	**-**	2.5
Other items	**(0.7)**	0.9
Total income tax expense (recovery) recognized in net earnings (loss)	**$ 23.9**	$ (4.2)

(1) The applicable federal and provincial statutory income tax rate used for the 2013 and 2012 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 increased on April 1, 2013 from 25% to 26% due to an increase in the BC income tax rate of 1%.

19. INCOME TAXES (Continued)

b) *Income tax recognized in OCI*

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

	Year ended December 31, 2013	2012
Changes in fair values of derivatives designated as cash flow hedges	**$ -**	$ (0.8)
Changes in fair values of derivatives designated as cash flow hedges transferred to net earnings	**-**	2.7
Total income tax expense (recovery) recognized in OCI	**$ -**	$ 1.9

c) *Deferred tax balances*

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

2013	Opening balance	Recognized in net earnings (loss)	Recognized in OCI	**Closing balance**
Temporary differences				
Property, plant and equipment	$ (32.3)	$ (11.3)	$ -	**$ (43.6)**
Intangible assets	(19.2)	(1.2)	-	**(20.4)**
Deferred partnership income	(2.2)	0.7	-	**(1.5)**
Debt refinancing transaction costs	(0.5)	(0.3)	-	**(0.8)**
Deferred credits, provisions and other liabilities	1.7	0.6	-	**2.3**
Former debt redemption costs	2.4	(1.1)	-	**1.3**
Other	(0.1)	0.1	-	**-**
	(50.2)	(12.5)	-	**(62.7)**
Unused tax losses and credits				
Non-capital loss carry-forwards	5.7	(5.7)	-	**-**
Capital loss carry-forwards	1.1	0.1	-	**1.2**
	6.8	(5.6)	-	**1.2**
	$ (43.4)	$ (18.1)	$ -	**$ (61.5)**

2012	Opening balance	Recognized in net earnings (loss)	Recognized in OCI	Closing balance
Temporary differences				
Property, plant and equipment	$ (31.3)	$ (1.0)	$ -	$ (32.3)
Intangible assets	(30.4)	11.2	-	(19.2)
Deferred partnership income	(2.4)	0.2	-	(2.2)
Debt refinancing transaction costs	(1.0)	0.5	-	(0.5)
Cross-currency interest rate and principal swaps	2.9	(1.0)	(1.9)	-
Deferred credits, provisions and other liabilities	0.7	1.0	-	1.7
Former debt redemption costs	2.4	-	-	2.4
Other	(0.3)	0.2	-	(0.1)
	(59.4)	11.1	(1.9)	(50.2)
Unused tax losses and credits				
Non-capital loss carry-forwards	0.6	5.1	-	5.7
Capital loss carry-forwards	1.7	(0.6)	-	1.1
	2.3	4.5	0.0	6.8
	$ (57.1)	$ 15.6	$ (1.9)	$ (43.4)

19. INCOME TAXES (Continued)

c) Deferred tax balances (Continued)

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

	Year ended December 31,	
	2013	2012
Deferred tax assets	**$ 8.8**	$ 9.9
Deferred tax liabilities	**(70.3)**	(53.3)
Net deferred tax liabilities	**$ (61.5)**	$ (43.4)

The Company has recognized deferred tax assets of approximately $8.7 (2012 - $8.4) that are dependent on future taxable profits in excess of those that will arise from the reversal of existing taxable temporary differences. If necessary, the Company may also undertake a legal restructuring of its subsidiaries or other transactions in order to fully use these deferred tax assets.

The Company has recognized a deferred tax asset relating to non-capital loss carry-forwards of approximately $0.1 (2012 - $22.9) which are available to reduce future years' income for tax purposes. Management believes the Company will generate future taxable profits in excess of the losses in the jurisdictions to which the losses relate before they expire. These losses will expire as follows:

2029 - 2033	**$ 0.1**

The Company has recognized a deferred tax asset relating to capital loss carry-forwards of $9.2 (2012- $8.5) which may be used to offset future years' capital gains. Management believes the Company will generate future capital gains in excess of the losses in the jurisdiction to which the losses relate. These losses may be carried forward indefinitely.

d) Unrecognized deferred tax assets

In addition to the capital losses noted above, the Company has $5.8 (2012 - $5.4) 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, with the exception of approximately $3.7 (2012 - $3.5) of capital losses incurred by our US subsidiary, which expire in 2017 and 2018.

20. 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, 2013	2012
Net earnings (loss)	(A)	**$ 63.1**	$ (27.6)
Weighted-average number of common shares outstanding [1]	(B)	**68,560**	76,814
Dilutive adjustment for stock options [1]		**1,374**	-
Diluted weighted-average number of common shares [1]	(C)	**69,934**	76,814
Net earnings (loss) per common share			
Basic	(A/B)	**$ 0.92**	$ (0.36)
Diluted	(A/C)	**$ 0.90**	$ (0.36)

[1] Share information is presented in thousands.

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

	Year ended December 31, 2013	2012
Options [2]	**-**	4,493

[2] Option information is presented in thousands.

21. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Year ended December 31, 2013	2012
Accounts receivable	**1.5**	-
Prepaids, deposits and other assets	**(1.9)**	0.5
Accounts payable and accrued liabilities	**3.7**	(2.7)
	$ 3.3	$ (2.2)

22. SEGMENT INFORMATION

The Company's management considers each of its gaming properties to be an operating segment since it reviews their operating results, assesses their performance, and makes resource allocations decisions on a property-by-property basis. The Company has aggregated these operations as one reportable segment based on their similar economic characteristics, types of customers, types of services and products provided, the regulatory environment in which they operate and their management and reporting structure.

The Company also conducts its business in two geographic areas: Canada and the United States ("US"). Revenues, EBITDA[1] and additions to long-lived assets and goodwill attributable to these geographic locations are as follows:

	Year ended December 31, 2013			Year ended December 31, 2012		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 382.5**	**$ 146.7**	**$ 28.0**	$ 387.1	$ 145.0	$ 24.1
U.S.	**24.8**	**3.9**	**0.2**	21.6	2.6	0.3
	$ 407.3	**$ 150.6**	**$ 28.2**	$ 408.7	$ 147.6	$ 24.4

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, 2013	2012
EBITDA	**$ 150.6**	$ 147.6
Less:		
Amortization	**48.5**	51.6
Share-based compensation	**9.7**	3.6
(Reversals of) impairments of long-lived assets	**(28.5)**	61.1
Impairment of goodwill	**-**	3.2
Interest and financing costs, net	**32.8**	37.0
Litigation settlement	**-**	11.0
Restructuring and other	**2.0**	5.1
Foreign exchange (gain) loss and other	**(0.9)**	6.8
Earnings (loss) before income taxes	**$ 87.0**	$ (31.8)

Property, plant and equipment, goodwill, and total assets attributable to each geographic location are as follows:

	As at December 31, 2013			As at December 31, 2012		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 583.9**	**$ 13.5**	**$ 890.0**	$ 609.1	$ 13.5	$ 838.9
U.S.	**12.4**	**7.1**	**25.7**	12.2	6.6	23.8
	$ 596.3	**$ 20.6**	**$ 915.7**	$ 621.3	$ 20.1	$ 862.7

[1] EBITDA is a non-IFRS measure and as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, share-based compensation, (reversal of) impairment of long-lived assets, impairment of goodwill, litigation settlement, restructuring and other, and foreign exchange (gain) loss and other.

23. RELATED PARTY TRANSACTIONS

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

	Year ended December 31,	
	2013	2012
Human resources [1]	**$ 2.4**	$ 2.3
Share-based compensation [2]	**5.6**	2.3
Total	**$ 8.0**	$ 4.6

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

[2] Share-based compensation includes equity and cash settled share-based compensation described in Nc

As at December 31, 2013, the liabilities of the Company include amounts due to key management personnel of $1.5 (2012 - $0.9) in "accounts payable and accrued liabilities" and $3.3 (2012 - $2.2) in "deferred credits, provisions and other liabilities" of the consolidated statements of financial position.

24. 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, 2013 totalled $1.9 (2012 - $1.8).

25. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

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

	Year ended December 31,	
	2013	2012
Opening Approved Amounts	**$ 412.0**	$ 424.4
Additional Approved Amounts	**3.0**	22.8
FDC receipts	**(34.1)**	(35.2)
Closing Approved Amounts	**$ 380.9**	$ 412.0

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. As a result, Approved Amounts have not been recorded in the consolidated statements of financial position.

26. COMMITMENTS, CONTINGENCIES AND LITIGATION

a) *Letters of credit*

As at December 31, 2013, letters of credit in the amount of $29.8 (2012 - $29.9) were outstanding as security in connection with gaming cash floats, bonds with local municipality to secure commitments under construction permits and provincial gaming corporation payables.

b) *Litigation*

On June 29, 2012, the Company settled a long-standing legal dispute with a former Ontario-based consultant for a total cash payment of $11.0.

The Company is subject to legal proceedings, claims and investigations in the ordinary course of business. Liabilities related to such matters are recorded when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. All legal costs associated with litigation are expensed as incurred.

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.

e) *Other contractual commitments*

The Company's operating leases and other contractual commitments are described in Note 27(b).

27. 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 in banks	x			x
Cash equivalents	x		x	
Accounts receivable	x			x
Accounts payable and accrued liabilities		x		x
Long-term debt		x	x	x
Other liabilities		x	x	x

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, 2013	December 31, 2012
Cash in banks	**$ 152.4**	$ 96.0
Cash equivalents	**30.1**	10.0
Accounts receivable	**7.2**	7.7
	$ 189.7	$ 113.7

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

Accounts receivable: Credit risk associated with most of these assets is minimized due to their nature. The majority of these receivable balances are due from the federal government for sales tax rebates, provincial gaming corporations, racetrack operators, and financial institutions. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of time balances have been outstanding. As at December 31, 2013, the provision for doubtful accounts receivable totalled $0.6 (2012 - $0.6).

27. 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 13), regularly monitoring forecast and actual cash flows, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within the Revolving Credit Facility (see Note 12). The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2013				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 67.9	$ -	$ -	$ -	$ 67.9
Income taxes payable	-	-	-	-	-
Senior Unsecured Notes	29.8	59.6	59.6	569.3	718.3
Provisions	1.3	2.0	1.0	6.9	11.2
Operating leases (1)	3.7	4.1	3.6	7.6	19.0
Other contractual commitments (2)	6.5	2.9	2.1	5.6	17.1
Total	$ 109.2	$ 68.6	$ 66.3	$ 589.4	$ 833.5

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

(2) Other contractual commitments include the acquisition of property, plant and equipment of $0.8 (2012 - $1.0), various service contracts of $14.6 (2012 - $4.6), and amounts committed to NSPLCC to fund responsible gaming programs of $1.5 (2012 - $2.7).

27. FINANCIAL INSTRUMENTS (Continued)

c) Market risk

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

		Foreign Currency Risk [1]			
		-10%		+10%	
	Carrying amount December 31, 2013	Net earnings (loss)	OCI	Net earnings (loss)	OCI
Financial Assets					
Cash and cash equivalents	$ 192.6	$ (0.7)	$ (0.5)	$ 0.7	$ 0.5
Accounts receivable	7.2	-	-	-	-
Financial Liabilities					
Accounts payable and accrued liabilities	67.9	0.1	0.3	(0.1)	(0.3)
Total (decrease) increase		$ (0.6)	$ (0.2)	$ 0.6	$ 0.2

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

Revolving Credit Facility

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

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

27. FINANCIAL INSTRUMENTS (Continued)

d) *Fair values*

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

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

The Company's long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at December, 2013, the fair value and carrying value of the Company's cash equivalents was $30.1 (2012 - $10.0). As at December 31, 2013, the Company's long-term debt instruments had a fair value of $464.7 (2012 - $468.0) and a carrying value of $441.0 (2012 - $439.9).

The Company's contingent future trailing payments are recurring Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at December 31, 2013, the fair value and carrying value of the Company's contingent future trailing payments was $3.7 (2012 - $3.3). The change in the contingent future trailing payments, net of the $0.3 change in the estimated provision, was recorded in "Interest and financing costs, net" on the consolidated statements of earnings (loss).

The valuation technique used in the determination of the fair value measurement of contingent future trailing payments is the discounted cash flow approach. The valuation model considers the present value of the cash flows expected to be paid as trailing payments. The key unobservable inputs are the estimated future slot revenues at Chances Chilliwack and the discount rate. The estimated fair value of this liability increases with higher estimated future slot revenues and lower discount rates. The calculation of the fair value of the contingent future trailing payments is performed by the Company at the end of each reporting period.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and Level 3 financial instruments during the year.

GREAT CANADIAN GAMING CORPORATION

AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

As at March 5, 2013

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

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Independent Auditor's Report

To the Shareholders of
Great Canadian Gaming Corporation

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

(Signed) Deloitte LLP

Chartered Accountants
March 5, 2013
Vancouver, British Columbia

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

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

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

GREAT CANADIAN GAMING CORPORATION

Consolidated Statements of Earnings (Loss)

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

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

See Accompanying Notes to the Consolidated Financial Statements

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

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

See Accompanying Notes to the Consolidated Financial Statements

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

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

[1] Share information is presented in thousands.

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

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

1. NATURE OF BUSINESS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Presentation

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

a) Principles of consolidation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Principles of consolidation (Continued)

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

b) Principal operating entities

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

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

c) Translation of foreign operations and foreign currency transactions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Operating segments

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

e) Cash and cash equivalents

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

f) Short-term investments

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

g) Facility Development Commission

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

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

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

h) Marketing fees to BCLC

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) *Capital Reserve Account*

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

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

j) *Property, plant and equipment*

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Intangible assets

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

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

l) Goodwill

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

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

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

m) Impairment of long-lived assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Impairment of long-lived assets (Continued)

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

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

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

n) Accounts payable and accrued liabilities

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

o) Provisions

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

p) Debt transaction costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Comprehensive income (loss)

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

r) Financial instruments

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Financial instruments (Continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Hedges

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

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

t) Share-based compensation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Share-based compensation (Continued)

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

u) Revenue recognition

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

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

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

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

v) Taxation

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Taxation (Continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Net earnings (loss) per common share

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

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

- *Impairment of long-lived assets and goodwill*

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

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

- *Estimated useful lives of long-lived assets*

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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

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

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

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

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

- *Equity-settled share-based compensation*

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

- *Income taxes*

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

- *Contingencies*

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

  The Company does not record contingent assets.

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

- *Hedge accounting*

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

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

- *Determination of CGUs*

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

4. CHANGES IN ACCOUNTING POLICIES

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

- *IAS 12, Income Taxes ("IAS 12")* – amended to provide a practical solution to determining the recovery of investment properties as it relates to accounting for deferred taxes.
- *IFRS 7, Financial Instruments: Disclosures* – amended to increase the disclosure requirements in connection with the transfer of financial assets to a third party that are not derecognised from the Company's consolidated financial statements.

Recent accounting pronouncements

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

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements* ("IAS 27 (2008)"), and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.
- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.
- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.
- *IAS 27 (2011), Separate Financial Statements* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.
- *IAS 28 (2011), Investments in Associates and Joint Ventures* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

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

4. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

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

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

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

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

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

5. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

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

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

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

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

6. ACCOUNTS RECEIVABLE

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

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

7. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

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

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

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

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

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

9. INTANGIBLE ASSETS

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

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

10. GOODWILL

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

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

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

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

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

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

Sensitivity analysis

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

11. OTHER LIABILITIES

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

12. LONG-TERM DEBT

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

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

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

a) Senior Unsecured Notes

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

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

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

12. LONG-TERM DEBT (Continued)

b) *Revolving Credit Facility*

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

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

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

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

c) *Term Loan B*

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

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

12. LONG-TERM DEBT (Continued)

d) Subordinated Notes

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

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

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

e) Interest and financing costs, net

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

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

13. CAPITAL DISCLOSURES

The Company's capital structure comprises:

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

13. CAPITAL DISCLOSURES (Continued)

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

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

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

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

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

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

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

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

14. DERIVATIVES

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

14. DERIVATIVES (Continued)

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

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

15. DEFERRED CREDITS, PROVISIONS AND OTHER LIABILITIES

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

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

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

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

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS

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

a) Issuer bids

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

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

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

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

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

b) Share option plan

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

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

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

b) Share option plan (Continued)

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

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

[1] Option information is presented in thousands.

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

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

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

[2] Option information is presented in thousands.

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

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

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

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

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

c) Deferred Share Units and Restricted Share Units

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

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

The changes in DSUs and RSUs were as follows:

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

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

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

d) Employee share purchase plan

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

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

18. REVENUES

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

19. EQUITY INVESTMENT LOSS AND OTHER

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

a) *Equity investment loss*

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

b) *Acquisition-related contingent future trailing payments*

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

c) *Business development*

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

20. INCOME TAXES

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

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

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

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

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

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

b) *Income tax recognized in OCI*

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

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

20. INCOME TAXES (Continued)

c) Deferred tax balances

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

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

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

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

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

20. INCOME TAXES (Continued)

c) *Deferred tax balances (Continued)*

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

2029 - 2032	**$ 22.9**

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

d) *Unrecognized deferred tax assets*

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

21. NET (LOSS) EARNINGS PER COMMON SHARE

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

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

[1] Share information is presented in thousands.

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

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

[2] Option information is presented in thousands.

22. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

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

23. SEGMENTED INFORMATION

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

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

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

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

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

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

23. SEGMENTED INFORMATION (Continued)

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

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

24. RELATED PARTY TRANSACTIONS

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

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

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

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

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

25. EMPLOYEE FUTURE BENEFITS

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

26. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

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

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

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

27. COMMITMENTS, CONTINGENCIES AND LITIGATION

a) *Letters of credit*

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

b) *Litigation*

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

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

27. COMMITMENTS, CONTINGENCIES AND LITIGATION (Continued)

c) Guarantees and indemnifications

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

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

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

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

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

28. FINANCIAL INSTRUMENTS

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

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

28. FINANCIAL INSTRUMENTS (Continued)

a) *Credit risk*

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

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

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

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

b) *Liquidity risk*

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

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

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

28. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk (Continued)

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

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

c) Market risk

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

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

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

28. FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

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

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

d) Fair values

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

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

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

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

29. CHILLIWACK BINGO ACQUISITION

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

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

GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2012

As at March 5, 2013

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

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INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, business description, major developments, market update, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of March 5, 2013.

This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2012 and 2011 ("Annual Financial Statements"). The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Capitalized terms are either defined when they first appear or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms Used in the MD&A".

Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings (loss) determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

EBITDA as defined by the Company means earnings before interest and financing costs (net of interest income), income taxes, depreciation and amortization, share-based compensation, impairments of long-lived assets and goodwill, litigation settlement, equity investment loss and other, and foreign exchange loss and other. EBITDA is derived from the consolidated statements of earnings (loss), and can be computed as revenues less human resources expenses and property, marketing and administration expenses. We believe EBITDA is a useful measure because it provides information to both management and investors with respect to the operating and financial performance of the Company. A reconciliation of EBITDA to net earnings (loss) under IFRS is shown in the "Consolidated Results of Operations" section in this MD&A.

EBITDA for each of the quarters during the twelve months ended December 31, 2011 include a retrospective reclassification of business development costs, as described in the "Other Financial Information" section of this MD&A.

Adjusted net earnings, as defined by the Company, means net earnings (loss) plus or minus items of note that management may reasonably quantify and that it believes will provide the reader with a better understanding of the Company's underlying business performance. Items of note may vary from time to time and in this MD&A include impairments of long-lived assets and goodwill, litigation settlement, net losses on cross-currency interest rate and principal swaps settled in 2012 and amended in 2011, Subordinated Notes redemption costs, previously deferred transaction costs associated with the Term Loan B and Subordinated Notes, equity investment loss, non-recurring severance costs, non-recurring accelerated FDC revenues at Chances Chilliwack, and income taxes recovery on the above items of note. A reconciliation between net earnings (loss) and adjusted net earnings is presented in the "Financial Highlights" section of this MD&A. Adjusted net earnings per common share is defined as adjusted net earnings divided by the weighted average number of common shares outstanding.

The following non-IFRS measures have common definitions in the gaming industry. Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate amount of money counted in the table games' drop boxes. Generally, the table drop is an indicator of our gaming business, however over the short-term, the table drop is subject to shifts

in customer behaviour around buying, retaining and cashing-in of casino chips. Table hold is calculated as the table drop plus or minus the net change in casino chip inventory. Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips. Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played. Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines. Slot win is the slot coin-in less amounts cashed out and prizes won by customers. Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period. Slot win percentage is the ratio of slot win divided by slot coin-in.

Forward-Looking Information

This MD&A contains certain "forward-looking information" or statements within the meaning of applicable securities legislation. Forward-looking information is based on the Company's current expectations, estimates, projections and assumptions that were made by the Company in light of its historical trends and other factors. All information or statements, other than statements of historical fact, are forward-looking information including statements that address expectations, estimates or projections about the future, the Company's strategy for growth and its objectives, expected future expenditures, costs, operating and financial results and expected impact of future commitments, the future ability of the Company to operate the Georgian Downs and Flamboro Downs facilities and their profitability, and expectations and implications of changes in legislation and government policies. Forward-looking information may be identified by words such as "anticipate", "believe", "expect", or similar expressions. Such forward-looking information is not a guarantee of future performance and may involve a number of risks and uncertainties.

Although forward-looking information is based on information and assumptions that the Company believes are current, reasonable and complete, they are subject to unknown risks, uncertainties, and a number of factors that could cause actual results to vary materially from those expressed or implied by such forward-looking information. Such factors may include, but are not limited to: terms of operational services agreements with lottery corporations; changes to gaming laws that may impact the operational services agreements; pending, proposed or unanticipated regulatory or policy changes; the Company's ability to obtain and renew required business licenses, leases, and operational services agreements; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; impact of global liquidity and credit availability; adverse tourism trends and further decreases in levels of travel, leisure and consumer spending; competition from established competitors and new entrants in the gaming business; dependence on key personnel; the Company's ability to manage its capital projects and its expanding operations; the risk that systems, procedures and controls may not be adequate to meet regulatory requirements or to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations rights with respect to some land on which we conduct our operations; future or current legal proceedings; construction disruptions; financial covenants associated with credit facilities and long-term debt; credit, liquidity and market risks associated with our financial instruments; interest and exchange rate fluctuations; non-realization of cost reductions and synergies; demand for new products and services; fluctuations in operating results; and economic uncertainty and financial market volatility. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2012 (dated March 5, 2013), and as identified in the Company's disclosure record on SEDAR at www.sedar.com.

Readers are cautioned not to place undue reliance on the forward-looking information, as there can be no assurance that the plans, intentions, or expectations upon which they are based will occur. The forward-looking information contained herein is made as of the date hereof and is subject to change after such date, and is expressly qualified in its entirety by cautionary statements in this MD&A. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. The Company undertakes no obligation to publicly revise forward-looking information to reflect subsequent events or circumstances except as required by law.

FINANCIAL HIGHLIGHTS

	Fourth Quarter			Twelve Months of				
	2012	2011	% Chg	**2012**	2011	% Chg	2010	% Chg
Revenues	**$ 102.8**	$ 95.7	7%	**$ 408.7**	$ 388.2	5%	$ 383.5	1%
EBITDA [1]	**$ 37.5**	$ 31.0	21%	**$ 147.6**	$ 138.9	6%	$ 136.4	2%
EBITDA as a % of Revenues	**36.5%**	32.4%		**36.1%**	35.8%		35.6%	
Net earnings (loss)	**$ 2.5**	$ 2.3	9%	**$ (27.6)**	$ 26.2		$ (8.1)	
Net earnings (loss) per common share								
Basic	**$ 0.04**	$ 0.03		**$ (0.36)**	$ 0.32		$ (0.10)	
Diluted	**$ 0.03**	$ 0.03		**$ (0.36)**	$ 0.31		$ (0.10)	
Adjusted net earnings [1]	**$ 8.8**	$ 5.6	57%	**$ 45.0**	$ 33.2	36%	$ 29.1	14%
Total assets				**$ 862.7**	$ 976.1	(12%)	$ 946.2	3%
Long-term debt & Derivative liabilities, excluding current portion				**$ 439.9**	$ 398.9	10%	$ 393.4	1%

[1] EBITDA and adjusted net earnings are non-IFRS measures and are defined in the "Introduction - Non-IFRS Measures" section of

Revenues

For the three month period ended December 31, 2012 ("fourth quarter of 2012"), the Company recorded revenues of $102.8, a $7.1 increase from the fourth quarter of 2011. This revenue increase was primarily due to the increases at the River Rock Casino Resort ("River Rock") and the Other BC Casinos. River Rock benefited from increases in table drop as well as incremental revenues contributed by 'The Hotel at River Rock', which continues to trend positively since its October 17, 2011 opening. The increase at the Other BC Casinos was primarily due to the commencement of slot operations at the new Chances Chilliwack on November 1, 2012, which also recorded $1.7 of non-recurring accelerated Facility Development Commission ("FDC") revenues related to the previous bingo operations at its predecessor Chilliwack Bingo. These revenue increases were partially offset by declines at Great American Casinos, BC Racinos, and some of our other properties.

For the twelve month period ended December 31, 2012 ("twelve months of 2012"), the Company recorded revenues of $408.7, a $20.5 increase from the twelve months of 2011. This revenue increase was primarily due to River Rock's growth in table drop, slot coin-in, and hospitality revenues. The Other BC Casinos also experienced an increase in revenue, primarily due to both the non-recurring accelerated FDC revenues of $1.7 and the commencement of slot operations at Chances Chilliwack. These increases were partially offset by decreased gaming revenues at Great American Casinos and by decreased racetrack revenues at the BC Racinos.

Revenues in the twelve months of 2011 were $388.2, a $4.7 increase from the twelve months of 2010. This increase was attributable to the performance of both River Rock and the Company's Other BC Casinos. The increase in River Rock's revenues was primarily due to overall improvements in table drop, table hold percentage, and slot coin-in, as well as the opening of that facility's second hotel in October 2011. The increase in the Other BC Casinos' revenues was primarily due to the October 2010 installation of 100 slot machines at the Maple Ridge Community Gaming Centre, as well as the addition of new revenues from the Company's May 2011 acquisition of Chilliwack Bingo. These revenue increases were partially offset by decreased revenues at both Boulevard and the Company's BC Racinos.

EBITDA

EBITDA in the fourth quarter of 2012 was $37.5, a $6.5 increase from the fourth quarter of 2011. This increase was primarily due to increased revenues at River Rock and the Other BC Casinos, which was partially offset by increased operating costs.

EBITDA in the twelve months of 2012 was $147.6, an $8.7 increase from the twelve months of 2011. This increase was primarily due to increased revenues, and was partially offset by increased operating costs, which included non-recurring severance costs of $1.8.

EBITDA for the twelve months of 2011 was 138.9, a $2.5 increase from the twelve months of 2010. The revenues-related improvements at River Rock and the Other BC Casinos were largely offset by the performance of Boulevard and the BC Racinos. EBITDA for the twelve months of 2011 also included $0.8 in pre-opening costs associated with 'The Hotel at River Rock'.

Net earnings (loss)

Net earnings was $2.5 in the fourth quarter of 2012, a $0.2 increase when compared to the fourth quarter of 2011. This increase was primarily due to both the growth in EBITDA in the fourth quarter of 2012 and the impairment of long-lived assets recorded in the fourth quarter of 2011. This increase was largely offset by the $6.9 non-cash impairment charge related to land in Ontario that was written down to its estimated recoverable amount.

Net loss was $27.6 in the twelve months of 2012, compared to net earnings of $26.2 in the twelve months of 2011. During the twelve months of 2012, the Company recognized non-cash impairment charges of $54.0 associated with Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, non-cash impairment charges of $10.3 related to land in Ontario that was written down to its estimated recoverable amount, a non-recurring expense of $11.0 related to the settlement of a long-standing legal dispute ("Litigation Settlement"), as described in the "Liquidity and Capital Resources – Litigation" section of this MD&A, and non-recurring expenses of $14.4 associated with the debt refinancing and settlement of the related derivative liabilities, as described in the "Capital Resources" section of this MD&A, which included:

a) the foreign exchange loss of $8.1 arising from the settlement of the derivative liabilities;
b) the interest and financing expense of $3.9 associated with the early redemption of the Company's Subordinated Notes; and
c) the $2.4 previously deferred financing transaction costs related to the Subordinated Notes and Term Loan B.

These items were partially offset by lower amortization expense and improved EBITDA.

Net earnings was $26.2 in the twelve months of 2011, when compared to a net loss of $8.1 in the twelve months of 2010. During the twelve months of 2010, the Company recognized non-cash impairment charges of $49.3. The increase in net earnings was primarily due to the decrease in the impairment of long-lived assets and goodwill, lower restructuring and other expenses, and was partially offset by higher amortization expense and interest and financing costs (net of interest income).

