



GREAT CANADIAN GAMING CORPORATION

AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

As at March 17, 2011

(Dollar amounts expressed in millions, except for per share information)

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, 2010 and December 31, 2009, 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 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.

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, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants
March 16, 2011
Vancouver, British Columbia

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Financial Position
(Dollar amounts expressed in millions)
As at December 31,

		2010	2009
ASSETS			
CURRENT			
Cash and cash equivalents	Note 4	\$ 50.9	\$ 34.6
Short-term investments	Note 5	53.0	-
Restricted cash	Note 4	1.6	5.6
Accounts receivable		7.4	7.3
Due from Nova Scotia Gaming Corporation	Note 6	1.9	1.7
Prepays, deposits and other assets		5.9	7.2
		120.7	56.4
Property, plant and equipment	Note 8	675.9	735.6
Intangible assets	Note 9	136.7	167.6
Goodwill	Note 10	24.4	37.9
Future income taxes	Note 19	7.7	2.0
Other assets		2.0	4.6
		\$ 967.4	\$ 1,004.1
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 52.3	\$ 63.4
Income taxes payable		5.4	0.1
Long-term debt, deferred credits and other liabilities, current		3.1	2.9
		60.8	66.4
Long-term debt	Note 11	325.8	356.9
Derivative liabilities	Note 13	67.6	50.8
Deferred credits and other liabilities	Note 14	28.1	27.0
Future income taxes	Note 19	66.0	68.6
		548.3	569.7
SHAREHOLDERS' EQUITY			
Share capital and contributed surplus	Note 15	354.3	347.6
Accumulated other comprehensive loss	Note 16	(10.3)	(10.4)
Retained earnings		75.1	97.2
		419.1	434.4
		\$ 967.4	\$ 1,004.1

Contingencies (Note 26)
Commitments (Note 26 and Note 27b)

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Earnings (Loss)
(Dollar amounts expressed in millions, except for per share information)
For the years ended December 31,

		2010	2009
REVENUES	Note 17	\$ 383.5	\$ 382.2
EXPENSES			
Human resources		153.2	155.6
Property, marketing and administration		93.9	100.0
Amortization		55.9	48.5
Stock-based compensation		5.4	4.9
Restructuring and other	Note 18	2.3	13.4
		310.7	322.4
		72.8	59.8
Interest and financing costs, net	Note 11	28.0	29.2
Impairment of long-lived assets	Note 7	51.3	-
Impairment of goodwill	Note 7	14.2	-
Foreign exchange loss and other		0.5	0.8
(LOSS) EARNINGS BEFORE INCOME TAXES		(21.2)	29.8
Income taxes	Note 19	0.7	5.2
NET (LOSS) EARNINGS		\$ (21.9)	\$ 24.6
NET (LOSS) EARNINGS ATTRIBUTABLE TO:			
Shareholders of the Company		\$ (22.1)	\$ 23.5
Non-controlling interests		0.2	1.1
		\$ (21.9)	\$ 24.6
SHAREHOLDERS' NET (LOSS) EARNINGS PER COMMON SHARE	Note 20		
Basic		\$ (0.27)	\$ 0.29
Diluted		\$ (0.27)	\$ 0.28
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
Basic		82,641,029	82,182,940
Diluted		82,641,029	83,171,871

See Accompanying Notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Comprehensive Income (Loss)
(Dollar amounts expressed in millions)
For the years ended December 31,

	2010	2009
Net (loss) earnings	\$ (21.9)	\$ 24.6
Other comprehensive (loss) income, net of tax		
Current period changes in fair values of derivatives designated as cash flow hedges, net of income taxes of \$3.4 (2009 - \$9.7)	(13.4)	(25.1)
Loss on derivatives designated as cash flow hedges transferred to net (loss) earnings in the period, net of income taxes of \$3.9 (2009 - \$16.2)	14.3	39.9
Unrealized effect of foreign currency translation of foreign operations	(0.8)	(2.5)
Other comprehensive income	0.1	12.3
Comprehensive (loss) income	\$ (21.8)	\$ 36.9
Comprehensive (loss) income attributable to:		
Shareholders of the Company	\$ (22.0)	\$ 35.8
Non-controlling interests	0.2	1.1
	\$ (21.8)	\$ 36.9

See Accompanying Notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Cash Flows
(Dollar amounts expressed in millions)
For the years ended December 31,

	2010	2009
Cash Flows from Operating Activities		
Net (loss) earnings	\$ (21.9)	\$ 24.6
Adjustments to reconcile net earnings to cash generated by operating activities:		
Amortization	55.9	48.5
Impairment of long-lived assets	51.3	-
Impairment of goodwill	14.2	-
Stock-based compensation	5.4	4.9
Future income taxes	(8.8)	0.6
Non-cash interest and financing costs	1.7	1.6
Non-cash restructuring and other costs	1.7	4.2
Other	(0.8)	(1.2)
Changes in non-cash operating working capital	Note 21 3.0	10.6
Cash generated by operating activities	101.7	93.8
Cash Flows from Investing Activities		
Purchase of short-term investments	(53.0)	-
Purchase of property, plant and equipment, net of related accounts payable	(26.1)	(86.7)
Proceeds from the sale of property, plant and equipment	4.3	4.6
Funds due from Nova Scotia Gaming Corporation for purchases of plant and equipment	(3.6)	(1.4)
Funds received from Nova Scotia Gaming Corporation	3.4	3.4
Restricted cash - construction holdbacks	3.8	4.0
Deconsolidation of TBC Teletheatre B.C.	Note 2 (1.4)	-
Promissory note receivable	-	0.7
Acquisitions related contingent payments	(0.1)	-
Cash used in investing activities	(72.7)	(75.4)
Cash Flows from Financing Activities		
Repayment of long-term debt	(14.1)	(87.1)
Proceeds from long-term debt	-	59.0
Common shares issued for cash, net of issuance costs	1.3	0.8
Cash used in financing activities	(12.8)	(27.3)
Effect of foreign exchange on cash and cash equivalents	0.1	(0.1)
Cash Inflow (Outflow)	16.3	(9.0)
Cash and cash equivalents, beginning of year	34.6	43.6
Cash and cash equivalents, end of year	\$ 50.9	\$ 34.6
Supplemental Disclosure		
Interest paid	\$ 27.2	\$ 28.2
Income taxes paid	\$ 4.1	\$ 2.8
Interest received	\$ 0.6	\$ 0.4