The current and prior periods' net earnings (loss) included some items of note, which are summarized in the following table:

	Fourth Quarter			Twelve Months of				
	2012	2011	% Chg	**2012**	2011	% Chg	2010	% Chg
Net earnings (loss)	**$ 2.5**	$ 2.3	9%	**$ (27.6)**	$ 26.2		$ (8.1)	
Items of note								
Impairment of long-lived assets and goodwill	**6.9**	4.4		**64.3**	4.4		49.3	
Litigation settlement	**-**	-		**11.0**	-		-	
Net losses on cross-currency interest rate and principal swaps settled in 2012 and amended in 2011	**-**	-		**8.1**	5.0		-	
Subordinated Notes redemption costs	**-**	-		**3.9**	-		-	
Previously deferred transaction costs associated with the Term Loan B and Subordinated Notes	**-**	-		**2.4**	-		-	
Equity investment loss	**0.9**	-		**3.5**	-		-	
Non-recurring severance costs	**-**	-		**1.8**	-		-	
Restructuring and other costs	**-**	-		**-**	-		2.3	
One-time non-recurring accelerated FDC revenues at Chances Chilliwack	**(1.7)**	-		**(1.7)**			-	
Income tax expense (recovery) on the above items of	**0.2**	(1.1)		**(20.7)**	(2.4)		(8.4)	
Adjusted net earnings	**$ 8.8**	$ 5.6	57%	**$ 45.0**	$ 33.2	36%	$ 29.1	14%
Adjusted net earnings per common share								
Basic	**$ 0.13**	$ 0.07		**$ 0.59**	$ 0.40		$ 0.35	
Diluted	**$ 0.12**	$ 0.07		**$ 0.58**	$ 0.39		$ 0.34	

After adjusting for the above items of note, the Company's adjusted net earnings increased by 57% in the fourth quarter and by 36% in the twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to the growth in EBITDA and lower amortization expense. The Company's adjusted net earnings increased by 14% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to higher EBITDA and lower income taxes, after adjusting for the items of note.

Financial position

Total assets decreased by $113.4 as at December 31, 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares during 2012, non-cash impairment charges of $64.3 associated with Georgian Downs, Flamboro Downs, and land in Ontario that was written down to its estimated recoverable amount, and the amortization of property, plant and equipment and intangibles. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment, and net proceeds of $31.7 associated with the debt refinancing, as described in the "Major Developments" section of this MD&A.

Total assets increased by $29.9 as at December 31, 2011, when compared to the total assets as at December 31, 2010. This increase was primarily due to cash generated by operating activities, additions to property, plant and equipment on the Company's major development projects, and the acquisition of Chilliwack Bingo. These increases were partially offset by cash outflows to service financial obligations and amortization of property, plant and equipment and intangible assets.

Long-term debt and derivative liabilities increased by $41.0 as at December 31, 2012, when compared to the long-term debt and derivative liabilities as at December 31, 2011. This increase was primarily due to the net proceeds associated with the debt refinancing.

Long-term debt and derivative liabilities increased by $5.5 as at December 31, 2011, when compared to the long-term debt and derivative liabilities as at December 31, 2010. This increase was primarily due to the increase in long-term debt associated with the weakening Canadian dollar's effect on the underlying U.S. dollar debt. This increase was partially offset by a decrease in the fair value of the Company's cross-currency interest rate swaps.

BUSINESS DESCRIPTION

General

Great Canadian Gaming Corporation (the "Company") operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of ten casinos, including one with a Four Diamond hotel resort, four horse racetrack casinos, and three community gaming centres. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under long-term agreements as partners with provincial lottery corporations. As at December 31, 2012, the Company had approximately 4,600 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and the Company's operating agreements in these jurisdictions are included in the Annual Information Form located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

The Company's principal operating entities as at December 31, 2012 and 2011 were:

Entity	Ownership interest at December 31, 2012 and 2011
Chilliwack Gaming Ltd.	100%
Flamboro Downs Limited	100%
Georgian Downs Limited	100%
Great American Gaming Corporation	100%
Great Canadian Casinos Inc.	100%
Great Canadian Entertainment Centres Ltd.	100%
Hastings Entertainment Inc.	100%
Metropolitan Entertainment Group	100%
Orangeville Raceway Limited	100%
TBC Teletheatre B.C.(1)	50%

(1) The Company accounts for its ownership interest in TBC using the equity method.

Business Strategy

The Company's vision is to be the leading gaming, entertainment and hospitality company in its chosen markets by providing superior entertainment value and exceptional experiences. To achieve this goal, the Company has adopted the strategies as outlined below.

1. **Discover New Growth Opportunities.** Great Canadian is actively seeking opportunities to grow shareholder value. These opportunities may be located within both the Company's existing markets and new jurisdictions, and include property expansions, the implementation of new offerings, the development of new properties or projects, and strategic acquisitions. Depending upon the size, scope, and regulatory requirements associated with these opportunities, the Company may elect to align itself with strategic business partners. As a result, the Company may hold minority positions in new investment vehicles.

2. **Drive Incremental Growth at the Company's Existing Facilities.** The majority of Great Canadian's existing properties operate within mature, highly regulated markets. As a result of this regulation, these markets feature considerable barriers to entry that offer significant advantages and protection for incumbent operators. This regulation also requires that the Company work alongside its Crown corporation partners when expanding or introducing gaming offerings. These partners also oversee any loyalty programs within the Company's existing markets. In order to increase market share, penetrate new demographics, and drive incremental growth within this environment, the Company seeks to provide its patrons with a superior entertainment experience. In pursuit of this goal, the Company actively reinvests in its properties, supports its gaming offerings with premium non-gaming entertainment and hospitality options, and strives to maintain the highest standard of guest service.

3. **Continually Improve Guest Experiences.** Great Canadian believes guest satisfaction to be the primary driver of patron loyalty, particularly within mature markets. As a result, the Company constantly strives to distinguish itself from its peers by providing exceptional guest service across its entire property portfolio. The Company pursues this service vision through staff training, performance recognition, and communication, all of which emphasizes the importance of each employee taking personal responsibility to exceed our guests' expectations.

4. **Continuously Improve the Company's Operating Efficiency and Effectiveness.** Much of Great Canadian's recent success can be attributed to the Company's commitment to operating efficiency. This efficiency has been primarily driven by an integrated corporate structure that centralizes major property functions such as accounting, purchasing, and human resources. This structure has been supported by investments in technology and resources that have allowed the Company to realize operational synergies, business process improvements, and enhanced labour analysis.

5. **Pursue and Promote Exceptional Corporate Culture.** Since its founding, Great Canadian has placed great emphasis on the importance of social responsibility and corporate citizenship. These core values are best reflected in the Company's commitment to developing and assisting the communities in which it operates. The Company is also committed to maintaining an inclusive corporate culture that rewards and recognizes exceptional service and teamwork. The Company mandates a respectful workplace that prioritizes regulatory compliance.

Operations

The following table summarizes our Canadian casino operations as at December 31, 2012:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates[1]
British Columbia					
River Rock Casino Resort, Richmond, BC	2012	2 hotels with 395 rooms, 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook[2], marina, 28 touch bet roulette terminals	1,110	112	June 23, 2014 / June 23, 2024
Boulevard Casino, Coquitlam, BC	2005	1,050 seat show theatre, 4 dining options, Racebook[2], 22 touch bet roulette terminals	990	64	November 16, 2015 / November 16, 2025
View Royal Casino, Victoria, BC	2009	2 dining options	601	14	February 28, 2021
Casino Nanaimo, Nanaimo, BC	2011	1 dining option, Racebook[2], 1 electronic table gaming device	406	6	February 28, 2021
Chances Gaming Entertainment, Dawson Creek, BC	2006	Bingo, 1 dining option, 2 electronic table gaming devices	147	-	June 30, 2016/ June 30, 2026
Maple Ridge Community Gaming Centre, Maple Ridge, BC	2010	Bingo, concession, Racebook[2]	100	-	October 31, 2013 / October 31, 2033
Chances Chilliwack[3], Chilliwack, BC	2012	Bingo, 1 dining option, meeting facility, 2 electronic table gaming devices	173	-	October 31, 2022 / October 31, 2032
Hastings Racecourse and Slots Facility (Thoroughbred Racing), Vancouver, BC	2008	3 dining options, concession, Racebook[2]	596	-	October 28, 2017
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, BC	2005	4 dining options, 6 touch bet terminals, Racebook[2]	469	22	March 31, 2014 / March 31, 2024
TBC Teletheatre BC[2]	various	21 Racebooks[2]	-	-	-
Ontario					
Georgian Downs (Standardbred Racing)[4], Innisfil, Ontario	2009	4 dining options, concession, meeting facilities, Racebook	1,000	-	March 31, 2013
Flamboro Downs (Standardbred Racing)[4], Flamborough, Ontario	2001	4 dining options, meeting facility, Racebook	800	-	March 31, 2013
Nova Scotia					
Casino Nova Scotia Halifax[5], Halifax, Nova Scotia	2006	2 dining options, entertainment show room, lounge, meeting facilities	569	32	July 1, 2015/ July 1, 2025
Casino Nova Scotia Sydney[5], Sydney, Nova Scotia	2006	1 dining option, lounge	275	11	July 1, 2015/ July 1, 2025
			7,236	261	

[1] Renewal terms, at the option of the Company in BC and Nova Scotia. Renewal terms, at the option of OLG in Ontario.

[2] The Company owns or holds an interest in 23 Racebooks in BC. We own and operate two Racebooks; one at each of Hastings Racecourse and Slots Facility and Fraser Downs Racetrack and Casino. The remaining 21 Racebooks, including those at River Rock Casino & Resort, Casino Nanaimo and Maple Ridge Community Gaming Centre are operated by TBC. TBC also offers Internet and phone racetrack wagering. The Company owns a 50% interest in TBC and the remaining 50% interest is held by two horsemen's associations, the Harness Racing BC Society and the Horsemen's Benevolent and Protective Association.

[3] The Company acquired the assets and undertaking of the Chilliwack Bingo Association in May 2011. Chilliwack Bingo was developed into Chances Chilliwack and commenced slot operations in November 2012, as described in the "Major Developments" section of this MD&A.

[4] Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG. The Company is in continuing discussions with OLG to negotiate lease arrangements regarding its existing operations as described in the "Major Developments" section of this MD&A.

[5] Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

The following table summarizes the Company's consolidated Revenues for the years ended December 31, 2012, 2011, and 2010:

	Twelve Months of		
	2012	2011	2010
Gross Gaming Revenues	**$ 827.9**	$ 787.6	$ 764.6
Facility Development Commission	**35.2**	32.1	30.2
Hospitality and other revenues	**82.6**	70.4	67.5
Racetrack revenues	**15.8**	19.5	23.3
	961.5	909.6	885.6
Less:			
Provincial / state government portion of Gross Gaming Revenues	**(533.0)**	(505.7)	(489.7)
Promotional allowances	**(19.8)**	(15.7)	(12.4)
Revenues	**$ 408.7**	$ 388.2	$ 383.5

The following table summarizes the Company's racetrack operations and the number of actual live race days in 2012, 2011, and 2010:

		Live Race Days		
Property	**Location**	**2012**	2011	2010
Hastings Racecourse and Slot Facility	Vancouver, BC	**67**	69	71
Fraser Downs Racetrack and Casino	Surrey, BC	**79**	74	87
Georgian Downs	Innisfil, ON	**103**	103	106
Flamboro Downs	Flamborough, ON	**188**	195	225

All of our racetrack operations offer simulcast wagering, which allows patrons to place wagers on international and domestic live horse racing events.

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the British Columbia Lottery Corporation ("BCLC"). BCLC in turn engages service providers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based upon its casinos' gaming win, but a significant portion of that gaming win is retained by BCLC. BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates the funds to many areas. These areas include the consolidated revenue fund for public service programs such as education, the Health Special Account for health care expenditures, and disbursements to charitable organizations.

Since 1997, when BCLC assumed responsibility for casino gaming and introduced slot machines in the BC marketplace, the casino business has developed into BCLC's largest earnings stream. The Company believes that the current market and regulatory environment favours the province's incumbent gaming operators.

BCLC's strategy is to continue to develop casino properties that provide players with an exceptional entertainment experience, while positioning casino gaming as a potential tourism attraction where market demand allows. BCLC is also working closely with service provider partners to provide players with tournaments and services that provide entertaining gaming experiences. In addition, the FDC component of the operational services agreements encourages service providers such as the Company to earn additional commissions by investing capital in the improvement of their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2012, the Company's facilities represented 37% of the province's slot machines, which produced 39% of the province's win from slot machines, and 47% of the province's table games, which produced 56% of the province's win from table games.

In BC, the strategic direction and business leadership of the local horse racing industry is provided by the B.C. Horse Racing Industry Management Committee ("BCHRIMC"), which also provides a forum for industry participants to cooperate collectively in the development of the industry. The current BCHRIMC members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of BCLC, representatives from the Government of British Columbia, including the Gaming Policy and Enforcement Branch, and the Vice-President of Business Development for the Company. The Agreement provides for mandatory representation on the Committee of a representative of the major racetracks in the province that are owned by the Company.

Under the direction of the BCHRIMC, as described in the "Business of the Company" section of the Company's 2012 Annual Information Form, the Company's BC horse racing operations shared approximately 42% of a consolidated horse racing industry revenue fund in 2012 (2011 – 50%). This fund includes all revenues generated from horse racing and government grants in the province and which has been established and maintained for the purpose of facilitating financial allocations among industry organizations. Also under the direction of the BCHRIMC, TBC Teletheatre B.C., currently operates on a break-even basis whereby it is allocated and permitted to retain a sufficient portion of its revenues to cover its operating expenses, with any surplus of funds being provided to the consolidated horse racing industry revenue fund. Financial allocations from the consolidated horse racing industry revenue fund may be adjusted by resolution of the BCHRIMC. Under the current financial allocations for 2013, the Company's B.C. horse racing operations are estimated to share approximately 42% of the net revenue generated from horse racing and wagering on horse racing in B.C.

Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to the timing of their respective live racing seasons. Live racing generally operates from April to October at Hastings Racecourse, and from August to May at Fraser Downs. Gaming offerings and Racebooks at both locations operate year-round.

Metro Vancouver and Vancouver Island, where the majority of the Company's BC facilities are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can produce a negative impact upon short-term attendance at the Company's BC facilities.

Ontario

Regulatory

In Ontario, gaming activities are managed and conducted by the Ontario Lottery and Gaming Corporation ("OLG"). OLG's operations and revenues are organized under four business lines: lotteries, casinos and slots at racetracks, resort casinos, and bingo. In Ontario, the Company operates two racetracks, with slot operations owned and operated by OLG pursuant to site holder agreements. The Company earns a site holder payment based upon the win generated from the OLG slot machines, but a substantial portion of that win is retained by OLG. According to OLG's website, it directs gaming proceeds to Ontario's health care, education, infrastructure, amateur sports, problem gaming prevention, treatment and research, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation.

In March 2012, the Government of Ontario and OLG decided to end the "Slots at Racetracks" program for all Ontario racetracks on March 31, 2013, in an effort to modernize that province's gaming model. As part of that plan, and as permitted under the related agreements, on March 29, 2012, OLG provided notice that the site holder agreements with the Company's Georgian Downs and Flamboro Downs racetracks will terminate on March 31, 2013. OLG announced that it continues to engage in lease agreement discussions with site holders across Ontario. As at the date of this MD&A, OLG has announced that it has reached letters of intent for its slots operations with each of its other 12 site holders. The Company is in discussions with OLG to negotiate lease arrangements for OLG's continued operation of slot machines at Georgian Downs and Flamboro Downs beyond March 31, 2013. Based on recent discussions, if leases are agreed, the Company expects these properties' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into lease agreements, further impairments may be recorded against the remaining long-lived assets of these properties, as described in the "Major Developments" section of this MD&A.

Seasonality

The gaming facilities at the Company's Ontario racetracks operate year-round, and are typically subject to seasonal variations associated with extreme weather conditions. Live racing generally operates from March to December at Georgian Downs, and during all months except October at Flamboro Downs. As a result of the termination of the "Slots at Racetracks" program, the full extent of the impact that the change in horse racing business model may have on the Company is not certain.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the Nova Scotia Provincial Lotteries & Casinos Corporation ("NSPLCC", formerly Nova Scotia Gaming Corporation). NSPLCC operates two different gaming models: commercial casinos, of which the Company operates the only two within the province, and ticket and video lotteries. Lottery ticket sales are permitted at various locations, whereas video lottery terminals are permitted in licensed liquor establishments, and on First Nations' land. The Company is a service supplier to NSPLCC and earns a commission based upon its casinos' revenues, a portion of which are retained by the NSPLCC. According to NSPLCC's website, the revenues that it retains are directed to the provincial government's general revenue account to help pay for programs and services that benefit the province's residents. These programs and services include investments in infrastructure, schools, hospitals, and community outreach and prevention programs.

In October 2012, the Company signed the second amended and restated operating contract ("AROC") with NSPLCC, effective October 1, 2012. Under the AROC, the Company is entitled to receive an operator's fee equal to 52.24% of the facilities' total revenues, plus an additional 47.76% of non-gaming revenues after deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue and $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive an additional operator's fee equal to the lesser of $1.3 or 10% of leased slot machines revenues. Prior to October 1, 2012, the Company received 55.5% of both gross gaming and non-gaming revenues, after deduction of the CRC, as well as $1.0 per year related to the operation of leased slot machines. Prior to October 1, 2012, the $1.0 per year received for the leased slot machines was recorded as a reduction to the related leased slot operating expenses that were part of property, marketing and administration expenses.

Seasonality

Halifax and Sydney, where the Nova Scotia casinos are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can result in a negative impact on short-term attendance. The gaming industry in Nova Scotia has also historically witnessed a slight increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

Washington State

The following table summarizes our Washington gaming operations as at December 31, 2012:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		59

Regulatory

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates four commercial card rooms in the Greater Seattle area.

While the commercial gaming environment in Washington State is highly regulated, it does not feature the significant barriers to entry associated with the Company's Canadian operations. Individual cities or counties within Washington State may choose to restrict card room operations within their jurisdiction, which could result in the closure of certain locations. Washington State card room operations are conducted pursuant to house banked card room licenses that limit the number of table games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically.

MAJOR DEVELOPMENTS

Boulevard Casino

The Company is redeveloping its Boulevard Casino. During the third quarter of 2012, the Company commenced the refresh and repositioning of Boulevard Casino to both attract new patrons and bring back guests who were inconvenienced by proximate local highway construction. This first phase of the redevelopment is anticipated to conclude by the end of the fourth quarter of 2013, to coincide with the completion of the proximate highway construction. The Company anticipates that there will be some disruption to the casino gaming floor, and will endeavor to minimize the effect of the impact on its guests. The second phase of the redevelopment will feature a hotel, conference facilities, additional dining options, and will better integrate the facility's existing entertainment and dining amenities. The timeline for the second phase is being planned to minimize disruption to the casino gaming floor, and the timeline will be announced at a later date. These property redevelopments and modifications remain subject to approvals from BCLC and the local municipality. As at December 31, 2012, the Company has spent approximately $3.1 of an estimated $63.0 on this project.

Chances Chilliwack (formerly "Chilliwack Bingo")

On November 1, 2012, the Company relocated its Chilliwack Bingo operations to the newly opened 'Chances Chilliwack', a community gaming centre in Chilliwack, BC. This new, permanent facility has been developed on the approximately five-acre site that the Company purchased as part of the Chilliwack Bingo acquisition in May 2011. The facility features 173 slot machines, two electronic table gaming devices, bingo, dining options, a meeting facility, and approximately 300 parking stalls. The total cost to develop this facility and to acquire adjacent land was $14.2, which was $0.8 below the original estimate of $15.0.

River Rock Casino Resort

On October 17, 2011, the Company opened 'The Hotel at River Rock,' its second hotel at the River Rock Casino Resort. This hotel, which added 193 rooms to the facility's existing capacity of 202 rooms, both improved River Rock's appeal for visitors and enhanced the property's ability to serve as a conference centre. The total construction and equipment cost associated with this project was $23.0, which was $1.0 below the previously estimated cost of $24.0.

During the second quarter of 2012, the Company completed the upgrades to River Rock's first hotel, the 'River Rock Casino Resort Suites.' Enhancements to the 202 guest rooms in this hotel allowed the property, which first opened in 2005, to maintain its existing AAA Four Diamond status. The total cost of these upgrades was $2.5, which was $0.7 below the previously estimated project cost of $3.2.

Casino Nanaimo

During the second quarter of 2012, the Company completed facility upgrades at Casino Nanaimo. The upgrades, which had a total cost of $1.0, include improvements to the exterior of the property to increase the facility's overall appeal and visibility.

Maple Ridge Community Gaming Centre

In order to facilitate both the operation of slots at the Company's temporary facility in Maple Ridge and the construction of the permanent facility, the Company committed $4.3 for both property enhancements and servicing commitments to the District of Maple Ridge. As at December 31, 2012, the Company incurred $2.6 towards fulfilling servicing commitments related to the construction of the permanent facility. The Company also invested $4.7 towards the purchase of land required for the permanent facility and incurred $3.7 of an estimated $13.8 to prepare the site and develop this facility. The Company anticipates that this permanent facility will reach completion prior to November 2013, and will feature approximately 150 slot machines, dining options, a meeting facility, and improved parking capacity.

Ontario

The termination of the "Slots at Racetracks" program effective March 31, 2013, as described in the "Business Description" section of this MD&A, will have a negative effect on the future revenues of Georgian Downs and Flamboro Downs. All other "Slots at Racetracks" facilities in Ontario received similar termination notices, with the exception of three facilities located proximate to the U.S. border, which closed on April 30, 2012.

As a result of the early termination of Georgian Downs' site holder agreement, which was previously scheduled to expire in November 2021, the Company recorded in the first quarter of 2012 impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded in the first quarter of 2012 impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with Flamboro Downs' site holder agreement, which was previously scheduled to expire in April 2016.

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

In May 2012, OLG issued a request for information ("RFI") to obtain input from potential industry participants regarding the modernization of gaming in Ontario. OLG stated that as a result of the feedback from the RFI, and to enable OLG to more effectively manage the gaming market in Ontario, OLG is grouping many of the 29 Gaming Zones into Gaming Bundles where each bundle represents a separate bidding opportunity. In November 2012, OLG initiated the request for pre-qualifications ("RFPQ") process to pre-qualify service providers for eligibility to participate in the request for proposals process for the Gaming Bundles. The Company is continuing discussions with OLG regarding its existing operations and the potential future opportunities that may arise from the continued modernization of gaming in Ontario.

Additional changes in OLG's operating model, such as the expansion of its business lines, could increase competition and negatively impact the Company's two racetracks in Ontario. The Government of Ontario has also asked an expert panel of three former Ontario Cabinet ministers (the "Ontario Horse Racing Industry Transition Panel") to consult with the horse racing industry to determine how the Government can support the transition to a self-sufficient business model, including the allocation of transitional funds. In October 2012, the Ontario Horse Racing Industry Transition Panel (the "Panel") released a report that included recommendations to materially reduce the total province-wide annual horse racing days by approximately half, with these reduced days to be provided by a minimum of six racetracks. The model proposed by the Ontario Horse Racing Industry Transition Panel assumes that the participating racetrack operators will not derive profit from racing operations. With the

elimination of the Slots at Racetracks program, it was recommended that operating costs incurred by the racetracks would be publicly funded, subject to an expert external review. Similarly, the Panel recommended that public funding be provided to the horse racing industry over three years, subject to ongoing accountability audits. The Ontario Horse Racing Industry Transition Panel also supported the development of an alliance between the participating racetracks in Ontario to manage racing operations, subject to certain conditions. While not exhaustive, these conditions include pooling all Ontario pari-mutuel wagering revenues, allocating and directing those revenues towards racing purses and reinvesting any residual earnings in the industry. Consequently, it is not certain at this time the full extent of the impact that the continued modernization of gaming and the change in horse racing business model in Ontario may have on the Company.

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

Casino Nova Scotia

In October 2012, the Company and NSPLCC signed the AROC, as described in the "Business Description – Operations – Nova Scotia – Regulatory" section of this MD&A. Under the AROC, approximately $1.0 per year, which was previously received as a contribution toward reducing leased slot expenses throughout the year, is now considered part of the operator's fee revenues each month.

Investment in PDX Entertainment Company

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

Debt Refinancing

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

On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement ("Credit Agreement") which covers the terms of its Revolving Credit Facility. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility was increased to a maximum limit of $350.0 and extended to July 21, 2016. On July 24, 2012, the Company further extended the maturity of its $350.0 Revolving Credit Facility by one year to July 21, 2017.

Issuer Bids

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

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

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

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

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

MARKET UPDATE

British Columbia

Extension of Operating Agreement for Hastings Racecourse and Slots Facility

On October 24, 2012, the Company reached an agreement with the City of Vancouver for a two-year extension to the operating agreement at Hastings Racecourse and Slots Facility until at least November 2014 on substantially the same terms. This two-year period affords the horse racing industry, under the leadership of the BCHRIMC, time to determine the appropriate plan of action to best assure itself of long-term sustainability. Both the Company and the City are committed to working together towards a longer term arrangement at Hastings Racecourse that works for both parties, once this plan of action has been finalized by the racing industry.

Competition

One of the Company's direct competitors, Paragon Gaming LLC ("Paragon"), operates the Edgewater Casino in downtown Vancouver. Paragon has received approval to redevelop the Edgewater Casino. This redevelopment would relocate its current facility to a new location within the same area of downtown Vancouver. Paragon's previous redevelopment plans included increased gaming capacity from 500 slot machines and 55 table games to a maximum of 1,500 slot machines and 150 table games; however, the proposed expanded gaming capacity was not approved by the City of Vancouver in March 2011. As of the date of this MD&A, an application for development of the new location has not been announced.

One of the Company's direct competitors, Gateway Casinos and Entertainment Limited ("Gateway"), sought to relocate the approved community gaming centre in the Newton neighbourhood of Surrey, BC, to an alternate site, closer to the US border in South Surrey and to develop it into a casino resort. In January 2013, after a public hearing process, the City of Surrey council voted against the relocation and development of the casino resort in South Surrey, BC.

In October 2012, the City of Surrey approved the installation of 150 temporary slot machines in the existing Newton bingo hall, which commenced operations in November 2012. The operation of the temporary slot machines will be limited to: 18 calendar months from the date of activation, or the date on which permanent slot machines are activated in a new Newton community gaming centre, whichever occurs first. As of the date of this MD&A, this has not created a material impact on the Company's business.

Online Gaming

In July 2010, BCLC expanded its existing gaming website to provide British Columbia residents with the ability to wager on casino-style games online. Although this form of gaming does represent a competitive entertainment option within the provincial market, BCLC has stated that its online offerings will seek to encourage patrons to visit the province's physical gaming properties. To date, online gaming has created no discernible impact upon the Company's business.

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and twelve month periods ended December 31, 2012, with comparatives for the prior periods.

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**71.4**	68.4	4%	**294.9**	281.9	5%
Facility Development Commission	**10.7**	8.5	26%	**35.2**	32.1	10%
Hospitality and other revenues	**21.9**	18.9	16%	**82.6**	70.4	17%
Racetrack revenues	**3.5**	4.5	(22%)	**15.8**	19.5	(19%)
	107.5	100.3	7%	**428.5**	403.9	6%
Less: Promotional allowances	**(4.7)**	(4.6)	2%	**(19.8)**	(15.7)	26%
Revenues	**102.8**	95.7	7%	**408.7**	388.2	5%
Human resources	**40.8**	39.1	4%	**163.8**	154.9	6%
Property, marketing and administration	**24.5**	25.6	(4%)	**97.3**	94.4	3%
	65.3	64.7	1%	**261.1**	249.3	5%
EBITDA	**37.5**	31.0	21%	**147.6**	138.9	6%
Human resources as a % of Revenues before Promotional allowances	**38.0%**	39.0%		**38.2%**	38.4%	
EBITDA as a % of Revenues	**36.5%**	32.4%		**36.1%**	35.8%	
Amortization	**12.9**	14.8		**51.6**	58.5	
Share-based compensation	**0.2**	0.6		**3.6**	4.9	
Impairment of long-lived assets	**6.9**	4.4		**61.1**	4.4	
Impairment of goodwill	**-**	-		**3.2**	-	
Interest and financing costs, net	**8.4**	7.7		**37.0**	29.5	
Litigation settlement	**-**	-		**11.0**	-	
Equity investment loss and other	**2.4**	0.9		**5.1**	1.6	
Foreign exchange loss and other	**(0.2)**	(0.9)		**6.8**	3.2	
Income taxes	**4.4**	1.2		**(4.2)**	10.6	
Net earnings (loss)	**$ 2.5**	$ 2.3	9%	**$ (27.6)**	$ 26.2	
Net earnings (loss) per common share						
Basic	**$ 0.04**	$ 0.03		**$ (0.36)**	$ 0.32	
Diluted	**$ 0.03**	$ 0.03		**$ (0.36)**	$ 0.31	
Weighted average number of common shares (in thousands)						
Basic	**70,346**	82,161		**76,814**	82,670	
Diluted	**71,605**	83,651		**76,814**	84,210	

Discussion of Results

The Company's operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations above.

REVENUES and EBITDA

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
REVENUES						
Casinos						
River Rock Casino Resort	**$ 39.6**	$ 34.1	16%	**$ 159.5**	$ 138.3	15%
Boulevard Casino	**14.4**	14.3	1%	**57.9**	57.9	0%
Vancouver Island Casinos	**10.1**	10.4	(3%)	**39.2**	39.5	(1%)
Other BC Casinos	**6.1**	3.3	85%	**15.3**	11.5	33%
Nova Scotia Casinos	**10.4**	9.7	7%	**41.8**	41.9	0%
Great American Casinos	**5.3**	5.8	(9%)	**21.6**	22.7	(5%)
	85.9	77.6	11%	**335.3**	311.8	8%
Racinos						
BC Racinos	**8.9**	9.6	(7%)	**40.1**	42.0	(5%)
Georgian Downs	**3.9**	4.0	(3%)	**15.8**	16.1	(2%)
Flamboro Downs	**4.1**	4.5	(9%)	**17.5**	18.3	(4%)
	16.9	18.1	(7%)	**73.4**	76.4	(4%)
Total Revenues	**$ 102.8**	$ 95.7	7%	**$ 408.7**	$ 388.2	5%
EBITDA						
Casinos						
River Rock Casino Resort	**$ 18.8**	$ 13.5	39%	**$ 79.4**	$ 64.8	23%
Boulevard Casino	**5.1**	5.3	(4%)	**21.1**	23.0	(8%)
Vancouver Island Casinos	**5.7**	6.1	(7%)	**21.6**	22.5	(4%)
Other BC Casinos	**3.4**	1.5	127%	**7.1**	4.9	45%
Nova Scotia Casinos	**3.1**	2.1	48%	**11.4**	11.2	2%
Great American Casinos	**0.6**	1.0	(40%)	**2.6**	4.5	(42%)
	36.7	29.5	24%	**143.2**	130.9	9%
Racinos						
BC Racinos	**1.6**	2.6	(38%)	**7.3**	10.9	(33%)
Georgian Downs	**2.4**	2.1	14%	**9.5**	9.3	2%
Flamboro Downs	**1.9**	2.1	(10%)	**7.8**	8.1	(4%)
	5.9	6.8	(13%)	**24.6**	28.3	(13%)
Corporate & Other	**(5.1)**	(5.3)	4%	**(20.2)**	(20.3)	0%
Total EBITDA	**$ 37.5**	$ 31.0	21%	**$ 147.6**	$ 138.9	6%

Casinos

River Rock Casino Resort

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**26.2**	22.5	16%	**108.4**	94.4	15%
Facility Development Commission	**3.9**	3.3	18%	**15.8**	14.0	13%
Hospitality and other revenues	**11.4**	10.1	13%	**43.3**	35.7	21%
Revenues before Promotional allowances	**41.5**	35.9	16%	**167.5**	144.0	16%
Less: Promotional allowances	**(1.9)**	(1.8)	6%	**(8.0)**	(5.8)	38%
Revenues	**39.6**	34.1	16%	**159.5**	138.3	15%
Human resources	**13.0**	12.7	2%	**51.2**	47.3	8%
Property, marketing and administration	**7.8**	7.9	(1%)	**28.9**	26.2	10%
EBITDA	**$ 18.8**	$ 13.5	39%	**$ 79.4**	$ 64.8	23%
Human resources as a % of Revenues before Promotional allowances	**31.3%**	35.4%		**30.6%**	32.8%	
EBITDA as a % of Revenues	**47.5%**	39.6%		**49.8%**	46.9%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 233.4	$ 205.3	$ 189.0	$ 219.6	$ 169.4	$ 175.9	$ 178.4	$ 181.3	$ 176.7	
Table Hold	$ 41.7	$ 42.0	$ 40.9	$ 53.3	$ 32.5	$ 39.2	$ 39.1	$ 34.5	$ 34.4	
Table Hold %	17.9%	20.5%	21.6%	24.3%	19.2%	22.3%	21.9%	19.0%	19.5%	20.7%
Poker Rake	$ 1.2	$ 1.0	$ 1.1	$ 1.1	$ 1.2	$ 1.1	$ 1.1	$ 1.2	$ 1.5	
Slot Coin-In	$ 521.7	$ 518.1	$ 519.6	$ 493.4	$ 522.8	$ 490.9	$ 477.3	$ 448.2	$ 448.5	
Slot Win	$ 34.9	$ 35.2	$ 34.6	$ 33.9	$ 34.5	$ 34.1	$ 34.3	$ 30.3	$ 31.6	
Slot Win/Slot/Day[1,2]	$ 345	$ 349	$ 355	$ 372	$ 375	$ 376	$ 384	$ 339	$ 348	
Slot Win %	6.7%	6.8%	6.7%	6.9%	6.6%	6.9%	7.2%	6.8%	7.0%	6.8%

(1) Slot Win/Slot/Day is an average, presented in dollars.
(2) During the second quarter of 2012, the Company added 104 slot machines at River Rock, resulting in 1,110 slot machines as at June 30, 2012.

Revenues

Gaming revenues at River Rock increased by 16% in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This improvement was primarily due to growth in table drop of 38%, attributable to the continued benefit of the property redevelopments, enhancements, and associated increase in player demand at River Rock. The increase in table drop was partially offset by a lower table hold percentage, when compared to the fourth quarter of 2011.

Gaming revenues increased by 15% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the growth in table drop of 20% and an improvement in slot coin-in of 6%.

Hospitality and other revenues increased by 13% in the fourth quarter and 21% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to both the increase in food and beverage revenues and incremental revenues generated by the new hotel tower, which opened on October 17, 2011.

In October 2011, 'The Hotel at River Rock' added 193 rooms offered at a lower price point compared to the 'River Rock Casino Resort Suites,' which has a capacity of 202 rooms. On a combined basis, River Rock's average daily hotel revenue per available room ("REVPAR") was $96 dollars in the fourth quarter of 2012, compared to $91 dollars in the fourth quarter of 2011. This increase was due to a 6.0 percentage point increase in the average hotel occupancy rate to 63%, partially offset by a 3% decrease in the average daily room rate ("ADR") to $152 dollars. For the twelve months of 2012, River Rock's REVPAR was $102 dollars, compared to $122 dollars in the twelve months of 2011. This decrease was due to a 4.7 percentage point decrease in average hotel occupancy rate to 69%, and a 10% decrease in ADR to $148 dollars.

Promotional allowance in the fourth quarter of 2012 was relatively consistent with the fourth quarter of 2011. Promotional allowance increased by $2.2 in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the increased incentives associated with direct marketing efforts and complimentary food, beverage, and other items provided to gaming and hospitality guests.

Expenses

Human resources expenses in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Human resources expenses increased by 8% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to incremental staffing costs associated with the new hotel tower, improvements in food and beverage volumes, and growth in player demand. Human resources expenses also included non-recurring severance costs of $0.4 in the twelve months of 2012.

Property, marketing and administration expenses in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Property, marketing and administration expenses increased by 10% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to incremental operating costs associated with the new hotel tower, growth in food and beverage volumes, and inflationary cost increases.

EBITDA

EBITDA increased by 39% in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was due to River Rock's revenue increase. EBITDA increased by 23% in the twelve months of 2012, when compared to the twelve months of 2011. This improvement was primarily due to the increase in River Rock's revenues, and was partly offset by increased operating expenses.

Boulevard Casino

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**10.6**	10.8	(2%)	**43.3**	44.1	(2%)
Facility Development Commission	**1.7**	1.8	(6%)	**7.1**	7.2	(1%)
Hospitality and other revenues	**2.6**	2.3	13%	**9.7**	8.7	11%
Revenues before Promotional allowances	**14.9**	14.9	0%	**60.1**	60.0	0%
Less: Promotional allowances	**(0.5)**	(0.6)	(17%)	**(2.2)**	(2.1)	5%
Revenues	**14.4**	14.3	1%	**57.9**	57.9	0%
Human resources	**6.2**	5.8	7%	**24.9**	23.4	6%
Property, marketing and administration	**3.1**	3.2	(3%)	**11.9**	11.5	3%
EBITDA	**$ 5.1**	$ 5.3	(4%)	**$ 21.1**	$ 23.0	(8%)
Human resources as a % of Revenues before Promotional allowances	**41.6%**	38.9%		**41.4%**	39.0%	
EBITDA as a % of Revenues	**35.4%**	37.1%		**36.4%**	39.7%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 41.6	$ 40.9	$ 42.1	$ 42.0	$ 41.6	$ 39.7	$ 40.3	$ 39.3	$ 45.8	
Table Hold	$ 8.2	$ 8.4	$ 8.4	$ 9.0	$ 8.4	$ 8.6	$ 8.5	$ 8.7	$ 8.9	
Table Hold %	19.7%	20.5%	20.0%	21.4%	20.2%	21.7%	21.1%	22.1%	19.4%	20.7%
Poker Rake	$ 1.0	$ 0.7	$ 0.9	$ 1.2	$ 1.1	$ 1.4	$ 1.0	$ 1.1	$ 1.3	
Slot Coin-In	$ 385.5	$ 391.3	$ 414.6	$ 400.4	$ 400.6	$ 392.1	$ 394.4	$ 372.8	$ 380.8	
Slot Win	$ 26.7	$ 27.2	$ 28.5	$ 26.6	$ 26.7	$ 27.2	$ 28.0	$ 26.5	$ 27.8	
Slot Win/Slot/Day[(1)]	$ 292	$ 302	$ 315	$ 298	$ 289	$ 294	$ 305	$ 289	$ 292	
Slot Win %	6.9%	6.9%	6.9%	6.6%	6.7%	6.9%	7.1%	7.1%	7.3%	6.9%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

<u>Revenues</u>

Revenues at Boulevard were relatively consistent in the fourth quarter and twelve months of 2012, when compared to the same periods in 2011. Boulevard continues to be negatively impacted by both a challenging local economy and construction on provincial highway enhancements adjacent to the facility. This construction is expected to continue until late 2013. Boulevard has also been impacted by nearby competition, including the Company's Maple Ridge Community Gaming Centre and the poker room at the Fraser Downs Racetrack and Casino. The Maple Ridge Community Gaming Centre, which introduced slot machines in October 2010 has accommodated some of those guests displaced by the highway construction adjacent to Boulevard.

<u>Expenses</u>

Human resources expenses increased by 7% and 6% in the fourth quarter and twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to increased staffing levels and training to improve guest service at the facility, as well as the growth in food and beverage volumes. Human resources expenses also included non-recurring severance costs of $0.4 in the twelve months of 2012.

Property, marketing and administration expenses were relatively consistent in the fourth quarter of 2012, when compared to the fourth quarter of 2011. Property, marketing and administration expenses increased by 3% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to both incremental operating costs associated with the growth in food and beverage volumes and increased marketing costs intended to attract new guests.

EBITDA

EBITDA decreased by 4% in the fourth quarter and 8% in the twelve months of 2012, when compared to the same periods in 2011. These decreases were primarily due to the increase in operating costs intended to both attract new guests and improve the overall guest experience at Boulevard.

Vancouver Island Casinos (View Royal Casino and Casino Nanaimo)

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**7.6**	7.7	(1%)	**31.0**	31.3	(1%)
Facility Development Commission	**1.9**	2.4	(21%)	**5.9**	6.3	(6%)
Hospitality and other revenues	**1.0**	0.8	25%	**4.1**	3.6	14%
Revenues before Promotional allowances	**10.5**	10.9	(4%)	**41.0**	41.2	0%
Less: Promotional allowances	**(0.4)**	(0.5)	(20%)	**(1.8)**	(1.7)	6%
Revenues	**10.1**	10.4	(3%)	**39.2**	39.5	(1%)
Human resources	**3.0**	2.9	3%	**12.2**	11.8	3%
Property, marketing and administration	**1.4**	1.4	0%	**5.4**	5.2	4%
EBITDA	**$ 5.7**	$ 6.1	(7%)	**$ 21.6**	$ 22.5	(4%)
Human resources as a % of Revenues before Promotional allowances	**28.6%**	26.6%		**29.8%**	28.6%	
EBITDA as a % of Revenues	**56.4%**	58.7%		**55.1%**	57.0%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 12.5	$ 13.0	$ 12.4	$ 13.0	$ 11.6	$ 11.7	$ 11.7	$ 12.9	$ 12.8	
Table Hold	$ 2.9	$ 2.8	$ 2.9	$ 2.7	$ 2.5	$ 2.6	$ 2.6	$ 2.8	$ 2.9	
Table Hold %	23.2%	21.5%	23.4%	20.8%	21.6%	22.2%	22.2%	21.7%	22.7%	22.2%
Slot Coin-In	$ 379.8	$ 390.0	$ 397.2	$ 378.1	$ 381.4	$ 386.6	$ 394.1	$ 365.4	$ 375.3	
Slot Win	$ 26.9	$ 28.3	$ 27.8	$ 27.1	$ 27.5	$ 28.9	$ 28.8	$ 27.0	$ 28.5	
Slot Win/Slot/Day[1]	$ 289	$ 305	$ 303	$ 295	$ 296	$ 311	$ 318	$ 293	$ 309	
Slot Win %	7.1%	7.3%	7.0%	7.2%	7.2%	7.5%	7.3%	7.4%	7.6%	7.3%

[1] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Vancouver Island Casinos decreased by 3% in the fourth quarter and 1% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to lower FDC revenues. As at December 31, 2012, the majority of the eligible expenditures approved by BCLC for the accelerated FDC project at Casino Nanaimo were reimbursed. The decreases in FDC revenues were partially offset by the growth in food and beverage revenues.

Expenses

Human resources expenses in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Human resources expenses in the twelve months of 2012 increased by 3%, when compared to the twelve months of 2011. This increase was primarily due to both the growth in food and beverage volumes and non-recurring severance costs of $0.2.

Property, marketing and administration expenses in the fourth quarter of 2012 were consistent with the fourth quarter of 2011. Property, marketing and administration expenses increased by 4% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to incremental operating costs associated with the growth in food and beverage volumes.

EBITDA

EBITDA decreased by 7% in the fourth quarter and 4% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to the decrease in FDC revenues and increases in operating costs.

Other BC Casinos (Chances Dawson Creek, Maple Ridge Community Gaming Centre and Chances Chilliwack (formerly Chilliwack Bingo))

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**3.0**	2.5	20%	**10.3**	8.7	18%
Facility Development Commission	**2.6**	0.4	550%	**3.5**	1.6	119%
Hospitality and other revenues	**0.7**	0.5	40%	**2.0**	1.6	25%
Revenues before Promotional allowances	**6.3**	3.4	85%	**15.8**	11.9	33%
Less: Promotional allowances	**(0.2)**	(0.1)	100%	**(0.5)**	(0.4)	25%
Revenues	**6.1**	3.3	85%	**15.3**	11.5	33%
Human resources	**1.6**	1.1	45%	**5.0**	4.1	22%
Property, marketing and administration	**1.1**	0.7	57%	**3.2**	2.5	28%
EBITDA	**$ 3.4**	$ 1.5	127%	**$ 7.1**	$ 4.9	45%
Human resources as a % of Revenues before Promotional allowances	**25.4%**	32.4%		**31.6%**	34.5%	
EBITDA as a % of Revenues	**55.7%**	45.5%		**46.4%**	42.6%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Slot Coin-In	$ 165.3	$ 107.3	$ 107.9	$ 114.1	$ 118.7	$ 102.4	$ 104.5	$ 98.4	$ 95.3	
Slot Win	$ 10.6	$ 7.0	$ 7.1	$ 7.6	$ 7.4	$ 6.9	$ 7.0	$ 6.6	$ 6.1	
Slot Win/Slot/Day[(1)]	$ 315	$ 296	$ 305	$ 327	$ 316	$ 294	$ 300	$ 283	$ 260	
Slot Win %	6.4%	6.5%	6.6%	6.7%	6.2%	6.7%	6.7%	6.7%	6.4%	6.5%

(1) Slot Win/Slot/Day is an average, presented in dollars.

Revenues
Revenues at the Company's Other BC Casinos increased by 85% in the fourth quarter and 33% in the twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to the non-recurring accelerated FDC revenues of $1.7 related to the previous bingo operations at Chilliwack Bingo. These revenue increases were also attributable to the incremental revenues associated with the commencement of slot operations at Chances Chilliwack on November 1, 2012.

Expenses
Human resources expenses increased by 45% in the fourth quarter and 22% in the twelve months of 2012 when compared to the same periods in 2011. These increases were primarily due to the incremental costs associated with Chances Chilliwack, which commenced slot operations on November 1, 2012.

Property, marketing and administration expenses increased by 57% in the fourth quarter and 28% in the twelve months of 2012 when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to the incremental costs associated with Chances Chilliwack. Property, marketing and administration expenses in the fourth quarter and twelve months of 2012 also include $0.2 of non-recurring pre-operating costs related to Chances Chilliwack.

EBITDA

EBITDA increased by 127% in the fourth quarter and 45% in the twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to both the non-recurring accelerated FDC revenues and the growth in gaming revenues. These increases were partially offset by the increase in operating expenses.

Labour Relations

As at December 31, 2012, a collective agreement between Chilliwack Gaming Limited and National Automobile, Aerospace, Transportation and General Workers Union of Canada, ("CAW-Canada"), Local 3000, governed the wages and working conditions for employees working in the Bingo division, except management and those excluded by the Labour Relations Code of BC (the "Code"). A collective agreement with a three-year term covering January 1, 2012 through December 31, 2014, was ratified by the parties on July 10, 2012.

However, subsequent to December 31, 2012, the BC Labour Relations Board cancelled the Certification held by CAW-Canada for employees working in the Bingo division after considering the results of a February 2013 union member vote to decertify.

Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	Fourth Quarter				Twelve Months of			
	2012	2011	% Chg		**2012**	2011	% Chg
Gaming revenues	**9.0**	9.2	(2%)		**39.2**	39.6	(1%)
Hospitality and other revenues	**2.0**	1.1	82%		**5.7**	4.6	24%
Revenues before Promotional allowances	**11.0**	10.3	7%		**44.9**	44.2	2%
Less: Promotional allowances	**(0.6)**	(0.6)	0%		**(3.1)**	(2.3)	35%
Revenues	**10.4**	9.7	7%		**41.8**	41.9	0%
Human resources	**4.2**	4.2	0%		**17.1**	16.9	1%
Property, marketing and administration	**3.1**	3.4	(9%)		**13.3**	13.8	(4%)
EBITDA	**$ 3.1**	$ 2.1	48%		**$ 11.4**	$ 11.2	2%
Human resources as a % of Revenues before Promotional allowances	**38.2%**	40.8%			**38.1%**	38.2%	
EBITDA as a % of Revenues	**29.8%**	21.6%			**27.3%**	26.7%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 10.9	$ 10.4	$ 9.8	$ 10.5	$ 11.0	$ 11.4	$ 11.8	$ 10.0	$ 11.5	
Table Hold	$ 2.5	$ 1.9	$ 1.9	$ 2.3	$ 2.2	$ 2.4	$ 2.3	$ 2.1	$ 2.2	
Table Hold %	22.9%	18.3%	19.4%	21.9%	20.0%	21.1%	19.5%	21.0%	19.1%	20.3%
Poker Rake	$ 0.5	$ 0.5	$ 0.4	$ 0.4	$ 0.5	$ 0.6	$ 0.5	$ 0.5	$ 0.4	
Slot Coin-In	$ 193.7	$ 228.3	$ 206.2	$ 192.6	$ 193.5	$ 231.2	$ 205.2	$ 181.6	$ 200.2	
Slot Win	$ 14.8	$ 18.3	$ 16.1	$ 15.2	$ 15.0	$ 18.5	$ 16.2	$ 14.4	$ 15.6	
Slot Win/Slot/Day[(1)]	$ 185	$ 227	$ 205	$ 191	$ 185	$ 225	$ 198	$ 176	$ 190	
Slot Win %	7.6%	8.0%	7.8%	7.9%	7.8%	8.0%	7.9%	7.9%	7.8%	7.9%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the Nova Scotia Casinos in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011 despite a decrease in the Company's percentage of gaming revenues earned from NSPLCC as a result of the AROC amendment on October 1, 2012, as described in the "Business Description – Operations – Nova Scotia – Regulatory" section of this MD&A. The decrease in the Company's share of gaming revenues was offset by an increase in operator's fee associated with leased slots that was previously received as a contribution towards slot leases under property, marketing and administrative expenses.

Hospitality and other revenues increased by 82% in the fourth quarter and 24% in the twelve months of 2012 when compared to the same periods in 2011. These increases were primarily due to the increase in the Company's operator's fee related to non-gaming revenues as a result of the AROC amendment. In addition, hospitality and other revenues in the fourth quarter of 2011 included a $0.2 non-recurring reduction associated with sales taxes due on fees previously earned for providing automated banking machine services to guests.

Promotional allowances in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Promotional allowances increased by $0.8 in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due the change in direct marketing efforts and strategies.

Expenses

Human resources expenses in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

Property, marketing and administration expenses decreased by 9% in the fourth quarter and 4% in the twelve months of 2012, when compared to the same periods in 2011. These declines were primarily due to reduced marketing expenses that were partially offset by a $0.3 increase in slot lease expenses since operator's fees received from NSPLCC related to leased slots were included in gaming revenues in the fourth quarter of 2012,

but were previously received as a contribution to the cost of slot leases under property, marketing and administration expenses.

EBITDA

EBITDA increased by 48% in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to higher revenues and lower operating costs. EBITDA in the twelve months of 2012 was relatively consistent with the twelve months of 2011.

Labour Relations

A collective agreement between Casino Nova Scotia Halifax and Service Employees International Union ("SEIU"), Local 2, governs wages and working conditions of the Main Unit including all full-time and regular part-time employees of Casino Nova Scotia Halifax excluding office and clerical workers, human resource employees, surveillance employees, security employees, supervisors and those above the rank of supervisor. A new collective agreement with a three-year term covering February 1, 2012 through January 31, 2015 was ratified by both parties on April 3, 2012.

A collective agreement between Casino Nova Scotia Halifax and SEIU, Local 2, governs wages and working conditions of the Security Unit including all full-time and regular part-time employees in the security department of Casino Nova Scotia Halifax, excluding supervisors and those above the rank of supervisor. A new collective bargaining agreement with a three-year term covering February 1, 2012 through January 31, 2015 was ratified by both parties on May 1, 2012.

Great American Casinos

Results in U.S. Dollars (in millions)

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**4.4**	4.8	(8%)	**18.1**	19.7	(8%)
Hospitality and other revenues	**1.6**	1.4	14%	**5.8**	4.9	18%
Revenues before Promotional allowances	**6.0**	6.2	(3%)	**23.9**	24.6	(3%)
Less: Promotional allowances	**(0.7)**	(0.5)	40%	**(2.3)**	(1.8)	28%
Revenues	**5.3**	5.7	(7%)	**21.6**	22.8	(5%)
Human resources	**3.1**	3.2	(3%)	**12.8**	12.5	2%
Property, marketing and administration	**1.6**	1.6	0%	**6.2**	6.0	3%
EBITDA	**$ 0.6**	$ 0.9	(33%)	**$ 2.6**	$ 4.3	(40%)
Human resources as a % of Revenues before Promotional allowances	**51.7%**	51.6%		**53.6%**	50.8%	
EBITDA as a % of Revenues	**11.3%**	15.8%		**12.0%**	18.9%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 34.5	$ 31.6	$ 33.2	$ 35.5	$ 35.5	$ 31.7	$ 31.6	$ 31.2	$ 31.1	
Table Hold	$ 5.1	$ 4.7	$ 5.1	$ 5.4	$ 5.4	$ 5.2	$ 5.8	$ 5.9	$ 5.4	
Table Hold %	14.7%	14.9%	15.4%	15.2%	15.2%	16.4%	18.4%	18.9%	17.4%	16.2%

Results in Canadian Dollars

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Revenues	**$ 5.3**	$ 5.8	(9%)	**$ 21.6**	$ 22.7	(5%)
EBITDA	**$ 0.6**	$ 1.0	(40%)	**$ 2.6**	$ 4.5	(42%)

Discussion in U.S. Dollars

Revenues

Revenues at Great American Casinos decreased by 7% in the fourth quarter and 5% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to adverse competitive conditions, as well as lower table hold percentages, when compared to the same periods in 2011. The declines in table hold percentage were partially offset by increased hospitality revenues.

Promotional allowances increased by $0.2 in the fourth quarter and $0.5 in the twelve months of 2012, when compared to the prior periods in 2011. These increases were primarily due to increased incentives associated with direct marketing efforts and complimentary food, beverage, and other items provided to guests in this highly competitive market.

Expenses

Human resources and property, marketing and administration expenses in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

EBITDA

Great American Casinos' EBITDA decreased by 33% in the fourth quarter and 40% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to lower gaming revenues, which were partially offset by an increase in hospitality revenues.

The value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affects the reported results of the Great American Casinos. The average value of the U.S. dollar decreased by 3% in the fourth quarter and increased by 1% in the twelve months of 2012, when compared to the same periods in 2011.

Racinos

BC Racinos (Fraser Downs Racetrack and Casino, Hastings Racecourse and Slots Facility)

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**4.8**	4.7	2%	**20.1**	19.2	5%
Facility Development Commission	**0.6**	0.6	0%	**2.9**	3.0	(3%)
Racetrack revenues	**2.4**	3.3	(27%)	**11.3**	14.6	(23%)
Hospitality and other revenues	**1.5**	1.5	0%	**7.6**	6.9	10%
Revenues before Promotional allowances	**9.3**	10.1	(8%)	**41.9**	43.7	(4%)
Less: Promotional allowances	**(0.4)**	(0.5)	(20%)	**(1.8)**	(1.7)	6%
Revenues	**8.9**	9.6	(7%)	**40.1**	42.0	(5%)
Human resources	**4.3**	3.9	10%	**19.5**	17.5	11%
Property, marketing and administration	**3.0**	3.1	(3%)	**13.3**	13.6	(2%)
EBITDA	**$ 1.6**	$ 2.6	(38%)	**$ 7.3**	$ 10.9	(33%)
Human resources as a % of Revenues before Promotional allowances	**46.2%**	38.6%		**46.5%**	40.0%	
EBITDA as a % of Revenues	**18.0%**	27.1%		**18.2%**	26.0%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 7.1	$ 7.0	$ 7.2	$ 6.4	$ 6.0	$ 6.5	$ 6.1	$ 7.0	$ 7.3	
Table Hold	$ 1.7	$ 1.4	$ 1.4	$ 1.4	$ 1.3	$ 1.5	$ 1.3	$ 1.3	$ 1.5	
Table Hold %	24.2%	20.0%	19.4%	21.9%	21.7%	23.1%	21.3%	18.6%	20.5%	21.1%
Poker Rake	$ 0.1	$ 0.5	$ 0.3	$ 0.2	$ -	$ -	$ -	$ -	$ -	
Slot Coin-In	$ 227.3	$ 239.4	$ 246.3	$ 234.7	$ 240.4	$ 241.8	$ 228.4	$ 219.0	$ 218.7	
Slot Win	$ 16.5	$ 17.9	$ 18.4	$ 17.6	$ 17.3	$ 18.4	$ 17.8	$ 17.2	$ 17.2	
Slot Win/Slot/Day[(1)]	$ 169	$ 184	$ 191	$ 183	$ 179	$ 189	$ 185	$ 179	$ 176	
Slot Win %	7.3%	7.5%	7.5%	7.5%	7.2%	7.6%	7.8%	7.9%	7.9%	7.6%

(1) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the BC Racinos increased by 2% in the fourth quarter and 5% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to the incremental revenues from new poker room at Fraser Downs Racetrack and Casino, which opened on March 7, 2012, and growth in table games.

Racetrack revenues decreased by 27% in the fourth quarter and 23% in the twelve months of 2012, when compared to the same periods in 2011. These decreases were primarily due to the reduction in the Company's allocated share of the consolidated horse racing industry revenues from 50% to 42% as of January 1, 2012, as well as an overall decrease in the consolidated BC horse racing industry revenues.

Expenses

Human resources expenses increased by 10% in the fourth quarter and 11% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to increased staffing levels to service the increase in gaming volumes, which included increased play from the new poker room at Fraser Downs Racetrack and Casino. Human resources expenses in the twelve months of 2012 also included non-recurring severance costs of $0.5.

Property, marketing and administration expenses were relatively consistent in the fourth quarter and twelve months of 2012, when compared to the same periods in 2011.

EBITDA
EBITDA decreased by 38% in the fourth quarter and 33% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to the decreases in racetrack revenues and increases in human resources expenses.

Labour Relations
A collective agreement between Hastings Entertainment Inc. and UNITE HERE!, Local 40, with a term covering April 1, 2008 through December 31, 2010, governs wages and working conditions of "employees engaged in the food and beverage dispensing at the Hastings Park Racecourse". Collective bargaining for a renewal collective agreement commenced on January 20, 2011.

A collective agreement between Hastings Entertainment Inc. and Canadian Office and Professional Employees Union ("COPE"), Local 378, with a term covering August 1, 2008 through July 31, 2011, and subsequently extended by mutual agreement to July 31, 2012, governs wages and working conditions of "Employees of Hastings Entertainment Inc., Hastings Park Racecourse employed at Exhibition Park except those excluded by the Code, employed by Hastings Entertainment Inc." On July 6, 2012, the parties agreed to "hold collective bargaining in abeyance until November 2012 due to the process of renewing the operating agreement for Hastings Racecourse and Slots Facility with the City of Vancouver". Collective bargaining for a renewal collective agreement commenced on February 25, 2013.

Recent Development
As described in the "Market Update" section of this MD&A, the Company has reached an agreement with the City of Vancouver, BC, for a two-year extension to the operating agreement for the Hastings Racecourse and Slots Facility on substantially the same terms.

Georgian Downs

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**3.0**	3.1	(3%)	**12.6**	12.7	(1%)
Racetrack revenues	**0.4**	0.4	0%	**1.6**	1.7	(6%)
Hospitality and other revenues	**0.5**	0.5	0%	**1.6**	1.7	(6%)
Revenues	**3.9**	4.0	(3%)	**15.8**	16.1	(2%)
Human resources	**0.7**	0.7	0%	**2.6**	2.6	0%
Property, marketing and administration	**0.8**	1.2	(33%)	**3.7**	4.2	(12%)
EBITDA	**$ 2.4**	$ 2.1	14%	**$ 9.5**	$ 9.3	2%
Human resources as a % of Revenues before Promotional allowances	**17.9%**	17.5%		**16.5%**	16.1%	
EBITDA as a % of Revenues	**61.5%**	52.5%		**60.1%**	57.8%	

Revenues
Revenues in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011. Revenues included the effect of a change in the way OLG calculates gross gaming revenues under IFRS, which has reduced the related site holder payments. The Company estimates that this resulted in a negative annual impact of $0.3 for Georgian Downs, and has entered into arbitration with OLG to resolve this matter.

Expenses
Human resources expenses in the fourth quarter and twelve months of 2012 were consistent with the same periods in 2011.

Property, marketing and administration expenses decreased by 33% in the fourth quarter and 12% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to lower property taxes, utilities, and marketing expenses.

EBITDA
EBITDA increased by 14% in the fourth quarter and 2% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to decreased property, marketing and administration expenses.

Labour Relations
A collective agreement between Georgian Downs and the Public Service Alliance of Canada, Local 00500, with a term covering September 18, 2010 through September 17, 2013, governs the wages and working conditions of employees in Georgian Downs' Mutuels, Maintenance, Food & Beverage, and Gift Shop departments.

Recent Development
As described in the "Major Developments" section of this MD&A, the Company has received notice from OLG regarding the early termination of Georgian Downs' site holder agreement effective March 31, 2013. The Company is in discussions with OLG to negotiate a lease arrangement that would facilitate the continued operation of Georgian Downs beyond March 31, 2013. Based on recent discussions, if a lease is agreed, the Company expects Georgian Downs' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into a lease agreement, further impairments may be recorded against the remaining long-lived assets of Georgian Downs.

Flamboro Downs

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**2.8**	3.0	(7%)	**12.0**	12.4	(3%)
Racetrack revenues	**0.7**	0.8	(13%)	**2.9**	3.2	(9%)
Hospitality and other revenues	**0.6**	0.7	(14%)	**2.6**	2.7	(4%)
Revenues	**4.1**	4.5	(9%)	**17.5**	18.3	(4%)
Human resources	**1.2**	1.2	0%	**5.0**	5.1	(2%)
Property, marketing and administration	**1.0**	1.2	(17%)	**4.7**	5.1	(8%)
EBITDA	**$ 1.9**	$ 2.1	(10%)	**$ 7.8**	$ 8.1	(4%)
Human resources as a % of Revenues before Promotional allowances	**29.3%**	26.7%		**28.6%**	27.9%	
EBITDA as a % of Revenues	**46.3%**	46.7%		**44.6%**	44.3%	

<u>Revenues</u>
Revenues at Flamboro Downs decreased by 9% in the fourth quarter and 4% in the twelve months of 2012, when compared to the same periods in 2011. These decreases included the effect of a change in the way OLG calculates gross gaming revenues under IFRS, which has reduced the related site holder payments. The Company estimates that this resulted in a negative annual impact of $0.3 for Flamboro Downs, and has entered into arbitration with OLG to resolve this matter.

<u>Expenses</u>
Human resources expenses in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

Property, marketing and administration expenses decreased by 17% in the fourth quarter and 8% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to cost-efficiency initiatives.

<u>Labour Relations</u>
A collective agreement between Flamboro Downs Limited and Service Employees International Union ("SEIU"), Local 2, with a term covering January 1, 2011 through December 31, 2013, governs wages and working conditions of employees in the Mutuels, Maintenance & Janitorial, Security, Food & Beverage departments.

<u>Recent Development</u>
As described in the "Major Developments" section of this MD&A, the Company has received notice from OLG regarding the early termination of Flamboro Downs' site holder agreement effective March 31, 2013. The Company is in discussions with OLG to negotiate a lease arrangement that would facilitate the continued operation of Flamboro Downs beyond March 31, 2013. Based on recent discussions, if a lease is agreed, the Company expects Flamboro Downs' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into a lease agreement, further impairments may be recorded against the remaining long-lived assets of Flamboro Downs.

Corporate & Other

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Human resources	**$ 3.5**	3.4	3%	**$ 13.5**	13.9	(3%)
Property, marketing and administration	**1.6**	1.9	(16%)	**6.7**	6.4	5%
EBITDA	**$ (5.1)**	$ (5.3)	4%	**$ (20.2)**	$ (20.3)	0%

EBITDA

Corporate & Other EBITDA in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

Discussion of Items Excluded from EBITDA

Amortization
Amortization decreased by $1.9 in the fourth quarter and $6.9 in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to the impairment of Hastings Racecourse and Slot Facility's property, plant and equipment at December 31, 2011. These decreases were partially offset by the net increase in amortization expense associated with the impairment of Georgian Downs and Flamboro Downs as described in the "Major Developments" section of this MD&A.

Share-Based Compensation
Share-based compensation of $0.2 in the fourth quarter of 2012 (2011 - $0.6) consists of equity-settled share-based compensation of $0.4 (2011 - $0.5) and a decrease in the fair-value of the cash-settled share-based compensation of $0.2 (2011 - increase of $0.1). Share-based compensation decreased by $0.4 in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This decrease was primarily due to a lower average number of unvested share options outstanding and a decrease in share price during the fourth quarter of 2012, when compared to the fourth quarter of 2011.

Share-based compensation of $3.6 in the twelve months of 2012 (2011 - $4.9) comprises equity-settled share-based compensation of $2.2 (2011 - $3.9) and cash-settled share-based compensation of $1.4 (2011 - $1.0). Share-based compensation decreased by $1.3 in the twelve months of 2012, when compared to the twelve months 2011. This decrease was primarily due to a lower average number of unvested share options outstanding, offset by an increase in share price during the twelve months of 2012, when compared to the twelve months of 2011.

Equity Investment Loss and Other
Equity investment loss and other increased by $1.5 in the fourth quarter and $3.5 in the twelve months of 2012. These increases were primarily due to the equity investment loss arising from the Company's investment in PDX, as described in the "Major Developments" section of this MD&A, and the increase in provision related to the contingent future trailing payments for the Chilliwack Bingo acquisition. These increases were partially offset by decreased business development expenses.

Litigation Settlement
The litigation settlement of $11.0 in the twelve months of 2012 related to the settlement of a long-standing legal dispute with a former Ontario-based consultant, as described in the "Liquidity and Capital Resources – Litigation" section of this MD&A.

Interest and Financing Costs, net
Interest and financing costs, net of interest income, increased by $0.7 in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to the increase in long-term debt related to the debt refinancing as described in the "Capital Resources" section of this MD&A.

Interest and financing costs, net of interest income increased by $7.5 in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to non-recurring expenses of $3.9 associated with the Subordinated Notes redemption and $2.4 in previously deferred financing transaction costs related to the Subordinated Notes and Term Loan B, which were expensed during the twelve months of 2012 as part of the debt refinancing, as described in the "Capital Resources" section of this MD&A. This increase was also due to the increase in long-term debt related to the debt refinancing.

Impairment of Long-Lived Assets
In the fourth quarter of 2012, the Company recorded a $6.9 impairment of long-lived assets related to land in Ontario that was written down to its estimated recoverable amount.

In the twelve months of 2012, the Company recorded a non-cash impairment charge of $50.8 associated with the early termination notice of the site holder agreements for Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, as well as a non-cash impairment charge of $10.3 related to land in Ontario that was written down to its estimated recoverable amount.

Impairment of long-lived assets was $4.4 in the fourth quarter and twelve months of 2011. This non-cash impairment charge was associated with declines and uncertainty in the economic outlook of Hastings Racecourse and Slots Facility.

Impairment of Goodwill
A $3.2 goodwill impairment was recorded in the first quarter of 2012. This non-cash impairment charge reflects the full write-off of goodwill associated with the early termination notice of the site holder agreement for Georgian Downs, as described in the "Major Developments" section of this MD&A.

Foreign Exchange Loss and Other
Foreign exchange loss and other expenses increased by $0.7 in the fourth quarter and $3.6 in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These non-cash variances were primarily due to the settlement of the cross-currency interest rate and principal swaps in the twelve months of 2012, and the discontinuation of hedge accounting for a portion of the cash flows in the twelve months of 2011 as described in the "Capital Resources" section of this MD&A.

Income Taxes
Income taxes increased by $3.2 in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to higher earnings before income taxes and was partially offset by a corporate income tax rate that was 1.5 percentage points lower in 2012, when compared to 2011.

Income taxes decreased by $14.8 in the twelve months of 2012, when compared to the twelve months of 2011. This decrease was primarily due to lower (loss) earnings before income taxes and a corporate income tax rate that was 25.0% in 2012 compared to 26.5% in 2011.

CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Revenues	$ 102.8	$ 101.8	$ 101.3	$ 102.8	$ 95.7	$ 101.0	$ 99.5	$ 92.0	$ 97.2
EBITDA	$ 37.5	$ 35.8	$ 35.3	$ 39.0	$ 31.0	$ 38.6	$ 37.8	$ 31.5	$ 35.0
EBITDA as a % of Revenues	36.5%	35.2%	34.8%	37.9%	32.4%	38.2%	38.0%	34.2%	36.0%
Net earnings (loss)	$ 2.5	$ (0.9)	$ 2.7	$ (31.9)	$ 2.3	$ 7.9	$ 10.3	$ 5.7	$ (29.5)
Net earnings (loss) per common share									
Basic	$ 0.04	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03	$ 0.10	$ 0.12	$ 0.07	$ (0.36)
Diluted	$ 0.03	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03	$ 0.09	$ 0.12	$ 0.07	$ (0.36)

The Company's revenues trend reflects year-over-year growth in gaming revenues as well as hospitality and other revenues. Gaming revenues have increased primarily due to improvements at River Rock, incremental revenues from the acquisition of Chilliwack Bingo in May 2011, and the commencement of slot machine operations at Chances Chilliwack in November 2012. Hospitality and other revenues have experienced increases primarily attributable to the new hotel tower at River Rock, which opened in October 2011, as well as improvements in food and beverage offerings. However, there has been an overall declining trend in horse racing industry revenues. The Company's allocated share of the consolidated horse racing industry revenues in BC was reduced from 50% to 42%, effective January 1, 2012.

Although the Company continues to focus on operating efficiencies, both EBITDA and EBITDA as a percentage of revenues reflect fluctuations in table hold percentages, in addition to the non-recurring severance costs and the start-up costs for the new hotel at River Rock, which opened in October 2011.

The net earnings (loss) trend reflects the items noted above, as well as certain impairment charges, equity investment losses, business development expenses, litigation settlement costs, expenses associated with the debt refinancing and settlement of the related derivative liabilities, and the related income tax effects.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages liquidity risks by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its Revolving Credit Facility.

As at December 31, 2012, the Company had:

- Relatively low levels of receivables of which the majority are due from: sales tax rebates from the federal government, racetrack operators, other provincial gaming corporations, and financial institutions;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has relatively low levels of foreign denominated assets and liabilities and has fixed interest rates with its Canadian dollar denominated Senior Unsecured Notes;
- $320.1 of available credit on its Revolving Credit Facility, subject to compliance with the related financial covenants;
- Ability to access additional debt capacity within the limitations established by the covenants on its existing credit and debt facilities; and
- Counterparties to its existing debt and credit facilities that are primarily major financial institutions that have minimum grade "A" credit ratings.

On July 24, 2012, the Company completed a refinancing of its long-term debt and settled the related derivative liabilities, as described in the "Capital Resources" section of this MD&A.

On August 21, 2012, the Company accepted for purchase 10,000,000 validly tendered common shares to a substantial issuer bid at a purchase price of $10.00 per share for a total of $100.0.

Financial Position

	As at December 31,							
		2012		2011	% Chg		2010	% Chg
Cash and cash equivalents	**$**	**116.2**	$	134.7	(14%)	$	50.9	165%
Short-term investments		**-**		-			53.0	(100%)
Other current assets		**18.7**		22.6	(17%)		16.8	35%
Property, plant and equipment		**621.3**		663.6	(6%)		663.0	0%
Other long-term assets		**106.5**		155.2	(31%)		162.5	(4%)
Total Assets	**$**	**862.7**	$	976.1	(12%)	$	946.2	3%
Current liabilities	**$**	**63.8**	$	64.9	(2%)	$	60.8	7%
Long-term debt & Derivative liabilities (excluding current portion)		**439.9**		398.9	10%		393.4	1%
Other long-term liabilities		**78.7**		89.9	(12%)		90.9	(1%)
Total Liabilities		**582.4**		553.7	5%		545.1	2%
Shareholders' equity		**280.3**		422.4	(34%)		401.1	5%
Total Liabilities and Shareholders' equity	**$**	**862.7**	$	976.1	(12%)	$	946.2	3%

Total Assets

Total assets decreased by $113.4 as at December 31, 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares, non-cash impairment charges, and the amortization of property, plant and equipment and intangible assets. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment, and net proceeds of $31.7 associated with the debt refinancing, as described in the "Capital Resources" section of this MD&A.

Total assets increased by $29.9 as at December 31, 2011, when compared to the total assets as at December 31, 2010. This increase was primarily due to cash generated by operating activities, additions to property, plant and equipment on the Company's major development projects, and the acquisition of Chilliwack Bingo. These increases were partially offset by cash outflows to service financial obligations and amortization of property, plant and equipment and intangible assets.

Total Liabilities

Total liabilities increased by $28.7 as at December 31, 2012, when compared to the total liabilities as at December 31, 2011. This increase was primarily due to the increase in long-term debt related to the debt refinancing, as described in the "Capital Resources" section of this MD&A. This increase was partially offset by the decrease in deferred tax liabilities associated with the impairments of Georgian Downs' and Flamboro Downs' long-lived assets.

Total liabilities increased by $8.6 as at December 31, 2011, when compared to the total liabilities as at December 31, 2010. This increase was primarily due to the increase in long-term debt associated with the weakening Canadian dollar's effect on the underlying U.S. dollar debt, and an increase in current liabilities associated with the construction related activities described in the "Major Developments" section of this MD&A. This increase was partially offset by a decrease in the fair value of the Company's cross-currency interest rate and principal swaps relating to the Term Loan B and Subordinated Notes.

Shareholders' equity
Shareholders' equity decreased by $142.1 as at December 31, 2012, when compared to shareholders' equity as at December 31, 2011. This decrease was primarily due to the common shares repurchased under the substantial issuer bid and normal course issuer bid totalling $130.1, and a net loss of $27.6. This decrease was partially offset by share options exercised of $7.9, other comprehensive income of $5.5, and equity-settled share-based compensation of $2.2.

Shareholders' equity increased by $21.3 as at December 31, 2011, when compared to shareholders' equity as at December 31, 2010. This increase was primarily due to net earnings of $26.2, equity-settled share-based compensation of $3.9, and share options exercised of $3.4. These increases were partially offset by the repurchased common shares of $10.6 and the decrease in accumulated other comprehensive income of $1.6.

Cash Flows

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Net cash generated by operating activities	**$ 38.0**	$ 31.1	22%	**$ 123.4**	$ 121.0	2%
Cash (used in) generated by investing activities	**(5.3)**	(5.5)	4%	**(27.4)**	1.5	
Cash used in financing activities	**-**	(1.9)	100%	**(114.9)**	(39.5)	(191%)
Effect of foreign exchange on cash and cash equivalents	**0.3**	(0.1)		**0.4**	0.8	(50%)
Cash inflow (outflow)	**$ 33.0**	$ 23.6	40%	**$ (18.5)**	$ 83.8	

Net cash generated by operating activities was higher in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to higher in EBITDA in the fourth quarter of 2012. Net cash generated by operating activities was higher in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to increased EBITDA and lower income tax instalment payments in the twelve months of 2012, which was largely offset by the cash payment associated with the Litigation Settlement of $11.0 in July 2012, as described in the "Litigation" section of this MD&A.

Cash used in investing activities in the fourth quarter and twelve months of 2012 were primarily due to the development of both the Chances Chilliwack community gaming centre and the permanent Maple Ridge community gaming centre, the redevelopment of Boulevard, and upgrades at River Rock's first two hotel towers. Cash used in investing activities in the fourth quarter of 2011 was primarily due to the development of the third hotel tower at River Rock, the development of both the Chances Chilliwack community gaming centre and the permanent Maple Ridge community gaming centre. Cash generated by investing activities in the twelve months of 2011 was primarily offset by cash used in capital expenditures, which included the third hotel tower at River Rock and the Chances Chilliwack community gaming centre.

Cash used in financing activities in the fourth quarter of 2012 was primarily related to bank charges and other fees of $0.7, which was offset by cash received of $0.7 from the exercise of share options. Cash used in financing activities in the fourth quarter of 2011 was primarily related to interest payments of $3.7 and the quarterly debt repayment on the Term Loan B, which was partially offset by common shares issued for cash of $2.4. Cash used in financing activities was higher in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the repurchase of common shares of $130.1 in the twelve months of 2012. This increase was partially offset by the net proceeds associated with the debt refinancing, as described in the "Capital Resources" section of this MD&A.

Capital Resources

Long-Term Debt and Capital Structure

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

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

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

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

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

On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement ("Credit Agreement") which covers the terms of its Revolving Credit Facility. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility was increased to a maximum limit of $350.0 and extended to July 21, 2016. On July 24, 2012, the Company further extended the maturity of its $350.0 Revolving Credit Facility by one year to July 21, 2017.

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

As a result of this debt refinancing, previously deferred financing transaction costs and premium associated with the Term Loan B and Subordinated Notes of $2.4 were expensed as "interest and financing costs, net" on the consolidated statements of earnings (loss).

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

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

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

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

The Company's independent credit ratings as at December 31, 2012 were as follows:

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

Cross-Currency Interest Rate and Principal Swap Agreements

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

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

During the year ended December 31, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement. In connection with this amendment, the Company discontinued hedge accounting for a portion of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps. As a result, the Company recorded a $0.8 gain in the fourth quarter and $5.0 loss in the twelve months of 2011 as "foreign exchange loss and other" on the consolidated statements of earnings (loss) during the year ended December 31, 2011.

Outstanding Share Data

As at December 31, 2012, there were 70,436,319 common shares issued and outstanding compared to 82,476,558 as at December 31, 2011. This decrease was primarily due to the purchase and cancellation of common shares under the Company's issuer bids during the year ended December 31, 2012.

As at December 31, 2012, there were 4,492,850 share options outstanding at a weighted-average exercise price of $7.08. Subsequent to December 31, 2012, the Company granted 1,425,000 share options at an exercise price of $9.11.

As at March 5, 2013, there were 70,543,819 common shares outstanding and 5,557,016 share options outstanding.

Capital Spending and Development

Under its operating agreements in BC, the Company earns a commission on capital investments as a percentage of Gross Gaming Revenues. Under its operating agreement in Nova Scotia, the Company is reimbursed for the majority of its capital projects. The majority of the Company's capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In British Columbia, through the FDC program, BCLC provides commissions for approved capital and operating expenditures related to the development or improvement of gaming properties as defined in the operating services agreements. Currently, the FDC percentage is 3% of the Gross Gaming Revenues from gaming activities. BCLC provides for an accelerated FDC equal to 2% of the Gross Gaming Revenues towards site-specific reimbursements of new gaming redevelopments. The accelerated FDC is limited to the initial redevelopment of a property and continues to be received until the approved eligible costs of the redevelopment are recovered.

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

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

The differences between the FDC Approved Amounts and the additions to property, plant and equipment are primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

Approved expenditures incurred to improve or maintain the two Nova Scotia casinos facilities are reimbursed by NSPLCC from a Capital Reserve Account ("CRA"). The Company is required to make contributions to the CRA 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. If the CRA is in a deficit balance, the amount owed to the Company accrues interest at a rate of bank prime plus 2% per annum.

During the fourth quarter and twelve months of 2012, the Company's maintenance capital expenditures net of related accounts payable totalled $0.5 and $3.3. Maintenance capital expenditures were primarily related to various property upgrades and information technology. Development capital expenditures net of related accounts payable of $5.3 and $16.2 during the fourth quarter of 2012 and the twelve months of 2012 were primarily related to the recently opened Chances Chilliwack, the permanent Maple Ridge community gaming centre, the redevelopment of Boulevard, and upgrades at River Rock's first two hotel towers. For the upcoming twelve months of 2013, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately $20 and $10, respectively.

Contingencies

The Company has issued letters of credit to guarantee performance primarily under gaming cash floats, construction contracts, and provincial gaming corporation payables in the aggregate amount of $29.9 as at December 31, 2012 (2011 - $32.3).

Litigation

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

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.

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:

- 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;
- certain vendors of acquired companies or properties for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

Commitments

The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

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

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

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

Expected payments related to facility development projects are not reflected in this table unless they are contractually committed.

Future Cash Requirements

Management believes that the Company's current operational requirements and major development plans can be funded from existing cash and cash equivalents, cash generated from operations, and existing capacity on our Revolving Credit Facility. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates.

OTHER FINANCIAL INFORMATION

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:

	Fourth Quarter		Twelve Months of	
	2012	2011	**2012**	2011
Human resources [1]	**$ 0.6**	$ 0.2	**$ 2.3**	$ 2.9
Share-based compensation [2]	**-**	0.2	**2.3**	2.8
Total	**$ 0.6**	$ 0.4	**$ 4.6**	$ 5.7

[1] Human resources includes salaries and other short-term employee benefits.
[2] Share-based compensation includes equity and cash settled share-based compensation.

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

Business Development Costs

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

Changes in Accounting Policies

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

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

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

Recent Accounting Pronouncements

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

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

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

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

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

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

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

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

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

- *IAS 1, Presentation of Financial Statements* – amended to clarify the requirements for comparative information in the financial statements.

- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures.

- *IAS 16, Property, Plant and Equipment ("IAS 16")* – amended to clarify the classification of servicing equipment.

- *IAS 32, Financial Instruments: Presentation* – amended to clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12.

- *IAS 34, Interim Financial Reporting* – amended to clarify the requirements for segment information related to total assets and total liabilities.

- *IFRS 13, Fair Value Measurement* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

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

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

Critical Accounting Estimates and Judgments

The Company's reported financial position and results of operations are dependent on the selection of accounting policies that are based on IFRS and accounting estimates that underlie the preparation of the Company's Annual Financial Statements. The Company's Annual Financial Statements contain a summary of its significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause the Company's financial position and operating results to differ materially from those presented in the Company's Annual Financial Statements. Future changes in accounting estimates will be applied on a prospective basis.

The estimates used in determining the recorded amounts in the Company's Annual 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 margin as a percentage of revenues. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

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

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

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

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

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

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

- *Equity-settled share-based compensation*

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

- *Income taxes*

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

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

- *Contingencies*

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

  The Company does not record contingent assets.

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

- *Hedge accounting*

  The Company designated its cross-currency interest rate and principal swaps as cash flow hedges, and assessed the effectiveness of its hedging instruments at each reporting period up to their settlement on July 24, 2012, as described in the "Capital Resources" section of this MD&A. The fair values of the Company's cross-currency interest rate and principal swaps were based on credit risk adjusted discounted cash flows that require assumptions regarding the U.S. dollar exchange rate and discount rates, which were based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applied hedge accounting as it believed this was more representative of the economic substance of the underlying transactions. 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 would have been recorded in the consolidated statements of earnings (loss).

- *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.

Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instruments that give rise or may give rise to the most significant exposure to floating interest rate risk is the Revolving Credit Facility.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company and its subsidiaries would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2012.

As well, as of the end of the fiscal year ended December 31, 2012, the Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's internal controls over financial reporting, designed under the Committee of Sponsoring Organizations of the Treadway Commission's internal control integrated framework, are adequately designed and effective for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2012 there was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Definitions of Other Terms Used in the MD&A

Gross Gaming Revenues – the amounts wagered on gaming activities, less the payout or prizes to winning customers.

Provincial / State Government Portion of Gross Gaming Revenues – the amounts paid to provincial or state governments related to gaming activities.

Racebook – an off-racetrack betting facility for pari-mutuel wagering on live horse races displayed by television broadcasts operated by the Company or TBC.

Revenues – the sum of the following:

- Casino gaming in BC – gaming revenues are net of amounts paid to BCLC (provincial government portion is 60% of the win on most table games and 75% of the slot machine win) and are net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.

- Bingo and slots at a community gaming centre in BC – gaming revenues are net of amounts paid to BCLC (provincial government portion is 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are net of prizes.

- Horse racing in BC and Ontario – Racetrack revenues represent the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to other associations.

- Casino gaming in Washington – gaming revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.

- Casino gaming in Nova Scotia – effective October 1, 2012, gaming revenues are approximately equal to 52.24% of the gross gaming revenues, after deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue and $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive additional Operator Fees equal to the lesser of $1.3, or 10% of leased slot machine revenues. Prior to October 1, 2012, gaming revenues were approximately equal to 55.5%, after deduction of the CRC, as described in the "Business Description" section of this MD&A.

- Slot commissions in Ontario – slot machine commissions represent 10% of the gross gaming revenues from slot machines, all of which are operated by OLG.

- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming revenues, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). BCLC also provides for an accelerated FDC amount towards site-specific reimbursements of new gaming redevelopments. Generally, the FDC percentage is 3% or 5% of gross gaming win from casinos, racetracks and community gaming centres.

- Hospitality and other revenues – food and beverage revenues, hotel revenues, and other revenues such as: ATM commissions, theatre revenues, advertising revenues, and other income from ancillary services.

- Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in gaming revenues or hospitality and other revenues, are deducted.

Additional Information

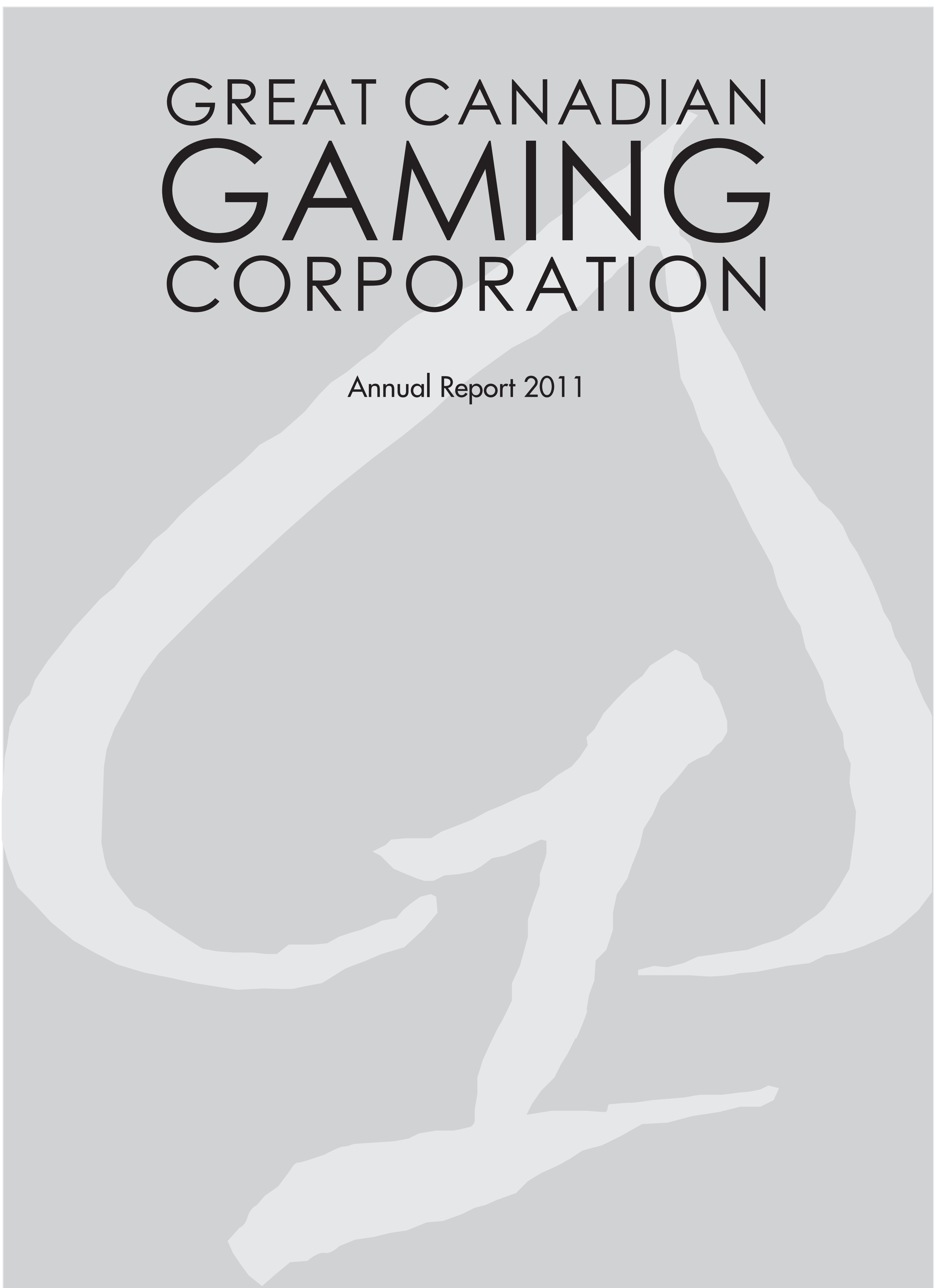
Additional information relating to the Company, including the Company's latest Annual Financial Statements and Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend

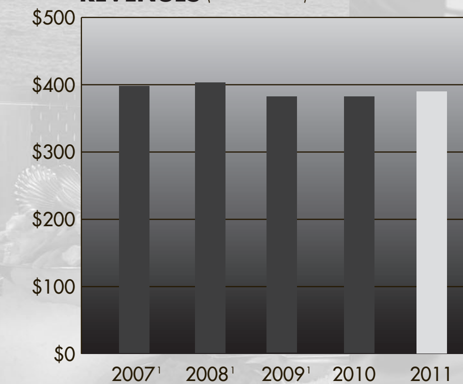
	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Gaming Revenues					
River Rock Casino Resort	$ 26.2	$ 26.1	$ 25.8	$ 30.4	$ 22.5
Boulevard Casino	10.6	10.6	11.1	11.1	10.8
Vancouver Island Casinos	7.6	7.9	7.8	7.6	7.7
Other BC Casinos	3.0	2.3	2.5	2.4	2.5
Nova Scotia Casinos	9.0	11.0	9.8	9.6	9.2
Great American Casinos	4.4	4.3	4.5	4.8	4.9
BC Racinos	4.8	5.1	5.2	4.9	4.7
Georgian Downs	3.0	3.4	3.2	3.0	3.1
Flamboro Downs	2.8	3.1	3.0	3.0	3.0
	71.4	**73.8**	**72.9**	**76.8**	**68.4**
Facility Development Commission					
River Rock Casino Resort	3.9	3.8	3.8	4.4	3.3
Boulevard Casino	1.7	1.7	1.7	1.8	1.8
Vancouver Island Casinos	1.9	1.3	1.3	1.4	2.4
Other BC Casinos	2.6	0.1	0.4	0.4	0.4
BC Racinos	0.6	0.7	0.7	0.9	0.6
	10.7	**7.6**	**7.9**	**8.9**	**8.5**
Hospitality and Other Revenues					
River Rock Casino Resort	11.4	11.5	11.3	9.2	10.1
Boulevard Casino	2.6	2.2	2.5	2.4	2.3
Vancouver Island Casinos	1.0	1.1	1.1	1.0	0.8
Other BC Casinos	0.7	0.4	0.4	0.5	0.5
Nova Scotia Casinos	2.0	1.3	1.2	1.3	1.1
Great American Casinos	1.6	1.4	1.4	1.4	1.4
BC Racinos	1.5	2.5	2.2	1.4	1.5
Georgian Downs	0.5	0.4	0.5	0.2	0.5
Flamboro Downs	0.6	0.7	0.6	0.6	0.7
Corporate & Other	-	-	-	-	-
	21.9	**21.5**	**21.2**	**18.0**	**18.9**
Racetrack Revenues					
BC Racinos	2.4	3.1	3.2	2.7	3.3
Georgian Downs	0.4	0.4	0.4	0.3	0.4
Flamboro Downs	0.7	0.8	0.7	0.8	0.8
	3.5	**4.3**	**4.3**	**3.8**	**4.5**
Promotional Allowances	(4.7)	(5.4)	(5.0)	(4.7)	(4.6)
Revenues	**$ 102.8**	**$ 101.8**	**$ 101.3**	**$ 102.8**	**$ 95.7**
EBITDA					
River Rock Casino Resort	$ 18.8	$ 19.0	$ 19.2	$ 22.7	$ 13.5
Boulevard Casino	5.1	4.8	5.5	5.8	5.3
Vancouver Island Casinos	5.7	5.3	5.5	5.1	6.1
Other BC Casinos	3.4	0.8	1.3	1.3	1.5
Nova Scotia Casinos	3.1	3.5	2.6	2.5	2.1
Great American Casinos	0.6	0.5	0.5	0.8	1.0
BC Racinos	1.6	1.8	2.0	1.9	2.6
Georgian Downs	2.4	2.5	2.4	2.2	2.1
Flamboro Downs	1.9	2.2	1.9	1.8	2.1
Corporate & Other	(5.1)	(4.6)	(5.6)	(5.1)	(5.3)
	$ 37.5	**$ 35.8**	**$ 35.3**	**$ 39.0**	**$ 31.0**


GREAT CANADIAN
GAMING
CORPORATION
Annual Report 2011

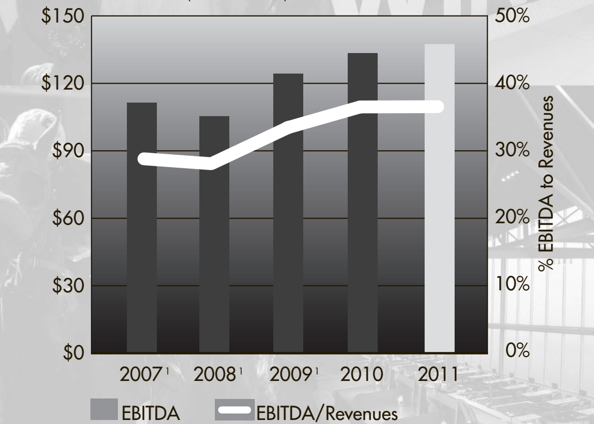
FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars, except for share information)	Years Ended December 31, 2011	2010	2009[1]
Revenues	$ 388.2	$ 383.5	$ 382.2
EBITDA[2]	$ 137.8	$ 136.4	$ 126.6
Shareholders' net earnings (loss)	$ 26.2	$ (8.1)	$ 23.5
Shareholders' net earnings (loss) per common share:			
– Basic	$ 0.32	$ ($0.10)	$ 0.29
– Diluted	$ 0.31	$ ($0.10)	$ 0.28
Issued & outstanding shares	82,476,558	82,872,319	82,374,058
Total shareholders' equity	$ 422.4	$ 401.1	$ 434.4

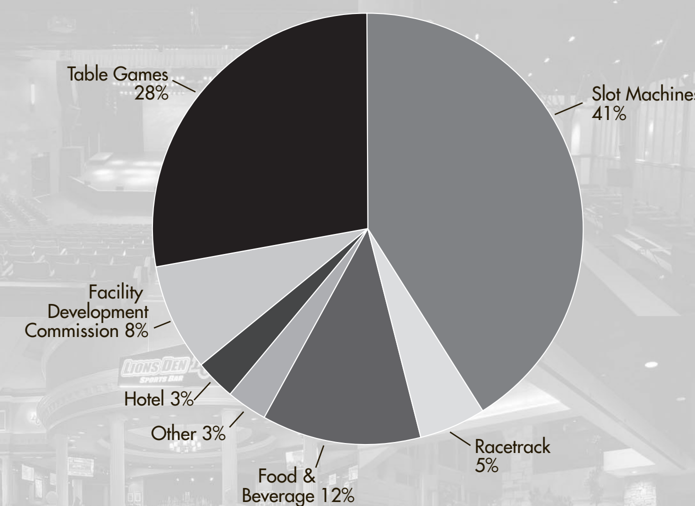
REVENUES (in millions)



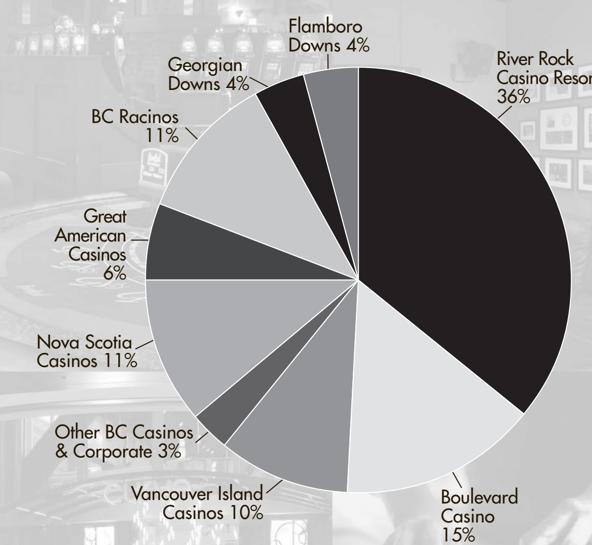
EBITDA[2] (in millions)



2011 REVENUES BY CATEGORY



2011 REVENUES BY LOCATION



[1] Results from operations presented under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company transitioned from Canadian GAAP to IFRS on January 1, 2010 as is described in further detail under Note 31 of the Notes to the Consolidated Financial Statements.

[2] "EBITDA" is a non-IFRS measure and is defined in the "Introduction – Non-IFRS Measures" section of the MD&A.

LETTER FROM THE PRESIDENT AND CEO

Dear Shareholders,

I feel it is important to begin this letter by recognizing its former author, Ross J. McLeod, who passed away in September of last year. Ross was not only a friend and colleague, but also a gaming industry pioneer. He will not be forgotten as we seek to move Great Canadian forward into a new era of opportunity and growth.

When Ross founded Great Canadian in 1982, the company operated temporary Monte-Carlo style casinos, directly assisting and benefiting community charities across British Columbia. Today, Great Canadian is the nation's premier gaming service provider. Each year, we generate more than a billion dollars in annual gross revenues, which is then shared with our provincial gaming corporation partners. As the company has evolved, so has management's business philosophy. For many years, it was necessary that Great Canadian embrace a risk-taking, entrepreneurial spirit. Recently, however, we have successfully adopted a more sophisticated approach towards our business. This approach is clearly apparent in what I believe to be our company's three core competencies: First and foremost, we are an innovative and experienced gaming and hospitality operator. Secondly, we are a prudent and disciplined developer. And finally, we serve as a respected and reliable partner to our government stakeholders.

Great Canadian's operational acumen is visible within the progression of our financial results over the last three years. This period has been marked by significant economic uncertainty, both globally and within our local markets. In 2011, we generated consolidated revenues of $388.2 million, an increase from both 2010 and 2009. However, we have yet to return to the heights of 2008, when we generated revenues of $403.7 million. We have responded to this revenue challenge by aggressively improving the efficiency of our business. Great Canadian's operating margin, or EBITDA as a percentage of revenues, was 35.5% in 2011. This effectively represents a one third increase in our efficiency since 2008, when our operating margin was 26.7%. This improvement has been achieved without sacrificing the exemplary level of service we offer our guests. As Great Canadian moves forward, we will seek to cement our reputation of outstanding service while continuing to improve our operational efficiency.

Great Canadian's reputation as a developer has also improved considerably. During the first half of the last decade, as the gaming industry in British Columbia evolved and rapidly expanded into new markets, it was often difficult to gauge the ideal size for our facilities. As a result, some properties were built to a greater scope than their markets then required. Furthermore, a construction boom within the province inflated the cost of these developments. Over the past three years, Great Canadian has become more disciplined in our approach towards developing both new properties and expansions to existing facilities.

This increase in Great Canadian's discipline has not prevented us from continuing to optimize those assets that display the potential for further growth. Last October, we opened The Hotel at River Rock, a new hospitality offering at the River Rock Casino Resort. The Hotel was completed both ahead of schedule and below its original budget. Its new tower effectively doubles River Rock's hotel capacity, augmenting the property's ability to take advantage of its proximity to both Vancouver International Airport and the Canada Line.

This spring, we will commence a redevelopment of the Boulevard Casino in Coquitlam. Although the downward trend in gaming revenues at this property appears to have stabilized, its performance has been severely impaired by local highway construction disruption, proximate competition, and the weakened local economy. Our redevelopment at Boulevard will add several new amenities to the property, including a hotel and conference facilities, and will take place in conjunction with enhancements to the property's gaming, food and beverage, and entertainment offerings. Taking these steps now allows us to not only take advantage of competitive construction pricing, but also to ensure that Boulevard's redevelopment will reach completion just as the province concludes its upgrades to the adjacent highway. We are optimistic that this repositioning will allow Boulevard to reassume its role as a major contributor to Great Canadian's property portfolio.

While we are excited about the developments at both River Rock and Boulevard, our recent investments in community gaming centres provide the clearest example of Great Canadian's revised development philosophy. In 2004, we worked alongside the British Columbia Lottery Corporation to pioneer this new gaming model at Chances Dawson Creek. The subsequent success of that facility was an important influence in our decision to purchase similar properties in Maple Ridge and Chilliwack. Construction of a permanent community gaming centre in Chilliwack is currently underway, and will reach completion in November. Construction at Maple Ridge has also begun, and will reach completion in 2013. While the revenue contributions from these properties will be modest, we are confident that they will produce meaningful returns on our investment.

While the past three years have witnessed changes to Great Canadian's operational and development strategies, our commitment to integrity, social responsibility and our government partners has remained consistent. The Canadian gaming industry features a unique and successful relationship between the private and public sectors. The foundation of this relationship, respect, is created by constant communication and ongoing dialogue with our partners. Its benefits include the enhancement of not only provincial budgets, but also those communities in which we are fortunate enough to operate. The protection of the credibility of this relationship is Great Canadian's greatest priority.

Another critical component of this relationship is trust, a value that is both tested and proven during times of challenge and change. We are currently experiencing an example of this in Ontario, where the government recently announced its intention to modernize that province's gaming model. As part of that plan, on March 29, 2012, Ontario Lottery and Gaming Corporation notified us that the site holder agreements for the slot machines at our Georgia Downs and Flamboro Downs racetracks will terminate prematurely on March 31, 2013. The ramifications and remedies of this decision are not yet fully apparent. Regardless of its outcome, we continue to believe that there is an opportunity for Great Canadian to participate within the future of gaming in Ontario, which possesses strong potential for growth. The provincial government has elected to pursue a model that involves a greater degree of private sector participation. As a result, Great Canadian will explore every new opportunity for involvement within Ontario.

As new opportunities arise, whether in Ontario or elsewhere, Great Canadian will be financially prepared. The company currently enjoys a financial position as secure as it is flexible. Our cash balance improved during 2011, and we successfully increased our undrawn revolving credit facility to $350 million. The deployment of these financial resources is a topic of regular review and discussion amongst our Board of Directors. Potential growth opportunities must be weighed against alternative options such as share repurchases, to which the company has devoted more than $40 million since August of 2011, or the implementation of a dividend. Our primary objective in these discussions is the creation and protection of value for Great Canadian's shareholders.

As we celebrate our thirtieth anniversary, Great Canadian has much to be proud of. We have a diverse and impressive portfolio of properties, and exciting opportunities are visible upon the horizon. Most importantly, we are home to more than 4,500 employees. The dedication of these employees, particularly at the site level, forms the foundation of Great Canadian's success.

Sincerely,

Rod N. Baker
President and Chief Executive Officer
Great Canadian Gaming Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS

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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2011
(Expressed in millions of Canadian dollars, except for per share information)

INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, business description, major developments, market update, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of March 7, 2012.

This MD&A should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2011 and 2010 ("Annual Financial Statements"). The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Capitalized terms are either defined when they first appear or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms Used in the MD&A".

Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings (loss) determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, 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 is derived from the consolidated statements of earnings (loss), and can be computed as revenues less human resources expenses and property, marketing and administration expenses. We believe EBITDA is a useful measure because it provides information to both management and investors with respect to the operating and financial performance of the Company. A reconciliation of EBITDA to shareholders' net earnings (loss) under IFRS is shown in the "Consolidated Results of Operations" section in this MD&A.

The following non-IFRS measures have common definitions in the gaming industry. Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate amount of money counted in the table games' drop boxes. Generally, the table drop is an indicator of our gaming business, however over the short-term, the table drop is subject to shifts in customer behaviour around buying, retaining and cashing-in of casino chips. Table hold is calculated as the table drop plus or minus the net change in casino chip inventory. Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips. Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played. Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines. Slot win is the slot coin-in less amounts cashed out and prizes won by customers. Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period. Slot win percentage is the ratio of slot win divided by slot coin-in.

Forward-Looking Information

This MD&A contains certain "forward-looking information" or statements within the meaning of applicable securities legislation. Forward-looking information is based on the Company's current expectations, estimates, projections and assumptions that were made by the Company in light of its historical trends and other factors. All information or statements, other than statements of historical fact, are forward-looking information including statements that address expectations, estimates or projections about the future, the Company's strategy for growth, expected future expenditures, costs, operating and financial results and expected impact of future commitments. Such forward-looking information is not a guarantee of future performance and may involve a number of risks and uncertainties. Although forward-looking information is based on information and assumptions that the Company believes are current, reasonable and complete, they are subject to a number of factors that could cause actual results to vary materially from those expressed or implied by such forward-looking information.

Such factors may include, but are not limited to: terms of operational services agreements with lottery corporations; changes to gaming laws that may impact our operational services agreements; pending, proposed or unanticipated regulatory or policy changes; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; impact of global liquidity and credit availability; adverse tourism trends and further decreases in levels of travel, leisure and consumer spending; competition from established competitors and new entrants in the gaming business; dependence on key personnel; the risk that systems, procedures and controls may not be adequate to meet regulatory requirements or to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations claims with respect to some Crown land on which we conduct our operations; future or current legal proceedings; construction disruptions; financial covenants associated with credit facilities and long-term debt; credit, liquidity and market risks associated with our financial instruments; interest and exchange rate fluctuations; non-realization of cost reductions and synergies; demand for new products and services; fluctuations in operating results; and economic uncertainty and financial market volatility.

These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2011 (dated March 7, 2012), and as identified in the Company's disclosure record on SEDAR at www.sedar.com.

The forward-looking information in documents incorporated by reference speak only as of the date of those documents. Readers are cautioned not to place undue reliance on the forward-looking information, as there can be no assurance that the plans, intentions, or expectations upon which they are based will occur. The Company undertakes no obligation to revise forward-looking information to reflect subsequent events or circumstances except as required by law. The forward-looking information contained herein is made as of the date hereof and is expressly qualified in its entirety by cautionary statements in this MD&A.

FINANCIAL HIGHLIGHTS

	Fourth Quarter			Twelve Months of				
	2011	2010	% Chg	**2011**	2010	% Chg	2009[1]	% Chg
Revenues	**$ 95.7**	$ 97.2	(2%)	**$ 388.2**	$ 383.5	1%	$ 382.2	0%
EBITDA [2]	**$ 30.9**	$ 35.0	(12%)	**$ 137.8**	$ 136.4	1%	$ 126.6	8%
EBITDA as a % of Revenues	**32.3%**	36.0%		**35.5%**	35.6%		33.1%	
Shareholders' net earnings (loss)	**$ 2.3**	$ (29.5)		**$ 26.2**	$ (8.1)		$ 23.5	
Shareholders' net earnings (loss) per common share:								
Basic	**$ 0.03**	$ (0.36)		**$ 0.32**	$ (0.10)		$ 0.29	
Diluted	**$ 0.03**	$ (0.36)		**$ 0.31**	$ (0.10)		$ 0.28	
Total assets				**$ 976.1**	$ 946.2	3%	$ 969.4	(2%)
Long-term debt & Derivative liabilities, excluding current portion				**$ 398.9**	$ 393.4	1%	$ 407.7	(4%)

(1) Results from operations presented under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The transition from Canadian GAAP to IFRS is described in further detail in the "Other Financial Information" section of this MDA.

(2) EBITDA is a non-GAAP measure and is defined in the Introduction – Non-GAAP measures section of this MD&A.

For the three-month period ended December 31, 2011 ("fourth quarter of 2011"), the Company recorded revenues of $95.7, a $1.5 decrease from the fourth quarter of 2010. This revenue decrease was primarily due to the flat gaming revenues at River Rock Casino Resort ("River Rock") compared to the prior year period along with the decreased revenues at both the Boulevard Casino ("Boulevard") and the Company's BC Racinos. The decline at Boulevard was primarily due to a challenging local economy, continued disruption caused by the construction on provincial highway enhancements adjacent to that facility, as well as local competition, which included the Company's Maple Ridge Community Gaming Centre. Revenues at the Company's BC Racinos continue to be negatively impacted by an industry-wide decline in horse racing revenues. These revenue decreases were partially offset by the addition of lower margin hospitality revenues associated with River Rock's new hotel tower, which opened in October 2011, as well as increased revenues at the Other BC Casinos that were attributable to the May 2011 acquisition of Chilliwack Bingo.

Also contributing towards the revenue decrease was a $0.9 non-recurring reduction to other revenues associated with an accrual for sales taxes due on fees previously earned for providing automated banking machines services to our guests. This decrease was offset by $1.0 in non-recurring Facility Development Commission ("FDC") revenues earned by the Company's Vancouver Island Casinos in the fourth quarter of 2011 that were related to gaming revenues earned and accelerated FDC eligible expenditures incurred in prior quarters, but approved by British Columbia Lottery Corporation ("BCLC") during the fourth quarter of 2011.

EBITDA for the fourth quarter of 2011 was $30.9, a $4.1 decrease from the fourth quarter of 2010. This decrease was primarily due to the decrease in revenues, increased human resources expense associated with staffing related adjustments to accommodate the increased visitation and gaming volumes at River Rock, general inflationary increases and adjustments to human resources costs to ensure competitive compensation, $0.8 pre-opening costs associated with River Rock's new hotel tower, $0.2 increased business development costs, and non-recurring adjustments to staff benefit accruals.

For the twelve-month period ended December 31, 2011 ("twelve months of 2011"), the Company recorded revenues of $388.2, a $4.7 increase from the twelve months of 2010. This revenue increase was attributable to the performance of both River Rock and the Company's Other BC Casinos. The increase in River Rock's revenues was primarily due to overall improvements in table drop, table hold percentage, and slot coin-in, as well as the opening of that facility's new hotel tower in October 2011. The increase in the Other BC Casinos' revenues was primarily due to the October 2010 installation of 100 slot machines at the Maple Ridge Community Gaming Centre, as well as the addition of new revenues from the Company's May 2011 acquisition of Chilliwack Bingo. These revenue increases were partially offset by decreased revenues at both Boulevard and the Company's BC Racinos.

EBITDA for the twelve months of 2011 was relatively consistent with the twelve months of 2010. The improvements at River Rock and Other BC Casinos were largely offset by the performance of Boulevard and the BC Racinos. EBITDA for the twelve months of 2011 was also affected by the aforementioned non-recurring items in the fourth quarter of 2011. In addition, during the twelve months of 2011, the Company incurred $1.1 of increased business development costs that were recorded as property, marketing and administration expenses. EBITDA as a percentage of revenues for the twelve months of 2011 was consistent with the twelve months of 2010.

Shareholders' net earnings (loss) increased by $31.8 in the fourth quarter and by $34.3 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to decreases in the impairment of long-lived assets and goodwill, and lower restructuring and other expenses. These decreases were partially offset by increases in amortization and interest and financing costs (net of interest income).

Revenues for the twelve months of 2010 were $383.5, a $1.3 increase from the twelve months of 2009. This revenue increase was primarily due to River Rock, and can be attributed to both the opening of the Canada Line transit system during the third quarter of 2009 and the completion of redevelopments and enhancements at River Rock during the fourth quarter of 2009 and the first quarter of 2010. River Rock's improvement was offset by decreased revenues at Boulevard, Great American Casinos, and the BC Racinos, the latter of which related primarily to the deconsolidation of TBC as described in the "Other Financial Information" section of this MD&A.

EBITDA for the twelve months of 2010 was $136.4, a $9.8 increase from the twelve months of 2009. These improvements were primarily due to River Rock's and Other BC Casinos' performance, and were primarily offset by the performance of Boulevard and Vancouver Island Casinos.

For the twelve months of 2010, shareholders' net earnings (loss) decreased by $31.6, when compared to the twelve months of 2009. This decrease was primarily due to non-cash impairment charges associated with Hastings Racecourse, Flamboro Downs, and other business development projects that would not be reinitiated in the foreseeable future, as well as the effects of the transition to International Financial Reporting Standards ("IFRS") as described in the "Other Financial Information" section of this MD&A.

BUSINESS DESCRIPTION

General

Great Canadian Gaming Corporation is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia ("BC"), Ontario and Nova Scotia, Canada, and Washington State, United States of America ("Washington"). 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. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under long-term agreements as partners with provincial lottery corporations. Under its operating agreements in BC and Nova Scotia, the Company is reimbursed for the majority of its capital projects. As at December 31, 2011, the Company had approximately 4,600 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and the Company's operating agreements in these jurisdictions are included in the Annual Information Form located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

The Company's principal operating entities as at December 31, 2011 and December 31, 2010 were:

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.	100%	100%
Great Canadian Entertainment Centres Ltd.	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] The Company purchased the assets and undertaking of the Chilliwack Bingo Association as described in the "Major Developments" section of this MD&A.

[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 as described in the "Other Financial Information" section of this MD&A.

Business Strategy

The Company's vision is to be the leading gaming and entertainment company in its chosen markets by providing superior destinations, experiences, products and services. To meet this objective, the Company has adopted the strategies set out below. As a gaming service supplier, the Company works closely with its Crown corporation partners to develop its business strategy. The agreement of the Company's Crown corporation partners may be necessary to implement certain strategies, and would be required with respect to those strategies that require the deployment of new or expanded gaming assets.

Evaluate potential opportunities. Although the Company's primary focus is the optimization of our existing assets, the Company may consider further development, acquisition, or divestment opportunities within its chosen markets, should it believe these opportunities offer the potential for creating or maintaining shareholder value.

Drive incremental growth at the Company's existing assets. The provincial Crown corporations responsible for gaming have taken steps to limit the number of gaming facilities in the Company's markets, providing incumbent operators with opportunities to improve their facilities' market penetration. As a result of either capital investment or ongoing maintenance since 2003, the majority of the Company's properties are relatively new or newly renovated and are well positioned to capture benefits in the form of both increased revenues and improved profitability. Subject to Crown corporation approval, the Company may also seek opportunities to enhance the gaming products or services offered at its facilities.

Continuously improve the Company's operating efficiency. The Company continuously seeks to identify and implement initiatives intended to improve its profitability of its business and business processes. These initiatives may be implemented at both corporate head office and site levels, and form the foundation of the Company's efforts to establish a performance-based culture that recognizes outstanding service delivery, teamwork, and individual achievement. Examples of these initiatives have included the adoption of new products and technologies, the development of more focused marketing strategies, and adjustments to staffing and operating levels.

Operations

The following table summarizes our Canadian casino operations as at December 31, 2011:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates[1]
BRITISH COLUMBIA					
River Rock Casino Resort, Richmond, BC	2011	3 hotel towers with 395 rooms, approx 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook[2], marina, 28 touch bet terminals	1,006	112	June 23, 2014/ June 23, 2024
Boulevard Casino, Coquitlam, BC	2005	Approx 1,100 seat show theatre, 4 dining options, Racebook[2], 30 touch bet terminals	1,000	64	November 16, 2015/ November 16, 2025
View Royal Casino, Victoria, BC	2009	2 dining options	602	14	February 28, 2021
Casino Nanaimo, Nanaimo, BC	2011	1 dining option, Racebook[2]	406	6	February 28, 2021
Chances Gaming Entertainment, Dawson Creek, BC	2006	Bingo, 1 dining option, 3 electronic gaming devices	147	—	June 30, 2016/ June 30, 2026
Maple Ridge Community Gaming Centre (formerly Haney Bingo Plex), Maple Ridge, BC	2010	Bingo, concession, Racebook[2]	100	—	October 31, 2013/ October 31, 2033
Chilliwack Bingo, Chilliwack, BC	1996[3]	Bingo, concession	—	—	May 31, 2016
Hastings Racecourse (Thoroughbred Racing), Vancouver, BC	2008	3 dining options, concession, Racebook[2]	596	—	October 28, 2012/ October 28, 2027
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, BC	2005	4 dining options, 6 touch bet terminals, Racebook[2]	469	10	March 31, 2014/ March 31, 2024
TBC Teletheatre BC[2]	various	20 Racebooks[2]	—	—	—
ONTARIO					
Georgian Downs (Standardbred Racing), Innisfil, Ontario	2009	4 dining options, concession, meeting facilities, Racebook	1,000[4]	—	November 30, 2021/ November 30, 2026
Flamboro Downs (Standardbred Racing), Flamborough, Ontario	2001	4 dining options, meeting facility, Racebook	800[4]	—	April 9, 2016
NOVA SCOTIA					
Casino Nova Scotia Halifax[5], Halifax, Nova Scotia	2006	2 dining options, entertainment show room, meeting facilities	575	32	July 1, 2015/ July 1, 2025
Casino Nova Scotia Sydney[5], Sydney, Nova Scotia	2006	1 dining option, lounge	299	11	July 1, 2015/ July 1, 2025
			7,000	249	

(1) Renewal terms, at the option of the Company in BC and Nova Scotia. Renewal terms, at the option of OLG in Ontario.
(2) We own or hold an interest in 22 Racebooks in BC. We own and operate two Racebooks; one at each of Hastings Racecourse and Fraser Downs Racetrack and Casino. The remaining 20 Racebooks, including those at River Rock Casino Resort, Boulevard Casino, Casino Nanaimo and Maple Ridge Community Gaming Centre are operated by TBC. TBC also offers internet and phone racetrack wagering. We own a 50% interest in TBC and the remaining 50% interest is held by two horsemen's associations, the Harness Racing BC Society and the Horsemen's Benevolent and Protective Association.
(3) The Company acquired the assets and undertaking of the Chilliwack Bingo Association in May 2011 as described in the ""Major Developments"" section of this MD&A.
(4) Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG.
(5) Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

The following table summarizes our racetrack operations and the number of actual live race days in 2011 and 2010:

Property	Location	Live Race Days 2011	Live Race Days 2010
Hastings Racecourse	Vancouver, BC	69	71
Fraser Downs Racetrack and Casino	Surrey, BC	74	87
Georgian Downs	Innisfil, ON	103	106
Flamboro Downs	Flamborough, ON	195	225

All of our racetrack operations offer simulcast wagering, which allows patrons to place wagers on international and domestic live horse racing events.

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the BCLC. BCLC in turn engages service providers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based upon its casinos' gaming win, but a significant portion of that gaming win is retained by BCLC. BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates the funds to many areas. These areas include the consolidated revenue fund for public service programs such as education, the Health Special Account for health care expenditures, and disbursements to charitable organizations.

Since 1997, when BCLC assumed responsibility for casino gaming and introduced slot machines in the BC marketplace, the casino business has developed into BCLC's largest revenue stream. The Company believes that the current market and regulatory environment favours the province's incumbent gaming operators.

BCLC's strategy is to continue to develop casino properties that provide players with an exceptional entertainment experience, while positioning casino gaming as a potential tourism attraction where market demand allows. BCLC is also working closely with service provider partners to provide players with tournaments and services that provide entertaining gaming experiences. In addition, the FDC component of the operational services agreements encourages service providers such as the Company to earn additional commissions by investing capital in the improvement of their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2011, the Company's facilities contained 38% of the province's slot machines, which produced 38% of the province's win from slot machines, and 46% of the province's table games, which produced 52% of the province's win from table games.

In April 2010, the Company entered into a Memorandum of Agreement and related Addendum (the "Agreement") among the B.C. Horse Racing Industry, including the Company's wholly owned racetrack operators, Orangeville Raceway Ltd. and Hastings Entertainment Inc. That agreement established the authority of a B.C. Horse Racing Industry Management Committee (the "Committee") whose mandate is to provide strategic direction and business leadership to the local horse racing industry and provide a forum for industry participants to cooperate collectively in the development of the industry. The current Committee members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of the BCLC, representatives from the Government of British Columbia, including the Gaming Policy and Enforcement Branch, and the Vice-President of Business Development for the Company. The Agreement provides for mandatory representation on the Committee of a representative of the major racetracks in the province that are owned by the Company. Under the direction of the Committee, as described in the "Business of the Company" section of the Company's 2011 Annual Information Form, the Company's BC horse racing operations shared approximately 50% of a consolidated horse racing industry revenue fund in 2011 and 2010. This fund includes all revenues generated from horse racing and government grants in the province and which has been established and maintained for the purpose of facilitating financial allocations among industry organizations. Also under the direction of the Committee, TBC Teletheatre B.C., in which the Company owns a 50% shareholding, is currently operated on a break-even basis whereby it is allocated and permitted to retain a sufficient portion of its revenues to cover its operating expenses, with any surplus of funds being provided to the consolidated horse racing industry revenue fund. Financial allocations from the consolidated horse racing industry revenue fund may be adjusted by resolution of the Committee. Under current financial allocations, the Company's B.C. horse racing operations are estimated to share approximately 42% of the net revenue generated from horse racing and wagering on horse racing in B.C. through the above-mentioned consolidated horse racing industry revenue fund.

Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to the timing of their respective live racing seasons. Live racing generally operates from April to October at Hastings Racecourse, and from October to April at Fraser Downs. Gaming offerings and Racebooks at both locations operate year-round.

Metro Vancouver and Vancouver Island, where the majority of the Company's BC facilities are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can produce a negative impact upon short-term attendance at the Company's BC facilities.

Ontario

Regulatory

In Ontario, gaming activities are managed and conducted by the Ontario Lottery and Gaming Corporation ("OLG"). The OLG operates three different gaming models: resort casinos (four sites), casinos and slots at racetracks (17 slots at racetrack operations, five OLG casinos, and one slots facility at a charity casino), and lotteries and bingo. In Ontario, the Company operates two racetracks, with slot operations owned and operated by OLG pursuant to siteholder agreements. The Company earns a siteholder payment based upon the win generated from the OLG slot machines, but a substantial portion of that win is retained by OLG. According to OLG's website, it directs gaming proceeds to Ontario's health care, education, infrastructure, amateur sports, problem gambling prevention, treatment and research, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation.

Seasonality

The gaming facilities at the Company's Ontario racetracks operate year-round, and are typically subject to seasonal variations associated with extreme weather conditions. Live racing generally operates from March to December at Georgian Downs, and during all months except October at Flamboro Downs.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the Nova Scotia Gaming Corporation ("NSGC"). The NSGC operates two different gaming models: commercial casinos, of which the Company operates the only two within the province, and ticket and video lotteries. Lottery ticket sales are permitted at various locations, whereas video lottery terminals are permitted in licensed liquor establishments, and on First Nations' land. The Company is a service supplier to NSGC and earns a commission based upon its casinos' revenues, a portion of which are retained by the NSGC. According to NSGC's website, the revenues that it retains are directed to the provincial government's general revenue account to help pay for programs and services that benefit the province's residents. These programs and services include investments in infrastructure, schools, hospitals, and community outreach and prevention programs.

Seasonality

Sydney and Halifax, where the Nova Scotia casinos are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can result in a negative impact on short-term attendance. The gaming industry in Nova Scotia has also historically witnessed a slight increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

Washington State

The following table summarizes our Washington gaming operations as at December 31, 2011:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		59

Regulatory

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates four commercial card rooms in the Greater Seattle area.

While the commercial gaming environment in Washington State is highly regulated, it does not feature the significant barriers to entry associated with the Company's Canadian operations. Individual cities or counties within Washington State may choose to restrict card room operations within their jurisdiction, which could result in the closure of certain locations. Washington State card room operations are conducted pursuant to house banked card room licenses that limit the number of table games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically.

MAJOR DEVELOPMENTS

Changes to Board of Directors and Executive Management

On September 5, 2011, Mr. Ross J. McLeod, the Company's Founder, Chairman and Chief Executive Officer, suddenly passed away. On September 6, 2011, the Board of Directors appointed Mr. Rod N. Baker, the Company's President, as Interim Chief Executive Officer. Subsequently, on October 11, 2011, the Board of Directors appointed Mr. Rod N. Baker as the Company's President and Chief Executive Officer.

On September 29, 2011, Mr. Brian Egli resigned from the Board of Directors due to personal and family reasons. On November 10, 2011, Mr. Adrian Thomas retired from the Board of Directors due to health considerations.

Appointment of New Directors

On November 10, 2011, three new Directors were appointed to the Board of Directors.

The first new Director is Mr. Patrick Keenan, a Chartered Accountant and the Chairman and Chief Executive Officer of Keewhit Investments Limited. The second new Director is Mr. Neil Baker, a former member of the New York Stock Exchange and the owner of Ridgeline Corporation. Mr. Neil Baker both owns and possesses voting control over approximately 12% of the Company's outstanding shares. The third new Director is Mr. William Andrew Dimma, a professional engineer, who has served on nearly 100 different charitable and corporate Boards over the past 40 years.

British Columbia

Chilliwack Bingo

On May 31, 2011, the Company, through its wholly owned subsidiary Chilliwack Gaming Ltd., purchased the assets and undertaking of the Chilliwack Bingo Association ("CBA") for upfront cash consideration of $10.2. 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 acquisition agreement includes contingent trailing payments, to be paid to the CBA over 20 years, which are dependent on the level of future slot win generated by a future community gaming centre. While there is no maximum contingent future trailing payment, the Company estimates that the undiscounted contingent trailing payments will likely range from $2.4 to $4.0. As at December 31, 2011, the Company recognized a discounted contingent trailing payment liability of $1.0 in the "deferred credits, provision and other liabilities" line of the consolidated statement of financial position. As at December 31, 2011, the Company has spent approximately $3.4 of an estimated $15.0 to develop the community gaming centre and acquire adjacent land. The Company anticipates that it will reach completion by the first quarter of 2013.

River Rock Casino Resort

On October 17, 2011, the Company opened "The Hotel at River Rock", its third hotel tower. This tower, which added 193 rooms to the facility's existing capacity of 202 rooms, both improves River Rock's appeal for future visitors and enhances its ability to serve as a conference centre. As at December 31, 2011, the Company incurred $21.6 of an estimated $24.0 in construction and equipment costs for this project. The remaining costs for this project relate to furnishings and aesthetic enhancements.

During the second quarter of 2011, the Company commenced upgrades to River Rock's first two hotel towers. The "River Rock Casino Resort Suites", which first opened in 2005, will be refreshing all of its 202 guest rooms to maintain its current AAA Four Diamond Rating. As at December 31, 2011, the Company has spent approximately $0.9 of an estimated $3.2 on this project, which will reach completion during the first quarter of 2012.

During the first quarter of 2010, the Company completed several enhancements at River Rock. These enhancements, which had a total cost of $2.8, optimized the property's ability to accommodate the increased traffic generated by the Canada Line mass transit system that was completed in August 2009.

Boulevard Casino

The Company is redeveloping Boulevard. This redevelopment will feature a hotel with approximately 181 rooms, conference facilities, additional dining options, and will better integrate the facility's existing entertainment and dining amenities. The Company estimates that the construction of the hotel will commence in the second quarter of 2012, and is targeting completion during the fourth quarter of 2013, after the provincial highway construction concludes. In addition, the Company is considering both concurrent casino floor renovations and a property rebranding to revitalize Boulevard's gaming offerings. These property redevelopments and modifications remain subject to approvals from BCLC and the local municipality. The estimated total cost of both the redevelopment and the gaming offering enhancements is $60.0.

Casino Nanaimo

During the third quarter of 2011, the Company commenced facility upgrades at Casino Nanaimo. The upgrades include improvements to the exterior of the property, which are intended to increase the facility's overall appeal and visibility. As at December 31, 2011, the Company has spent approximately $0.8 of an estimated $1.3 on this project, which it anticipates will reach completion during the first quarter of 2012.

Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex")
On October 15, 2010, 100 slot machines commenced operation at the Company's Maple Ridge Community Gaming Centre. In order to facilitate the operation of slots at this temporary facility and the construction of the permanent facility, the Company committed $4.2 for both property enhancements and servicing commitments to the district of Maple Ridge. As at December 31, 2011, the Company has spent $1.7 of costs on the temporary facility and incurred $1.4 of costs towards fulfilling servicing commitments related to the construction of the permanent facility. The Company also incurred $0.9 of costs related to site preparation of the permanent facility.

In addition to the $1.0 already paid to the Ridge Meadows Bingo Association in connection with the original purchase of this facility, the operation of slots has initiated a total of $1.3 in trailing purchase payments, to be paid in annual instalments starting in 2010 until 2019. The Company has also invested $4.7 towards the purchase of land required for a permanent facility in Maple Ridge. The Company anticipates that this permanent facility will reach completion prior to October 2013.

Ontario
During 2009 and 2010, the Company expanded Georgian Downs in order to accommodate an increase in that property's gaming capacity to 1,000 slot machines, which are owned and operated by OLG. To date, the Company has spent approximately $33.1 of an estimated $33.6 on this expansion. The remaining costs for the project are associated with service agreements with the municipality that include onsite parking and traffic lights.

As described in the following "Market Update" section of this MD&A, in February 2012, the Commission on the Reform of Ontario's Public Services released a report that recommended a reduction to the Government of Ontario's practice of providing subsidies to horse racetracks in Ontario, and an expansion of the availability of competing slot machines in the Province. If these recommendations are implemented by the Government of Ontario, they would have a negative impact on revenues generated by Georgian Downs and Flamboro Downs. For 2011, Georgian Downs generated EBITDA of $9.3 (2010 – $8.4) and Flamboro Downs generated EBITDA of $8.1 (2010 – $7.9).

Amendment and Extension of 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 Senior Secured Term Loan B. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility that was to expire on February 14, 2012 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.

On August 4, 2011, as a result of this refinancing, the Company entered into novation agreements that transferred the responsibilities for forty percent of the cash flows associated with cross-currency interest rate and principal swaps of our Term Loan B and Senior Subordinated Notes from a former Revolving Credit Facility lender to a continuing Revolving Credit Facility lender. At the time of these transfers, the swaps were in liability positions. Consequently, as described in the "Capital Resources" section of the MD&A, the Company will pay the new swap-counterparty slightly higher Canadian Dollar interest rates in exchange for the U.S. Dollar cash flows required by the swaps. There have been no other changes in the remaining components of the Company's long-term debt and associated cross-currency interest rate and principal swaps.

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 authorizes the Company to purchase up to 5,844,359 common shares of the Company from January 27, 2011 to January 26, 2012, or earlier if the number of shares approved for purchase in the issuer bid have been obtained.

During the three months ended December 31, 2011, the Company did not purchase any shares. For the twelve months ended December 31, 2011, the Company purchased 1,479,600 common shares under the current normal course issuer bid at a volume weighted average price of $7.16. 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.

MARKET UPDATE

British Columbia

Renewal of Operating Lease Agreement for Hastings Racecourse
The first five-year term of the Operating Lease Agreement for Hastings Racecourse will expire in November 2012. The Company had an option to renew this operating agreement with the City of Vancouver for an additional 15-year term, which was dependent upon the Company committing to perform several upgrades related to the property's parking and backstretch areas. The Company has decided not to renew on these existing terms and is in discussions with the City of Vancouver around the renewal of this agreement. During this period, Hastings Racecourse continues to operate as usual.

Mandatory Temporary Closure of Hastings Racecourse
As required under the terms of its Operating Agreement, Hastings Racecourse closed for the Olympic Games between February 1, 2010 and March 3, 2010. The Company suspended all gaming, racing, and hospitality operations at the property during this period. This closure both reduced all revenues at Hastings Racecourse during the first quarter of 2010 and diminished awareness of the property among patrons for the balance of the year, resulting in subsequent decreases in both visitation and gaming volumes.

Online Gaming
In July 2010, BCLC expanded its existing gaming website to provide British Columbia residents with the ability to wager on casino-style games online. Although this form of gaming does represent a competitive entertainment option within the provincial market, BCLC has stated that its online offerings will seek to encourage patrons to visit the province's physical gaming properties. To date, online gaming has created no discernible impact upon the Company's business.

Competition
One of the Company's direct competitors in the Metro Vancouver area is currently seeking the necessary approvals to commence redevelopment. This redevelopment would relocate the facility to a new location within the same area by 2014. The redevelopment plan previously included increased gaming capacity from 500 slot machines and 55 table games to a maximum of 1,500 slot machines and 150 table games; however, the expanded gaming capacity was not approved by the City of Vancouver. As of the date of this MD&A, no application for development of the new location has been submitted.

Ontario
During the fourth quarter of 2010, OLG commenced a Request for Proposal process to evaluate a potential change in operator for its Casino Rama in Ramara, Ontario. The operator that OLG selects will receive maximum annual compensation of $5.0. The Company has decided to withdraw its application from this process.

During the first quarter of 2011, OLG announced that it had initiated a strategic business review of its two core offerings, land-based gaming and its lottery business. This review will examine all of OLG's business lines in order to determine a strategic direction for the future of gaming in the province. The goals of this process are to survey stakeholder perceptions regarding the future of lottery and gaming in Ontario, examine best practices within domestic and international markets, and identify opportunities to work in new ways with the private sector or other stakeholders. It is expected that OLG and the Government of Ontario will conclude this process during 2012.

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.

Nova Scotia

In May 2010, a new gaming facility opened in Moncton, New Brunswick. Although the Company does not own or operate any facilities within that province, Moncton is approximately 260km north of Halifax, Nova Scotia. The Company believes that a portion of the patrons at its Nova Scotia casinos reside in New Brunswick, and that the new facility has increased competition for these patrons. However, to date the new facility has not created a material impact upon the Nova Scotia casinos' business.

Washington State

In February 2011, a city council vote in Tukwila, Washington resulted in a prohibition of the operation of card rooms in that city effective January 1, 2016. In December 2011, the city repealed this prohibition.

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and twelve month periods ended December 31, 2011 with comparatives for the prior period.

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 68.4	$ 69.1	(1%)	$ 281.9	$ 274.9	3%
Facility Development Commission	8.5	8.1	5%	32.1	30.2	6%
Hospitality and other revenues	18.9	18.0	5%	70.4	67.5	4%
Racetrack revenues	4.5	5.4	(17%)	19.5	23.3	(16%)
	100.3	100.6	0%	403.9	395.9	2%
Less: Promotional allowances	(4.6)	(3.4)	35%	(15.7)	(12.4)	27%
Revenues	95.7	97.2	(2%)	388.2	383.5	1%
Human resources	39.1	37.7	4%	154.9	153.2	1%
Property, marketing and administration	25.7	24.5	5%	95.5	93.9	2%
	64.8	62.2	4%	250.4	247.1	1%
EBITDA	30.9	35.0	(12%)	137.8	136.4	1%
Human resources as a % of Revenues before Promotional allowances	39.0%	37.5%		38.4%	38.7%	
EBITDA as a % of Revenues	32.3%	36.0%		35.5%	35.6%	
Amortization	14.8	13.5		58.5	53.7	
Stock-based compensation	0.6	0.8		4.9	4.8	
Restructuring and other	0.8	2.1		0.5	3.4	
Interest and financing costs, net	7.7	6.1		29.5	28.0	
Impairment of long-lived assets	4.4	31.9		4.4	35.1	
Impairment of goodwill	—	14.2		—	14.2	
Other expenses	(0.9)	(0.1)		3.2	0.3	
Income taxes	1.2	(4.0)		10.6	5.0	
Shareholders' net earnings (loss)	$ 2.3	$ (29.5)		$ 26.2	$ (8.1)	
Shareholders' net earnings (loss) per common share:						
Basic	$ 0.03	$ (0.36)		$ 0.32	$ (0.10)	
Diluted	$ 0.03	$ (0.36)		$ 0.31	$ (0.10)	
Weighted average number of common shares (in thousands):						
Basic	82,161	82,801		82,670	82,641	
Diluted	83,651	82,801		84,210	82,641	

Discussion of Results

The Company's operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations above.

REVENUES and EBITDA

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
REVENUES						
Casinos						
River Rock Casino Resort	$ 34.1	$ 33.5	2%	$ 138.3	$ 127.3	9%
Boulevard Casino	14.3	15.3	(7%)	57.9	63.6	(9%)
Vancouver Island Casinos	10.4	10.0	4%	39.5	40.0	(1%)
Other BC Casinos	3.3	2.8	18%	11.5	7.5	53%
Nova Scotia Casinos	9.7	10.4	(7%)	41.9	42.4	(1%)
Great American Casinos	5.8	5.6	4%	22.7	22.1	3%
	77.6	77.6	0%	311.8	302.9	3%
Racinos						
BC Racinos	9.6	11.0	(13%)	42.0	45.7	(8%)
Georgian Downs	4.0	4.1	(2%)	16.1	15.9	1%
Flamboro Downs	4.5	4.5	0%	18.3	18.5	(1%)
	18.1	19.6	(8%)	76.4	80.1	(5%)
Corporate & Other	—	—		—	0.5	(100%)
Total Revenues	$ 95.7	$ 97.2	(2%)	$ 388.2	$ 383.5	1%
EBITDA						
Casinos						
River Rock Casino Resort	$ 13.5	$ 15.3	(12%)	$ 64.8	$ 58.6	11%
Boulevard Casino	5.3	6.1	(13%)	23.0	28.2	(18%)
Vancouver Island Casinos	6.1	5.6	9%	22.5	23.3	(3%)
Other BC Casinos	1.5	1.5	0%	4.9	3.1	58%
Nova Scotia Casinos	2.1	2.6	(19%)	11.2	11.1	1%
Great American Casinos	1.0	1.4	(29%)	4.5	3.6	25%
	29.5	32.5	(9%)	130.9	127.9	2%
Racinos						
BC Racinos	2.6	4.0	(35%)	10.9	13.1	(17%)
Georgian Downs	2.1	2.1	0%	9.3	8.4	11%
Flamboro Downs	2.1	1.8	17%	8.1	7.9	3%
	6.8	7.9	(14%)	28.3	29.4	(4%)
Corporate & Other	(5.4)	(5.4)	0%	(21.4)	(20.9)	(2%)
Total EBITDA	$ 30.9	$ 35.0	(12%)	$ 137.8	$ 136.4	1%

CASINOS

River Rock Casino Resort [1]

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 22.5	$ 22.7	(1%)	$ 94.4	$ 86.2	10%
Facility Development Commission	3.3	3.3	0%	14.0	12.6	11%
Hospitality and other revenues	10.1	8.8	15%	35.6	33.0	8%
Revenues before Promotional allowances	35.9	34.8	3%	144.0	131.8	9%
Less: Promotional allowances	(1.8)	(1.3)	38%	(5.7)	(4.5)	27%
Revenues	34.1	33.5	2%	138.3	127.3	9%
Human resources	12.7	11.4	11%	47.3	44.6	6%
Property, marketing and administration	7.9	6.8	16%	26.2	24.1	9%
EBITDA	$ 13.5	$ 15.3	(12%)	$ 64.8	$ 58.6	11%
Human resources as a % of Revenues before Promotional allowances	35.4%	32.8%		32.8%	33.8%	
EBITDA as a % of Revenues	39.6%	45.7%		46.9%	46.0%	

[1] The results of the Racebook at River Rock are included in the results of TBC Teletheatre B.C.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 169.4	$ 175.9	$ 178.4	$ 181.3	$ 176.7	$ 151.2	$ 149.4	$ 160.3	$ 151.7	
Table Hold	$ 32.5	$ 39.2	$ 39.1	$ 34.5	$ 34.4	$ 29.5	$ 32.5	$ 29.8	$ 30.8	
Table Hold %	19.2%	22.3%	21.9%	19.0%	19.5%	19.6%	21.7%	18.6%	20.3%	20.2%
Poker Rake	$ 1.2	$ 1.1	$ 1.1	$ 1.2	$ 1.5	$ 1.4	$ 1.3	$ 1.6	$ 1.4	
Slot Coin-In	$ 522.8	$ 490.9	$ 477.3	$ 448.2	$ 448.5	$ 451.8	$ 447.9	$ 434.5	$ 420.6	
Slot Win	$ 34.5	$ 34.1	$ 34.3	$ 30.3	$ 31.6	$ 32.8	$ 31.4	$ 30.7	$ 28.8	
Slot Win/Slot/Day[2]	$ 375	$ 376	$ 384	$ 339	$ 348	$ 361	$ 346	$ 348	$ 362	
Slot Win %	6.6%	6.9%	7.2%	6.8%	7.0%	7.3%	7.0%	7.1%	6.8%	7.0%

[2] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at River Rock in the fourth quarter of 2011 were relatively consistent with the same period in 2010. The decline in River Rock's table hold in the fourth quarter of 2011 was largely offset by improvements in slot win.

River Rock's table hold percentage during the fourth quarter of 2011 was 19.2%. This percentage was 0.3 percentage points below the property's table hold percentage during the fourth quarter of 2010, which in combination with the decrease in table drop, resulted in a 5.5% decline in River Rock's table hold in the fourth quarter of 2011.

Gaming revenues at River Rock increased by 10% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to improvements in table drop, table hold percentage, and slot coin-in. This growth in gaming revenues can be primarily attributed to the continued benefit of the redevelopments, enhancements, and associated increase in player demand at River Rock.

Hospitality and other revenues increased by 15% in the fourth quarter and 8% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to the third hotel tower, which opened on October 17, 2011, and were partially offset by a non-recurring reduction to other revenues associated with sales taxes due on fees previously earned for providing automated banking machine services to our guests of $0.2.

River Rock's average daily hotel revenue per available room ("REVPAR") was $91 dollars in the fourth quarter of 2011, compared to $126 dollars in the fourth quarter of 2010. This decrease was due to a 19.1 percentage point decrease in the average hotel occupancy rate to 60% and an 8% decrease in the average daily room rate ("ADR") to $151 dollars. The decreases in occupancy rate and ADR were as a result of the new hotel tower at River Rock, which introduced additional capacity at a lower price compared to River Rock's first two hotel towers. The new hotel tower is operating as expected during its start-up period. The Company expects "The Hotel at River Rock" to complete its brand establishment and start-up phases by the end of 2012.

Promotional allowance increased by $0.5 in the fourth quarter and $1.2 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to the increased incentives associated with direct marketing efforts.

Expenses

Human resources expenses increased by 11% in the fourth quarter and 6% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to incremental staffing costs associated with the new hotel tower, overall increases in customer visitation, inflationary increases and adjustments to ensure competitive compensation, and non-recurring adjustments to staff benefit cost accruals of $0.1.

Property, marketing and administration expenses increased by 16% in the fourth quarter and 9% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to non-recurring pre-opening expenses of $0.8 associated with the third hotel tower.

EBITDA

EBITDA decreased by 12% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to the increased operating expenses that were only partially offset by increased revenues.

EBITDA increased by 11% in the twelve months of 2011, when compared to the twelve months of 2010. These improvements were primarily due to River Rock's revenue increases, and were partially offset by the increased expenses, primarily related to the new hotel tower.

Boulevard Casino [1]

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	$ 10.8	$ 11.3	(4%)	$ 44.1	$ 47.9	(8%)
Facility Development Commission	1.8	1.9	(5%)	7.2	7.8	(8%)
Hospitality and other revenues	2.3	2.6	(12%)	8.7	9.4	(7%)
Revenues before Promotional allowances	14.9	15.8	(6%)	60.0	65.1	(8%)
Less: Promotional allowances	(0.6)	(0.5)	20%	(2.1)	(1.5)	40%
Revenues	14.3	15.3	(7%)	57.9	63.6	(9%)
Human resources	5.9	6.0	(2%)	23.5	23.8	(1%)
Property, marketing and administration	3.2	3.2	0%	11.5	11.6	(1%)
EBITDA	$ 5.2	$ 6.1	(15%)	$ 22.9	$ 28.2	(19%)
Human resources as a % of Revenues before Promotional allowances	39.6%	38.0%		39.2%	36.6%	
EBITDA as a % of Revenues	36.4%	39.9%		39.6%	44.3%	

[1] The results of the Racebook at Boulevard are included in the results of TBC Teletheatre B.C.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 41.6	$ 39.7	$ 40.3	$ 39.3	$ 45.8	$ 44.8	$ 47.2	$ 48.4	$ 48.5	
Table Hold	$ 8.4	$ 8.6	$ 8.5	$ 8.7	$ 8.9	$ 9.0	$ 9.7	$ 9.8	$ 9.7	
Table Hold %	20.2%	21.7%	21.1%	22.1%	19.4%	20.1%	20.6%	20.2%	20.0%	20.6%
Poker Rake	$ 1.1	$ 1.4	$ 1.0	$ 1.1	$ 1.3	$ 1.3	$ 1.3	$ 1.2	$ 1.3	
Slot Coin-In	$ 400.6	$ 392.1	$ 394.4	$ 372.8	$ 380.8	$ 406.8	$ 424.6	$ 422.6	$ 427.2	
Slot Win	$ 26.7	$ 27.2	$ 28.0	$ 26.5	$ 27.8	$ 28.9	$ 30.8	$ 29.8	$ 30.1	
Slot Win/Slot/Day[2]	$ 289	$ 294	$ 305	$ 289	$ 292	$ 314	$ 325	$ 314	$ 343	
Slot Win %	6.7%	6.9%	7.1%	7.1%	7.3%	7.1%	7.3%	7.1%	7.0%	7.1%

[2] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at Boulevard decreased by 7% in the fourth quarter and 9% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These decreases can be attributed to declines in visitation. These declines were primarily due to a challenging local economy, continued disruption caused by the construction on provincial highway enhancements adjacent to the facility, as well as local competition. This construction is expected to continue through 2013, Boulevard's local competition includes the Company's Maple Ridge Community Gaming Centre. The Community Gaming Centre, which introduced slot machines in October 2010, has accommodated some of those patrons displaced by the disruption surrounding Boulevard.

Promotional allowances increased by $0.1 in the fourth quarter and $0.6 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases relate to the increased incentives associated with direct marketing intended to improve visitation and gaming volumes.

Expenses

Human resources expenses decreased by 2% in the fourth quarter and 1% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to staffing level adjustments implemented in response to the reduced gaming

volumes, as well as a non-recurring reduction to staff benefit accruals of $0.2 during the fourth quarter of 2011, the impact of which was partially offset by both inflationary increases and adjustments to ensure competitive compensation.

EBITDA

EBITDA decreased by 15% in the fourth quarter and 19% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to the declines in Boulevard's revenues.

Vancouver Island Casinos (View Royal Casino and Casino Nanaimo) [1]

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Gaming revenues	$ 7.7	$ 8.1	(5%)	$ 31.3	$ 32.5	(4%)
Facility Development Commission	2.4	1.3	85%	6.3	5.3	19%
Hospitality and other revenues	0.8	0.9	(11%)	3.6	3.4	6%
Revenues before Promotional allowances	10.9	10.3	6%	41.2	41.2	0%
Less: Promotional allowances	(0.5)	(0.3)	67%	(1.7)	(1.2)	42%
Revenues	10.4	10.0	4%	39.5	40.0	(1%)
Human resources	2.9	2.9	0%	11.8	11.5	3%
Property, marketing and administration	1.4	1.5	(7%)	5.2	5.2	0%
EBITDA	$ 6.1	$ 5.6	9%	$ 22.5	$ 23.3	(3%)
Human resources as a % of Revenues before Promotional allowances	26.6%	28.2%		28.6%	27.9%	
EBITDA as a % of Revenues	58.7%	56.0%		57.0%	58.3%	

[1] The results of the Racebook at Casino Nanaimo are included in the results of TBC Teletheatre B.C.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 11.6	$ 11.7	$ 11.7	$ 12.9	$ 12.8	$ 13.7	$ 13.7	$ 13.1	$ 12.6	
Table Hold	$ 2.5	$ 2.6	$ 2.6	$ 2.8	$ 2.9	$ 2.8	$ 3.1	$ 2.8	$ 3.0	
Table Hold %	21.6%	22.2%	22.2%	21.7%	22.7%	20.4%	22.6%	21.4%	23.8%	22.1%
Slot Coin-In	$ 381.4	$ 386.6	$ 394.1	$ 365.4	$ 375.3	$ 379.8	$ 394.4	$ 376.8	$ 384.3	
Slot Win	$ 27.5	$ 28.9	$ 28.8	$ 27.0	$ 28.5	$ 29.1	$ 29.5	$ 28.0	$ 28.5	
Slot Win/Slot/Day[2]	$ 296	$ 311	$ 318	$ 293	$ 309	$ 324	$ 321	$ 326	$ 322	
Slot Win %	7.2%	7.5%	7.3%	7.4%	7.6%	7.7%	7.5%	7.4%	7.4%	7.4%

[2] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Vancouver Island Casinos increased by 4% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This increase was primarily due to the additional accelerated FDC eligible expenditures at Casino Nanaimo. During the fourth quarter of 2011, approximately $1.0 of the FDC revenues were related to gaming revenues earned and accelerated FDC eligible expenditures incurred in prior quarters, but approved by BCLC during the fourth quarter of 2011. Revenues decreased by 1% in the twelve months of 2011, when compared to the twelve months of 2010. During the twelve months of 2011, the Vancouver Island Casinos experienced a decline in gaming volumes, which decreased gaming revenues. This decrease was largely offset by the incremental FDC revenues in the fourth quarter of 2011.

Expenses

Human resources expenses in the fourth quarter of 2011 were relatively consistent with the fourth quarter of 2010. Human resources increased by 3% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to increased staffing levels and training intended to improve customer service at the facilities, as well as both inflationary increases and adjustments to ensure competitive compensation.

EBITDA

EBITDA increased by 9% in the fourth quarter of 2011, when compared to the fourth quarter 2010. This increase was primarily due to incremental FDC revenues. EBITDA decreased by 3% in the twelve months of 2011, when compared to the twelve months of 2010. This decrease was primarily due to the decline in revenues and the increase in human resources expenses.

Other BC Casinos

(Chances in Dawson Creek, Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex") and Chilliwack Bingo) [1]

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Gaming revenues	$ 2.5	$ 1.8	39%	$ 8.7	$ 5.3	64%
Facility Development Commission	0.4	0.7	(43%)	1.6	1.0	60%
Hospitality and other revenues	0.5	0.4	25%	1.6	1.3	23%
Revenues before Promotional allowances	3.4	2.9	17%	11.9	7.6	57%
Less: Promotional allowances	(0.1)	(0.1)	0%	(0.4)	(0.1)	300%
Revenues	3.3	2.8	18%	11.5	7.5	53%
Human resources	1.1	0.8	38%	4.1	2.8	46%
Property, marketing and administration	0.7	0.5	40%	2.5	1.6	56%
EBITDA	$ 1.5	$ 1.5	0%	$ 4.9	$ 3.1	58%
Human resources as a % of Revenues before Promotional allowances	32.4%	27.6%		34.5%	36.8%	
EBITDA as a % of Revenues	45.5%	53.6%		42.6%	41.3%	

[1] The results of the Racebook at Maple Ridge Community Gaming Centre are included in the results of TBC Teletheatre B.C.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Slot Coin-In	$ 118.7	$ 102.4	$ 104.5	$ 98.4	$ 95.3	$ 56.8	$ 54.9	$ 51.7	$ 54.9	
Slot Win	$ 7.4	$ 6.9	$ 7.0	$ 6.6	$ 6.1	$ 3.4	$ 3.2	$ 3.0	$ 3.0	
Slot Win/Slot/Day[2]	$ 316	$ 294	$ 300	$ 283	$ 260	$ 249	$ 234	$ 227	$ 217	
Slot Win %	6.2%	6.7%	6.7%	6.7%	6.4%	6.0%	5.8%	5.8%	5.5%	6.2%

[2] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Company's Other BC Casinos increased by 18% in the fourth quarter, when compared to the fourth quarter of 2010. This increase was primarily due to the acquisition of Chilliwack Bingo on May 31, 2011, which generated new revenues of $0.5 in the fourth quarter of 2011.

Revenues increased by 53% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to both the introduction of 100 slot machines at the Maple Ridge Community Gaming Centre on October 15, 2010 and the acquisition of Chilliwack Bingo on May 31, 2011. The slot machines at Maple Ridge generated new visitation and accommodated some of those patrons displaced by highway construction adjacent to Boulevard, resulting in an increase in revenues at Maple Ridge of $2.7 in the twelve months of 2011, when compared to the twelve months of 2010. The acquisition of Chilliwack Bingo generated new revenues of $1.3 in the twelve months of 2011.

Expenses

Human resources expenses increased by 38% in the fourth quarter and 46% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. Property, marketing and administration expenses increased by 40% in the fourth quarter and 56% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to both increased staffing levels and increased marketing and hospitality costs related to the introduction of slot machines at the Maple Ridge Community Gaming Centre, as well as the incremental costs associated with the operation of Chilliwack Bingo.

EBITDA

EBITDA in the fourth quarter of 2011 was consistent with the fourth quarter of 2010. EBITDA in the twelve months of 2011 increased by 58%, when compared to the twelve months of 2010. This increase was primarily due to the introduction of slot machines at the Maple Ridge Community Gaming Centre.

Labour Relations

A collective agreement between Chilliwack Gaming Ltd. and National Automobile, Aerospace, Transportation and General Workers Union of Canada, (CAW-Canada), Local 3000, with a term covering January 1, 2010 through December 31, 2011, governs wages and working conditions of employees, except management and those excluded by the Labour Relations Code of BC (the "Code"). Collective bargaining commenced on December 14, 2011 and is ongoing.

Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Gaming revenues	$ 9.2	$ 9.5	(3%)	$ 39.6	$ 40.2	(1%)
Hospitality and other revenues	1.1	1.5	(27%)	4.6	4.6	0%
Revenues before Promotional allowances	10.3	11.0	(6%)	44.2	44.8	(1%)
Less: Promotional allowances	(0.6)	(0.6)	0%	(2.3)	(2.4)	(4%)
Revenues	9.7	10.4	(7%)	41.9	42.4	(1%)
Human resources	4.2	4.1	2%	16.9	17.0	(1%)
Property, marketing and administration	3.4	3.7	(8%)	13.8	14.3	(3%)
EBITDA	$ 2.1	$ 2.6	(19%)	$ 11.2	$ 11.1	1%
Human resources as a % of Revenues before Promotional allowances	40.8%	37.3%		38.2%	37.9%	
EBITDA as a % of Revenues	21.6%	25.0%		26.7%	26.2%	

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 11.0	$ 11.4	$ 11.8	$ 10.0	$ 11.5	$ 12.1	$ 12.0	$ 11.4	$ 11.9	
Table Hold	$ 2.2	$ 2.4	$ 2.3	$ 2.1	$ 2.2	$ 2.5	$ 1.9	$ 2.2	$ 2.4	
Table Hold %	20.0%	21.1%	19.5%	21.0%	19.1%	20.7%	15.8%	19.3%	20.2%	19.6%
Poker Rake	$ 0.5	$ 0.6	$ 0.5	$ 0.5	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	
Slot Coin-In	$ 193.5	$ 231.2	$ 205.2	$ 181.6	$ 200.2	$ 240.5	$ 214.6	$ 209.6	$ 209.6	
Slot Win	$ 15.0	$ 18.5	$ 16.2	$ 14.4	$ 15.6	$ 18.6	$ 16.8	$ 15.6	$ 15.8	
Slot Win/Slot/Day[1]	$ 185	$ 225	$ 198	$ 176	$ 190	$ 226	$ 204	$ 188	$ 202	
Slot Win %	7.8%	8.0%	7.9%	7.9%	7.8%	7.7%	7.8%	7.4%	7.5%	7.8%

[1] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Nova Scotia Casinos decreased by 7% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to a decrease in slot coin-in, and a $0.2 non-recurring reduction to other revenues associated with sales taxes due on fees previously earned for providing automated banking machine services to our guests. Revenues in the twelve months of 2011 were relatively consistent with the twelve months of 2010.

Expenses

Human resources expenses in both the fourth quarter and twelve months of 2011 were relatively consistent with the same periods in 2010.

EBITDA

EBITDA decreased by 19% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to lower revenues and non-recurring expenses. EBITDA increased by 1% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to the continued benefit of expense reduction initiatives.

Labour Relations

A collective agreement between Casino Nova Scotia Halifax and Service Employees International Union ("SEIU"), Local 902, with a term covering February 1, 2008 through January 31, 2012, governs wages and working conditions of the "Main Unit" including all full-time and regular part-time employees of Casino Nova Scotia Halifax excluding office and clerical workers, human resource employees, surveillance employees, security employees, supervisors and those above the rank of supervisor. Collective bargaining commenced on January 30, 2012, and is ongoing.

A collective agreement between Casino Nova Scotia Halifax and SEIU, Local 902, with a term covering January 9, 2009 through January 31, 2012, governs wages and working conditions of the "Security Unit" including all full-time and regular part-time employees in the security department of Casino Nova Scotia Halifax, excluding supervisors and those above the rank of supervisor. Notice to commence collective bargaining was served on November 30, 2011, and collective bargaining is expected to commence in March 2012.

Great American Casinos

Results in U.S. Dollars (in millions)

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Gaming revenues	$ 4.8	$ 4.7	2%	$ 19.7	$ 18.7	5%
Hospitality and other revenues	1.4	1.1	27%	4.9	4.2	17%
Revenues before Promotional allowances	6.2	5.8	7%	24.6	22.9	7%
Less: Promotional allowances	(0.5)	(0.3)	67%	(1.8)	(1.4)	29%
Revenues	5.7	5.5	4%	22.8	21.5	6%
Human resources	3.2	2.9	10%	12.5	12.4	1%
Property, marketing and administration	1.6	1.3	23%	6.0	5.6	7%
EBITDA	$ 0.9	$ 1.3	(31%)	$ 4.3	$ 3.5	23%
Human resources as a % of Revenues before Promotional allowances	51.6%	50.0%		50.8%	54.1%	
EBITDA as a % of Revenues	15.8%	23.6%		18.9%	16.3%	

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 35.5	$ 31.7	$ 31.6	$ 31.2	$ 31.1	$ 33.7	$ 28.0	$ 25.6	$ 27.2	
Table Hold	$ 5.4	$ 5.2	$ 5.8	$ 5.9	$ 5.4	$ 5.3	$ 4.6	$ 5.8	$ 5.5	
Table Hold %	15.2%	16.4%	18.4%	18.9%	17.4%	15.7%	16.4%	22.7%	20.2%	17.7%
Poker Rake	$ —	$ —	$ —	$ —	$ —	$ —	$ 0.1	$ —	$ —	

Results in Canadian Dollars

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Revenues	$ 5.8	$ 5.6	4%	$ 22.6	$ 22.1	2%
EBITDA	$ 1.0	$ 1.4	(29%)	$ 4.3	$ 3.6	19%

Discussion in U.S. Dollars

Revenues

Revenues at the Great American Casinos increased by 4% in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This increase was primarily due to improvements in hospitality revenues, and was partially offset by an increase in promotional allowances. Revenues increased by 6% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to a 10% improvement in table drop and improvements in hospitality revenues, and was partially offset by an increase in promotional allowances.

Expenses

Human resources expenses in the fourth quarter of 2011 increased by 10%, when compared to the fourth quarter of 2010. This increase was primarily due to additional staffing to accommodate increased visitation and gaming volume at the property. Human resources expenses in the twelve months of 2011 were relatively consistent when compared to the twelve months of 2010.

Property, marketing and administration expenses increased by 23% in the fourth quarter and 7% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to additional costs associated with the increase in hospitality revenues and inflationary increases in food and beverage costs.

EBITDA

Great American Casinos' EBITDA in the fourth quarter of 2011 decreased by 31%, when compared to the fourth quarter of 2010. This decrease was primarily due to higher expenses, and was partially offset by an increase in hospitality revenues. EBITDA increased by 23% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to revenue increases.

The value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affects the reported results of the Great American Casinos. The average value of the U.S. dollar was consistent during the fourth quarter of 2011 and decreased 5% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010.

RACINOS

BC Racinos (Fraser Downs Racetrack and Casino, Hastings Racecourse and TBC Teletheatre B.C.[1])

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Gaming revenues	$ 4.7	$ 4.8	(2%)	$ 19.2	$ 18.7	3%
Facility Development Commission	0.6	0.9	(33%)	3.0	3.5	(14%)
Racetrack revenues	3.3	4.2	(21%)	14.6	18.1	(19%)
Hospitality and other revenues	1.5	1.4	7%	6.9	6.7	3%
Revenues before Promotional allowances	10.1	11.3	(11%)	43.7	47.0	(7%)
Less: Promotional allowances	(0.5)	(0.3)	67%	(1.7)	(1.3)	31%
Revenues	9.6	11.0	(13%)	42.0	45.7	(8%)
Human resources	3.9	4.0	(3%)	17.5	17.9	(2%)
Property, marketing and administration	3.1	3.0	3%	13.6	14.7	(7%)
EBITDA	$ 2.6	$ 4.0	(35%)	$ 10.9	$ 13.1	(17%)
Human resources as a % of Revenues before Promotional allowances	38.6%	35.4%		40.0%	38.1%	
EBITDA as a % of Revenues	27.1%	36.4%		26.0%	28.7%	

[1] On April 1, 2010, the Company's control over TBC was reduced to significant influence so it ceased consolidating TBC from that date.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Average
Table Drop	$ 6.0	$ 6.5	$ 6.1	$ 7.0	$ 7.3	$ 6.4	$ 7.0	$ 6.8	$ 7.4	
Table Hold	$ 1.3	$ 1.5	$ 1.3	$ 1.3	$ 1.5	$ 1.4	$ 1.3	$ 1.4	$ 1.5	
Table Hold %	21.7%	23.1%	21.3%	18.6%	20.5%	21.9%	18.6%	20.6%	20.3%	20.7%
Slot Coin-In	$ 240.4	$ 241.8	$ 228.4	$ 219.0	$ 218.7	$ 222.2	$ 225.4	$ 196.3	$ 217.4	
Slot Win	$ 17.3	$ 18.4	$ 17.8	$ 17.2	$ 17.2	$ 17.8	$ 17.4	$ 15.4	$ 17.6	
Slot Win/Slot/Day[2]	$ 179	$ 189	$ 185	$ 179	$ 176	$ 184	$ 180	$ 164	$ 184	
Slot Win %	7.2%	7.6%	7.8%	7.9%	7.9%	8.0%	7.7%	7.8%	8.1%	7.8%

[2] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the BC Racinos in the fourth quarter of 2011 were relatively consistent with the same period in 2010. Gaming revenues increased by 3% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to a full three months of operation at Hastings Racecourse during the first quarter of 2011. This facility was negatively impacted by a mandatory one-month closure in February 2010 due to the Winter Olympics. This closure reduced all revenues at Hastings Racecourse during the first quarter of 2010 and diminished awareness of the property among patrons for the balance of the year, which resulted in decreases in both visitation and gaming volumes.

Facility Development Commission revenues decreased by $0.3 in the fourth quarter and $0.5 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to the reduced remaining approved accelerated FDC eligible expenditures at Fraser Downs Racetrack and Casino.

Racetrack revenues decreased by 21% in the fourth quarter and 19% in the twelve months of 2011, when compared to the same prior periods in 2010. This decline was primarily due to an ongoing, industry-wide decline in horse race revenues and the deconsolidation of TBC in April of 2010, as described in the 'Other Financial Information' section of this MD&A.

Expenses

Human resources expenses and property, marketing and administration expenses in the fourth quarter of 2011 were relatively consistent with the fourth quarter of 2010. Human resources expenses and property, marketing and administration expenses decreased by 2% and 7%, respectively, in the twelve months of 2011, when compared to the twelve months of 2010. These decreases were primarily due to the deconsolidation of TBC.

EBITDA

EBITDA decreased by 35% in the fourth quarter and 17% in the twelve months of 2011, when compared to the same prior periods in 2010. This decline was due to the industry-wide decline in horse race wagering, the deconsolidation of TBC, and decreases in FDC revenues.

Labour Relations

A collective agreement between Hastings Entertainment Inc. and UNITE HERE!, Local 40, with a term covering April 1, 2008 through December 31, 2010, governs wages and working conditions of "employees engaged in the food and beverage dispensing at the Hastings Park Racecourse". Collective bargaining for a renewal collective agreement commenced on January 20, 2011, and is ongoing.

A collective agreement between Hastings Entertainment Inc. and Canadian Office and Professional Employees Union ("COPE"), Local 378, with a term covering August 1, 2008 through July 31, 2011, and subsequently extended by mutual agreement to July 31, 2012, governs wages and working conditions of "Employees of Hastings Entertainment Inc., Hastings Park Racecourse employed at Exhibition Park, except those excluded by the Code employed by Hastings Entertainment Inc."

Georgian Downs

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Gaming revenues	$ 3.1	$ 3.1	0%	$ 12.7	$ 12.5	2%
Racetrack revenues	0.4	0.4	0%	1.7	1.7	0%
Hospitality and other revenues	0.5	0.6	(17%)	1.7	1.7	0%
Revenues before Promotional allowances	4.0	4.1	(2%)	16.1	15.9	1%
Less: Promotional allowances	—	—		—	—	—
Revenues	4.0	4.1	(2%)	16.1	15.9	1%
Human resources	0.7	0.7	0%	2.6	2.7	(4%)
Property, marketing and administration	1.2	1.3	(8%)	4.2	4.8	(13%)
EBITDA	$ 2.1	$ 2.1	0%	$ 9.3	$ 8.4	11%
Human resources as a % of Revenues before Promotional allowances	17.5%	17.1%		16.1%	17.0%	
EBITDA as a % of Revenues	52.5%	51.2%		57.8%	52.8%	

Revenues

Revenues at Georgian Downs in the fourth quarter and twelve months of 2011 were relatively consistent with the same periods of 2010.

Expenses

Human resources expenses in the fourth quarter and twelve months of 2011 were relatively consistent with the same periods of 2010. Property, marketing and administration expenses decreased by 8% and 13% in the fourth quarter and twelve months of 2011, respectively, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to reduced occupancy costs.

EBITDA

EBITDA in the fourth quarter of 2011 was consistent with the fourth quarter of 2010. EBITDA in the twelve months of 2011 increased by 11% when compared to the twelve months of 2010. This improvement was primarily due to the decrease in Georgian Downs' occupancy costs.

Recent Development

In February 2012, the Commission on the Reform of Ontario's Public services released a report with recommendations aimed at improving the Government of Ontario's economic challenges. This report included recommendations, as described in the "Market Update" section of this MD&A, which may negatively affect the future profitability of this property.

Flamboro Downs

	Fourth Quarter 2011	Fourth Quarter 2010	% Chg	Twelve Months of 2011	Twelve Months of 2010	% Chg
Gaming revenues	$ 3.0	$ 3.0	0%	$ 12.4	$ 12.1	2%
Racetrack revenues	0.8	0.8	0%	3.2	3.5	(9%)
Hospitality and other revenues	0.7	0.7	0%	2.7	2.9	(7%)
Revenues before Promotional allowances	4.5	4.5	0%	18.3	18.5	(1%)
Less: Promotional allowances	—	—	—	—	—	—
Revenues	4.5	4.5	0%	18.3	18.5	(1%)
Human resources	1.2	1.3	(8%)	5.1	5.1	0%
Property, marketing and administration	1.2	1.4	(14%)	5.1	5.5	(7%)
EBITDA	$ 2.1	$ 1.8	17%	$ 8.1	$ 7.9	3%
Human resources as a % of Revenues before Promotional allowances	26.7%	28.9%		27.9%	27.6%	
EBITDA as a % of Revenues	46.7%	40.0%		44.3%	42.7%	

Revenues

Revenues at Flamboro Downs in the fourth quarter and twelve months of 2011 were relatively consistent with the same periods of 2010.

Expenses

Human resources expenses in the fourth quarter and twelve months of 2011 were relatively consistent with the same periods of 2010. Property, marketing and administration expenses decreased by 14% and 7% in the fourth quarter and twelve months of 2011, respectively, when compared to the fourth quarter and twelve months of 2010. These decreases were primarily due to reduced occupancy costs.

EBITDA

EBITDA increased by 17% in the fourth quarter and 3% in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to the decreases in Flamboro Downs' occupancy costs.

Labour Relations

A collective agreement between Flamboro Downs Limited and Service Employees International Union ("SEIU"), Local 2, governs wages and working conditions of employees in the Mutuels, Maintenance & Janitorial, Security, Food & Beverage departments. A new collective agreement with a three-year term covering January 1, 2011 through December 31, 2013 was ratified by both parties on November 3, 2011.

Recent Development

In February 2012, the Commission on the Reform of Ontario's Public services released a report with recommendations aimed at improving the Government of Ontario's economic challenges. This report included recommendations, as described in the "Market Update" section of this MD&A, which may negatively affect the future profitability of this property.

Corporate & Other

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Revenues	$ —	$ —		$ —	$ 0.5	(100%)
Human resources	3.2	3.6	(11%)	13.7	15.1	(9%)
Property, marketing and administration	2.0	1.8	11%	7.5	6.3	19%
EBITDA	$ (5.2)	$ (5.4)	4%	$ (21.2)	$ (20.9)	(1%)

EBITDA

EBITDA in the fourth quarter and twelve months of 2011 was relatively consistent with the same periods of 2010.

Discussion of Items Excluded from EBITDA

Amortization

Amortization increased by $1.3 in the fourth quarter and $4.8 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to additional amortization associated with development projects completed in 2011 and 2010, as well as increased amortization associated with the long-lived assets at Hastings Racecourse.

Stock-Based Compensation

Stock-based compensation of $0.6 in the fourth quarter of 2011 is comprised of equity-settled stock-based compensation of $0.5, and cash-settled stock-based compensation of $0.1. Stock-based compensation decreased by $0.2 in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to a lower average number of unvested stock options outstanding during the fourth quarter of 2011, when compared to the fourth quarter of 2010.

Stock-based compensation of $4.9 in the twelve months of 2011 is comprised of equity-settled stock-based compensation of $3.9, and cash-settled stock-based compensation of $1.0. Stock-based compensation in the twelve months of 2011 was relatively consistent with the twelve months of 2010.

Stock-based compensation includes the impact of the deferred share units and restricted share units issued during 2011. Deferred share units and restricted share units are a form of cash-settled stock-based compensation to the Company's non-employee directors, as described in the 'Other Financial Information' section of this MD&A.

Restructuring and Other

Restructuring and other costs were $0.8 in the fourth quarter and $0.5 in the twelve months of 2011. These costs were primarily due to other expenses associated with the Company's BC horse racing operations. During the twelve months of 2011, the Company sublet some of the vacant head office space, which resulted in a reversal of $0.4 to the uneconomic lease provision previously recognized.

Restructuring and other costs were $2.1 in the fourth quarter and $3.4 in the twelve months of 2010 primarily related to other expenses associated with the Company's BC horse racing operations and the trailing payments associated with the 2008 acquisition of Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex") as described in the "Major Developments" section of this MD&A.

Interest and Financing Costs, net

Interest and financing costs, net of interest income, increased by $1.6 in the fourth quarter and $1.5 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to higher financing fees associated with the amended Credit Agreement, and were partially offset by additional interest income received from the Company's cash, cash equivalents, and short-term investments.

Impairment of Long-Lived Assets

Impairment of long-lived assets was $4.4 in the fourth quarter and twelve months of 2011. These non-cash impairment charges are associated with declines and uncertainty in the economic outlook of Hastings Racecourse.

Impairment of long-lived assets was $31.9 in the fourth quarter and $35.1 in the twelve months of 2010. These non-cash impairment charges were a result of revised capital investment expectations in connection with the future renewal of the operating lease agreement associated with Hastings Racecourse, changes in expected future cash flows associated with Flamboro Downs, and other business development projects that would not be reinitiated in the foreseeable future.

Impairment of Goodwill

A $14.2 goodwill impairment was recorded in the fourth quarter and twelve months of 2010. This non-cash impairment charge reflects the full write-off of goodwill associated with Flamboro Downs.

Other Expenses (includes "foreign exchange loss and other" and "non-controlling interests")

Other expenses decreased by $0.8 in the fourth quarter of 2011, when compared to the fourth quarter of 2010. Other expenses increased by $2.9 in the twelve months of 2011, when compared to the twelve months of 2010. These non-cash variances were primarily due to the discontinuation of 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, as described in the "Capital Resources" section of this MD&A.

Income Taxes

Income taxes increased by $5.2 in the fourth quarter and $5.6 in the twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. These increases were primarily due to higher earnings before income taxes, and were partially offset by decreases in: non-deductible impairment of goodwill, non-deductible stock-based compensation, non-cash deferred tax impact of temporary differences reversing at lower tax rates and a corporate income tax rate that was 2.0 percentage points lower in 2011, when compared to 2010.

CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Revenues	$ 95.7	$ 101.0	$ 99.5	$ 92.0	$ 97.2	$ 96.3	$ 97.0	$ 93.0
EBITDA	$ 30.9	$ 38.2	$ 37.4	$ 31.3	$ 35.0	$ 35.0	$ 35.0	$ 31.4
EBITDA as a % of Revenues	32.3%	37.8%	37.6%	34.1%	36.0%	36.3%	36.1%	33.8%
Shareholders' net earnings (loss):	$ 2.3	$ 7.9	$ 10.3	$ 5.7	$ (29.5)	$ 6.2	$ 10.1	$ 5.1
Shareholders' net earnings (loss) per common share:								
Basic	$ 0.03	$ 0.10	$ 0.12	$ 0.07	$ (0.36)	$ 0.07	$ 0.12	$ 0.06
Diluted	$ 0.03	$ 0.09	$ 0.12	$ 0.07	$ (0.36)	$ 0.07	$ 0.12	$ 0.06

For the fourth quarter of 2011, the Company recorded revenues of $95.7, a $1.5 decrease from the fourth quarter of 2010. This revenue decrease was primarily due to the flat gaming revenues at River Rock Casino Resort ("River Rock") compared to the prior year period along with the decreased revenues at both Boulevard and the Company's BC Racinos. The decline at Boulevard was primarily due to a challenging local economy, continued disruption caused by the construction on provincial highway enhancements adjacent to that facility, as well as local competition, which included the Company's Maple Ridge Community Gaming Centre. Revenues at the Company's BC Racinos continue to be negatively impacted by an industry-wide decline in horse racing revenues. These revenue decreases were partially offset by the addition of lower margin hospitality revenues associated with River Rock's new hotel tower, which opened in October 2011, as well as increased revenues at the Other BC Casinos that were attributable to the May 2011 acquisition of Chilliwack Bingo.

Also contributing towards the revenue decrease was a $0.9 non-recurring reduction to other revenues associated with an accrual for sales taxes due on fees previously earned for providing automated banking machines services to our guests. This decrease was offset by $1.0 in non-recurring FDC revenues earned by the Company's Vancouver Island Casinos in the fourth quarter of 2011 that related to gaming revenues earned and accelerated FDC eligible expenditures incurred in prior quarters.

EBITDA for the fourth quarter of 2011 was $30.9, a $4.1 decrease from the fourth quarter of 2010. This decrease was primarily due to the decrease in revenues, increased human resources expense associated with staffing related adjustments to accommodate the increased visitation and gaming volumes at River Rock, general inflationary increases and adjustments to human resources costs to ensure competitive compensation, $0.8 pre-opening costs associated with River Rock's new hotel tower, $0.2 of increased business development costs, and non-recurring adjustments to staff benefit accruals.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages liquidity risks by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its Revolving Credit Facility.

At December 31, 2011, the Company had:

- Relatively low levels of receivables of which the majority of these are due from: the Nova Scotia Gaming Corporation (a branch of that province's government) and other provincial gaming corporations, sales tax rebates from the federal government, racetrack operators, and financial institutions;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has cross-currency interest rate and principal swaps that hedge the cash flows associated with its U.S. dollar denominated Term Loan B and Senior Subordinated Notes ("Subordinated Notes") and has relatively low levels of foreign denominated assets and liabilities;
- $317.7 of available credit on its Revolving Credit Facility;
- Additional debt capacity within the limitations established by the covenants on its existing credit and debt facilities; and
- Counterparties to its existing debt and credit facilities and cross-currency interest rate and principal swaps that are primarily major financial institutions that have minimum grade "A" credit ratings.

Financial Position

	December 31, 2011	December 31, 2010	% Chg	January 1, 2010	% Chg
Cash and cash equivalents	$ 134.7	$ 50.9	165%	$ 34.6	47%
Short-term investments	—	53.0	(100%)	—	
Other current assets	22.6	16.8	35%	21.8	(23%)
Property, plant and equipment	663.6	663.0	0%	708.2	(6%)
Other long-term assets	155.2	162.5	(4%)	204.8	(21%)
Total Assets	$ 976.1	$ 946.2	3%	$ 969.4	(2%)
Current liabilities	64.9	60.8	7%	66.4	(8%)
Long-term debt & Derivative Liabilities (excluding current portion)	398.9	393.4	1%	407.7	(4%)
Other long-term liabilities	89.9	90.9	(1%)	91.9	(1%)
Total Liabilities	553.7	545.1	2%	566.0	(4%)
Shareholders' equity	422.4	401.1	5%	403.4	(1%)
Total Liabilities and Shareholders' equity	$ 976.1	$ 946.2	3%	$ 969.4	(2%)

Total Assets

Total assets increased by $29.9 in the twelve months of 2011, when compared to the prior year. This increase was primarily due to cash generated by operating activities, additions to property, plant and equipment on the Company's major development projects, and the acquisition of Chilliwack Bingo. These increases were partially offset by cash outflows to service financial obligations and amortization of property, plant and equipment and intangible assets.

Total assets decreased by $23.2 in the twelve months of 2010, when compared to the prior year. This decrease was primarily due to the amortization of property, plant and equipment and intangible assets, and impairment charges associated with Hastings Racecourse, Flamboro Downs, and other properties under development. These decreases were partially offset by cash generated by operating activities, purchases of short-term investments, and additions to property, plant and equipment on the Company's major development projects.

Total Liabilities

Total liabilities increased by $8.6 in the twelve months of 2011, when compared to the prior year. This increase was primarily due to the increase in long-term debt associated with the weakening Canadian dollar's effect on the underlying U.S. dollar debt, and an increase in current liabilities associated with the construction related activities described in the "Major Developments" section of this MD&A. This increase was partially offset by a decrease in the fair value of the Company's cross-currency interest rate swaps relating to the Term Loan B and Subordinated Notes.

Total liabilities decreased by $20.9 in the twelve months of 2010, when compared to the prior year. This decrease was primarily due to the repayment of the remaining borrowings on the Revolving Credit Facility in the first quarter of 2010 and a reduction in current liabilities primarily due to a reduction in construction related activities, when compared to January 1, 2010.

Shareholders' equity

Shareholders' equity increased by $21.3 in the twelve months of 2011, when compared to the prior year. This increase was primarily due to shareholders' net earnings of $26.2, equity-settled stock-based compensation of $3.9, and stock options exercised of $3.4. These increases were partially offset by the repurchased common shares of $10.6 and the decrease in accumulated other comprehensive income of $1.6.

Shareholders' equity decreased by $2.3 in the twelve months of 2010, when compared to the prior year. This decrease was primarily due to shareholders' net loss of $8.1 and other comprehensive loss of $0.3. These decreases were partially offset by equity-settled stock-based compensation of $4.8 and stock options exercised of $1.3.

Cash Flows

	Fourth Quarter			Twelve Months of		
	2011	2010	% Chg	2011	2010	% Chg
Net cash generated by operating activities	$ 31.1	$ 39.4	(21%)	$ 121.0	$ 128.3	(6%)
Cash (used in) generated by investing activities	(5.5)	(54.9)	90%	1.5	(72.1)	
Cash used in financing activities	(1.9)	(3.7)	49%	(39.5)	(40.0)	1%
Effect of foreign exchange on cash and cash equivalents	(0.1)	(0.1)	0%	0.8	0.1	700%
Cash inflow (outflow)	$ 23.6	$ (19.3)		$ 83.8	$ 16.3	414%

Net cash generated by operating activities was lower in the fourth quarter of 2011, when compared to the fourth quarter of 2010. This decrease was primarily due to lower EBITDA in the fourth quarter of 2011 and higher income tax instalment payments. Net cash generated by operating activities was lower in the twelve months of 2011, when compared to the twelve months of 2010. This was primarily due to higher income tax instalment payments, and was partially offset by higher EBITDA in the twelve months of 2011. For the twelve months of 2011, the Company made $14.8 in income tax payments, an increase of $10.7 from the twelve months 2010.

Cash used in investing activities in the fourth quarter of 2011 was primarily due to the development of the third hotel tower at River Rock, the planned Maple Ridge permanent facility, and the planned Chilliwack Community Gaming Centre. Cash used in investing activities in the fourth quarter of 2010 was primarily due to the purchase of short-term investments, the expansion at Georgian Downs, and property enhancements at River Rock.

Cash generated by investing activities in the twelve months of 2011 was primarily due to the maturity of short-term investments, largely offset by cash used in capital expenditures as described in the "Major Developments" section of this MD&A. Cash used in investing activities in the twelve months of 2010 was primarily due to the purchase of short-term investments, the redevelopment at Georgian Downs, and property enhancements at River Rock.

Cash used in financing activities was lower in the fourth quarter and twelve months of 2011, when compared to the fourth quarter and twelve months of 2010. Cash used in financing activities in the fourth quarter of 2011 was primarily related to interest payments of $3.7 and the quarterly debt repayment on the Term Loan B, and was partially offset by common shares issued for cash of $2.4. Cash used in financing activities in the fourth quarter of 2010 was primarily related to interest payments on the Company's Long-term debt of $3.4 and the quarterly debt repayment on the Term Loan B.

Cash used in financing activities in the twelve months of 2011 was primarily related to the interest payments of $27.5, the repurchase of common shares of $10.6, and transaction costs of $2.8 associated with refinancing the Revolving Credit Facility, and was partially offset by cash received from the issuance of common shares of $3.4.

Cash used in financing activities in the twelve months of 2010 was primarily related to interest payments of $27.2 and the repayment of borrowings on the Company's Revolving Credit Facility of $14.1, and was partially offset by cash received from the issuance of common shares of $1.3.

Capital Resources

Long-Term Debt and Equity

	As at December 31, 2011	2010
Term Loan B, net of unamortized transaction costs of $1.1 (2010 – $1.5)	$ 163.7	$ 161.2
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
	334.6	327.8
Less: current portion	2.0	2.0
	$ 332.6	$ 325.8

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 Senior Subordinated Notes. Tested on specified events.

The Company and its debt facilities have current independent credit ratings as follows:

	Moody's [3]	Standard & Poor's [4]
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Subordinated Notes	B2	BB–

[3] 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 Senior Subordinated Notes.

[4] 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 Senior Subordinated Notes from BB to BB–.

Cross-Currency Interest Rate and Currency Swap Agreements & Hedge Accounting

The Company entered into 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.

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.

During the period from July 21, 2011 to August 4, 2011, hedge accounting no longer applied for these cash flows, a $0.5 loss associated with changes in fair value was recorded in the "foreign exchange loss and other" 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.

As at December 31, 2011, the cross-currency interest rate and principal swap agrrements 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 swaps associated with the Term Loan B were in a $41.4 liability position (December 31, 2010 – $44.7 liability) and the swaps associated with the Subordinated Notes were in a $24.9 liability position (December 31, 2010 – $22.9 liability). The swaps are recorded in the "derivative liabilities" line of 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 as at December 31, 2011. 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, net of income taxes, has been recorded in Other Comprehensive Income ("OCI"), and the ineffective portion has been recorded in the "foreign exchange loss and other" expense in the consolidated statements of earnings (loss).

During the three months ended December 31, 2011, the Company transferred losses on derivatives designated as cash flow hedges from OCI to "foreign exchange loss and other" expense of $10.6, and related income taxes of $1.9. The Company also recognized a gain of $0.8 in the "foreign exchange loss and other" expense related to its cross-currency interest rate and principal swaps.

During the twelve months ended December 31, 2011, the Company transferred gains on derivatives designated as cash flow hedges from OCI to "foreign exchange loss and other" expenses of $2.8, and related income taxes of $1.6. The Company also recorded a gain of $1.7 in the "foreign exchange loss and other" expense related to its cross-currency interest rate and principal swaps.

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.

Outstanding Share Data

As at December 31, 2011 there were 82,476,558 common shares issued and outstanding compared to 82,872,319 as at December 31, 2010. As at December 31, 2011, there were 5,894,889 stock options outstanding at a weighted average exercise price of $7.16.

As at March 7, 2012, there were 82,558,226 common shares outstanding and 5,807,220 stock options outstanding.

Capital Spending and Development

The majority of the Company's capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In British Columbia, through the FDC program, BCLC provides commissions for approved capital and operating expenditures related to the development or improvement of gaming properties as defined in the operating services agreements. Currently, the FDC percentage is 3% of gross gaming win from casinos, racetracks and community gaming centres. In addition, BCLC introduced an accelerated FDC program in 2006 that provides an additional 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments. BCLC currently permits only one accelerated FDC eligible project to be submitted per facility.

Approved expenditures incurred to improve or maintain the two Nova Scotia casinos facilities are reimbursed by NSGC from a Capital Reserve Account ("CRA"). The Company is required to make contributions to the CRA 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. If the CRA is in a deficit balance, the amount owed to the Company accrues interest at a rate of bank prime plus 2% per annum.

During the fourth quarter and twelve months of 2011, the Company's capital expenditures net of related accounts payable totalled $8.3 and $42.6. Maintenance capital expenditures were primarily related to various property upgrades and information technology. Development capital expenditures during the fourth quarter and twelve months of 2011 were primarily related to the third hotel tower at River Rock and the planned Chilliwack Community Gaming Centre. For the upcoming twelve months of 2012, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately $32 and $15, respectively.

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

	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

The differences between the FDC Approved Amounts and the additions to property, plant and equipment is primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

Contingencies

We have issued letters of credit to guarantee performance, primarily under construction contracts, gaming cash floats and service commitments in the aggregate amount of $32.3 at December 31, 2011 (2010 – $37.3).

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.

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:

- 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;
- certain vendors of acquired companies or properties for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

Commitments

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 represent the Canadian dollar fixed interest and principal payments the Company is required to make 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 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%.

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 our Casino Nova Scotia Sydney, and an operating agreement with the City of Vancouver, BC for Hastings Racecourse.

Other contractual commitments include amounts committed to the 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 servicing contracts of $7.4 (2010 – $6.3).

Expected payments related to facility development projects are not reflected in this table unless they are contractually committed.

In July 2010, the Company agreed to $2.4 in service commitments to the District of Maple Ridge over the next five years that are associated with the Maple Ridge Community Gaming Centre permanent facility.

Future Cash Requirements

We believe that our current operational requirements and major development plans can be funded from existing cash and cash equivalents, cash generated from operations, and existing capacity on our Revolving Credit Facility. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates.

OTHER FINANCIAL INFORMATION

Deconsolidation of TBC Teletheatre B.C.

In April 2010, there was a change in accounting for the Company's 50% ownership investment in TBC Teletheatre B.C. ("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 "BC 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 BC Horse Racing Industry Agreement, the Company deconsolidated TBC, and accounts for its 50% ownership investment using the equity method since the Company has significant influence over TBC. The equity method results in this investment being presented within the "other assets" line of the consolidated statements of financial position, and that investment balance is increased by TBC's periodic net earnings and decreased by any partnership distributions that are received. The Company's share of TBC's net earnings is recorded within the "other expenses" line of this MD&A.

Deferred Share Unit ("DSU") and Restricted Share Unit ("RSU") 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"). 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 have the option to transfer some or all of their annual retainers and attendance fees into RSUs.

Cash-settled stock-based compensation such as DSUs and RSUs, which vest immediately, are recognized as a liability at the grant date based on the market value of the Company's common shares. This liability is initially recognized 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. Cash-settled stock-based compensation is recognized in the "stock-based compensation" line of the consolidated statements of earnings (loss). The DSUs are settled within the calendar year following the year that the unit holder ceases to be a director. The RSUs are settled three years after the grant date.

Reclassification of Business Development Costs

Business development costs previously presented on the "restructuring and other" line of the consolidated statements of earnings of $0.1 for the three months ended March 31, 2011 and $0.4 for the three months ended June 30, 2011, have been retrospectively reclassified to "property, marketing and administration". This reclassification resulted in a corresponding decrease in EBITDA, and had no impact on net earnings or shareholders' equity for the three months ended March 31, 2011 and June 30, 2011.

In light of the Company's expectations to continue its business development activities, this revised presentation will provide more meaningful information on the operating and financial performance of the Company.

Transition to International Financial Reporting Standards

The Company adopted IFRS effective January 1, 2011 and has prepared consolidated financial statements for the year ended December 31, 2011. The Company's new IFRS policies are disclosed in Note 2 of the Company's Audited Financial Statements for the year ended December 31, 2011. Prior to the adoption of IFRS, the Company's consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

IFRS employs a conceptual framework that is similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS did not change the actual cash flows of the Company, the adoption resulted in changes to the consolidated statements of financial position and consolidated statements of earnings (loss) of the Company.

In order to allow the users of the financial statements to better understand these changes, the Company has prepared reconciliations between Canadian GAAP and IFRS in Note 31 to the Audited Financial Statements. In preparing the reconciliations, the Company applied the principles, elections, and exemption of IFRS 1, *First Time Adoption of International Accounting Standards*, ("IFRS 1") with a transition date of January 1, 2010.

The transition to IFRS did not materially affect the manner in which the Company's revenues and EBITDA are currently recognized and measured.

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 in subsequent periods, and items that will not be reclassified into net earnings 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 the 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 Annual 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.

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.

Critical Accounting Estimates and Judgments

The Company's reported financial position and results of operations are dependent on the selection of accounting policies that are based on IFRS and accounting estimates that underlie the preparation of the Company's Annual Financial Statements. The Company's Annual Financial Statements contain a summary of its significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause the Company's financial position and operating results to differ materially from those presented in the Company's Annual Financial Statements. Future changes in accounting estimates will be applied on a prospective basis.

The critical accounting estimates and judgments that are the most judgmental or material to the Company's Audited Financial Statements are those relating to the impairment of long-lived assets and goodwill, estimated useful lives of long-lived assets, the fair value of net assets acquired in business combinations, the fair value of assets acquired in business transactions with non-monetary consideration, equity-settled stock-based compensation, income taxes, contingencies, hedge accounting, control over a subsidiary, and determination of cash generating units. The Company's critical accounting estimates and judgments are further detailed in Note 3 of the Company's Audited Financial Statements.

Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instruments that give rise or may give rise to the most significant exposure to foreign currency and floating interest rate risk are the Term Loan B, the Subordinated Notes, and the Revolving Credit Facility.

The Company entered into a series of cross-currency interest rate and principal swaps to hedge the currency and interest rate risks associated with the Term Loan B and the Subordinated Notes. Refer to the "Capital Resources" section of this MD&A for information on the Company's long-term debt and the hedging activities used to manage the foreign currency and interest rate risks associated therewith.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company and its subsidiaries would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2011.

As well, as of the end of the fiscal year ended December 31, 2011, the Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's internal controls over financial reporting, designed under the Committee of Sponsoring Organizations of the Treadway Commission's internal control integrated framework, are adequately designed and effective for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2011, there was neither a material weakness nor a change in the Company's disclosure controls and procedures or its internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, these controls.

Definitions of Other Terms Used in the MD&A

Gross gaming win – the amount wagered on gaming activities, less the payout or prizes to winning customers.

Racebook – an off-racetrack betting facility for pari-mutuel wagering on live horse races displayed by television broadcasts operated by the Company or TBC.

Revenues – the sum of the following:

- Casino gaming in BC – gaming revenues are net of commissions paid to BCLC (commissions are 60% of the win on most table games and 75% of the slot machine win) and are net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.
- Bingo and slots at a community gaming centre in BC – gaming revenues are net of commissions paid to BCLC (commissions are 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are net of prizes.
- Horse racing in BC and Ontario – Racetrack revenues represent the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to other associations.
- Casino gaming in Washington – gaming revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.
- Casino gaming in Nova Scotia – gaming revenues are approximately equal to 52.725% of the gross gaming win.
- Slot commissions in Ontario – slot machine commissions represent 10% of the gross gaming win from slot machines, all of which are operated by OLG.
- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). Specifically, BCLC's program permits a 3% FDC commission on gross gaming win from casinos, racetracks and community gaming centres and provides an additional, accelerated 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.
- Hospitality and other revenues:
  - Food and beverage revenues – revenues are recorded at the retail price at the time of service. Food and beverage revenues in Nova Scotia are generally recorded at retail price less the 47.275% revenue retained by the NSGC.
  - Hotel revenues – revenues are recognized as services are performed.
  - Other revenues – ATM commissions, theatre revenues, advertising revenues, and other income from ancillary services.
- Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in gaming revenues or hospitality and other revenues, are deducted.

Additional Information

Additional information relating to the Company, including the Company's latest Interim Financial Statements, Annual Financial Statements, and Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend [1]

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Gaming Revenues					
River Rock Casino Resort	$ 22.5	$ 24.6	$ 24.9	$ 22.3	$ 22.7
Boulevard Casino	10.8	11.3	11.2	10.9	11.3
Vancouver Island Casinos	7.7	8.0	8.0	7.7	8.1
Other BC Casinos	2.5	2.4	2.0	1.8	1.8
Nova Scotia Casinos	9.2	11.3	10.0	9.1	9.5
Great American Casinos	4.9	4.5	5.0	5.1	4.8
BC Racinos	4.7	5.0	4.8	4.8	4.8
Georgian Downs	3.1	3.4	3.2	2.9	3.1
Flamboro Downs	3.0	3.2	3.2	2.9	3.0
	68.4	73.7	72.3	67.5	69.1
Facility Development Commission					
River Rock Casino Resort	3.3	3.7	3.7	3.2	3.3
Boulevard Casino	1.8	1.8	1.8	1.8	1.9
Vancouver Island Casinos	2.4	1.3	1.3	1.2	1.3
Other BC Casinos	0.4	0.4	0.4	0.5	0.7
BC Racinos	0.6	0.9	0.7	0.8	0.9
	8.5	8.1	7.9	7.5	8.1
Hospitality and Other Revenues					
River Rock Casino Resort	10.1	8.5	8.9	8.1	8.8
Boulevard Casino	2.3	2.1	2.2	2.1	2.6
Vancouver Island Casinos	0.8	1.0	1.0	0.9	0.9
Other BC Casinos	0.5	0.4	0.4	0.4	0.4
Nova Scotia Casinos	1.1	1.3	1.1	1.0	1.5
Great American Casinos	1.4	1.2	1.1	1.2	1.1
BC Racinos	1.5	2.2	1.9	1.2	1.4
Georgian Downs	0.5	0.5	0.5	0.2	0.6
Flamboro Downs	0.7	0.7	0.7	0.6	0.7
Corporate & Other	—	—	0.1	—	—
	18.9	17.9	17.9	15.7	18.0
Racetrack Revenues					
BC Racinos	3.3	3.9	4.0	3.4	4.2
Georgian Downs	0.4	0.5	0.5	0.4	0.4
Flamboro Downs	0.8	0.8	0.8	0.8	0.8
	4.5	5.2	5.3	4.6	5.4
Promotional Allowances	(4.6)	(3.9)	(3.9)	(3.3)	(3.4)
Revenues	$ 95.7	$ 101.0	$ 99.5	$ 92.0	$ 97.2
EBITDA					
River Rock Casino Resort	$ 13.5	$ 17.8	$ 18.3	$ 15.0	$ 15.3
Boulevard Casino	5.3	5.9	5.9	6.0	6.1
Vancouver Island Casinos	6.1	5.6	5.7	5.3	5.6
Other BC Casinos	1.5	1.2	1.3	1.1	1.5
Nova Scotia Casinos	2.1	4.3	2.8	1.9	2.6
Great American Casinos	1.0	0.8	1.2	1.5	1.4
BC Racinos	2.6	3.2	2.7	2.6	4.0
Georgian Downs	2.1	2.6	2.4	2.1	2.1
Flamboro Downs	2.1	2.2	2.1	1.6	1.8
Corporate & Other	(5.4)	(5.4)	(5.0)	(5.8)	(5.4)
	$ 30.9	$ 38.2	$ 37.4	$ 31.3	$ 35.0

[1] The three months ended March 31, 2011 and June 30, 2011 include a retrospective reclassification that affects EBITDA as described in the "Other Financial Information" section of this MD&A.

Great Canadian Gaming Corporation

2011 FINANCIAL REVIEW

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and presentation of the accompanying consolidated financial statements of Great Canadian Gaming Corporation. All related financial information presented elsewhere in this Annual Report, including the Management's Discussion and Analysis, is also the responsibility of management and is consistent with the information contained in the consolidated financial statements.

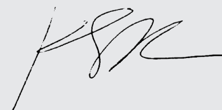
The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and include certain amounts that are based on management's estimates and judgments relating to matters not concluded by year end. Actual results may differ from management's estimates because future events and circumstances may not occur as expected.

In discharging its responsibility for the integrity, consistency, objectivity and reliability of the consolidated financial statements, management maintains and relies upon systems of internal controls designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. These controls include quality standards in hiring and training of employees, formal policies and procedures, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility. The systems of internal controls are further supported by our staff of internal auditors who conduct periodic audits of various aspects of the Company's operations.

The Board of Directors oversees management's responsibilities for financial reporting and the systems of internal controls through its Audit, Risk & Finance Committee, which is composed entirely of independent directors. The Audit, Risk & Finance Committee meets with management on a regular basis to review the Company's consolidated financial statements and its systems of internal controls.

The Company's consolidated financial statements have been audited on behalf of shareholders by Deloitte & Touche LLP, who had full and free access to the Company, its records and the Audit, Finance & Risk Committee to discuss audit, financial reporting, internal controls and related matters. Their report, which expresses an unqualified opinion on the Company's consolidated financial statements, can be found below.

Rod N. Baker
President & Chief Exexcutive Officer



Kiran S. Rao
Interim Chief Financial Officer

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 and 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.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants
March 7, 2012
Vancouver, British Columbia

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in millions of Canadian dollars)

		December 31, 2011	December 21, 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 Note 29(b))

APPROVED BY THE BOARD:

ROD N. BAKER
Director

RICHARD S. BUSKI
Director

See Accompanying Notes to the Consolidated Financial Statements

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in millions of Canadian dollars)

		Common Shares Number [1]	Common Shares Amount	Contributed Surplus	Share Capital and Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Controlling 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.

See Accompanying Notes to the Consolidated Financial Statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2010
(Expressed in millions of Canadian dollars, except for per share information)

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.

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).

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.

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).

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.

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).

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).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial Instruments (continued)

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.

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

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.

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Taxation (continued)

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.

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.

(1) EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, 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.

- *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.

- *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).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- 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.

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 Janaury 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 combinations	2.0	—	—	—	2.0
Balance at December 31, 2010	$ 76.1	$ 34.6	$ 106.0	$ 2.5	$ 219.2
Acquired through business transactions [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 [3]	(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

[3] 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

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.

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.

c) *Interest and financing costs, net*

Interest and financing costs, net consists of:

	Year ended December 31, 2011	Year ended December 31, 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.

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

	Moody's [3]	Standard & Poor's [4]
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Senior Subordinated Notes	B2	BB–

[3] 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.

[4] 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.

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.

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.

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 [1]	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable [1]	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

[1] 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 [2]	50.0%	56.0%
Dividend yield	0.0%	0.0%

[2] 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).

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

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)

21. INCOME TAXES (continued)

(c) Deferred tax balances (continued)

The deferred tax balances are presented on the statements of financial positions 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)

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 (LOSS) EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per common share:

		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	EBIDTA	Additions to long-lived assets and goodwill	Revenues	EBIDTA	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.

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

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.

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

29. FINANCIAL INSTRUMENTS (continued)
(b) Liquidity risk (continued)

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%.

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.

Long-term debt and cross-currency interest rate 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%

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.

31. TRANSITION TO IFRS (continued)

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.

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.

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.

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)

(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.

31. TRANSITION TO IFRS (continued)

(b) *Reconciliation of Canadian GAAP to IFRS* (continued)

(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.

(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.

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.

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	

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	
Interesting and financing costs, net	28.0	—	28.0	Interesting 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 income (loss)	$ (21.8)	13.6	(8.2)	Comprehensive income (loss)
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)	

CORPORATE INFORMATION

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William A. Dimma
Thomas W. Gaffney
Patrick J. Keenan
Peter G. Meredith
David L. Prupas

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Patrick J. Keenan
Peter G. Meredith

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Thomas W. Gaffney

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Kiran S. Rao
Interim Chief Financial Officer; Vice-President, Corporate Finance & Controller

Yvonne Phinith
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W. David Fretz
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Peter M. Goudron
Senior Vice-President, Operations- West;
Vice-President, River Rock Casino Resort

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James McGrogan
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Ernst & Young LLP

THE ANNUAL MEETING OF
SHAREHOLDERS
August 11, 2011
St. Andrews Club & Conference Centre,
150 King Street West, 27th Floor
Toronto, Ontario Canada

All shareholders are encouraged to attend.