See Accompanying Notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Changes in Equity
(Dollar amounts expressed in millions)

	Common Shares		Contributed Surplus	Share Capital and Contributed Surplus	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Non-Controlling Interests	Total
	Number ⁽¹⁾	Amount						
At December 31, 2008	82,086	\$ 312.0	\$ 29.7	\$ 341.7	\$ (22.7)	\$ 73.7	\$ -	\$ 392.7
Stock-based compensation	-	-	4.9	4.9	-	-	-	4.9
Exercise of incentive stock options	288	1.1	(0.1)	1.0	-	-	-	1.0
Comprehensive income	-	-	-	-	12.3	23.5	1.1	36.9
Distribution of non-controlling interest	-	-	-	-	-	-	(1.1)	(1.1)
At December 31, 2009	82,374	\$ 313.1	\$ 34.5	\$ 347.6	\$ (10.4)	\$ 97.2	\$ -	\$ 434.4
Stock-based compensation	-	-	5.4	5.4	-	-	-	5.4
Exercise of incentive stock options	498	2.1	(0.8)	1.3	-	-	-	1.3
Comprehensive (loss) income	-	-	-	-	0.1	(22.1)	0.2	(21.8)
Distribution of non-controlling interest	-	-	-	-	-	-	(0.2)	(0.2)
At December 31, 2010	82,872	\$ 315.2	\$ 39.1	\$ 354.3	\$ (10.3)	\$ 75.1	\$ -	\$ 419.1

⁽¹⁾ Share information is presented in thousands of common shares.

GREAT CANADIAN GAMING CORPORATION

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Dollar amounts expressed in millions, 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 hotel and conference centre, two show theatres, and various associated food and beverage and entertainment facilities.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

a) *Principles of consolidation*

These consolidated financial statements include the accounts of the Company and its subsidiaries. Significant inter-company balances and transactions with subsidiaries are eliminated upon consolidation.

b) *Principal operating entities*

Entity	Ownership interest at December 31, 2010 and 2009
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.	50%

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 horseracing 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 it has significant influence over it. The equity method results in this investment being presented within the "other assets" line of the consolidated statements of financial position at December 31, 2010, 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 are recorded within the "foreign exchange loss and other" line of the consolidated statements of earnings (loss).

GREAT CANADIAN GAMING CORPORATION
Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Dollar amounts expressed in millions, except for per share information)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Uncertainty in management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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. Estimates are used for, but not limited to, impairment of goodwill and long-lived assets, estimated useful lives of property, plant and equipment and intangible assets, the fair value of net assets acquired in business combinations, the fair value of assets acquired in business transactions with non-monetary consideration (see Note 14), stock-based compensation, determination of fair value of derivatives and other financial instruments, income taxes and contingencies. Actual results may differ from those estimates.

d) Cash and cash equivalents

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

e) 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 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, limited to the extent that sufficient Approved Amounts have previously been made by the Company. Currently, the FDC percentage is 3% of the gross gaming 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 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.

GREAT CANADIAN GAMING CORPORATION
Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) 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 two of its BC racing properties to BCLC as contributions toward marketing programs. BCLC uses the contributions to fund various marketing programs. The Company records its contributions when incurred as property, marketing and administration expenses on the consolidated statements of earnings (loss).

g) Capital Reserve Account

The Amended and Restated Operating Contract (“AROC”) with the Nova Scotia Gaming Corporation (“NSGC”) includes a provision for reimbursement of certain 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.

h) 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 put in use over the estimated useful lives of the assets generally at the following rates:

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 interest, 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 ready for use, costs cease to be capitalized, are transferred from properties under development to their respective asset categories, and are amortized over the assets’ estimated useful lives down to the estimated residual value, if applicable.

GREAT CANADIAN GAMING CORPORATION
Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Intangible assets

The Company's finite-lived intangible assets consist primarily of electronic gaming rights, operational service agreements, siteholder agreements and horse racing licences. Intangible assets 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. Changes in the estimate of an intangible asset's useful life are treated as a change in accounting estimate and are applied prospectively.

Intangible assets are tested for impairment consistent with the method described for long-lived assets below (see Note 2 (k)).

j) Goodwill

Goodwill represents the excess of the purchase price of acquired companies over the estimated fair value of the tangible and intangible net assets acquired. Goodwill is tested 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 reporting units, including goodwill, to their fair values. The Company determines fair value using discounted cash flows. The excess of the carrying value amount over the fair value of goodwill, if any, is charged to operations in the period the impairment occurred.

k) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the carrying value of a long-lived asset intended for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the excess of the carrying value of the asset over its fair value.

l) 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) in the period that the debt facility is retired.

GREAT CANADIAN GAMING CORPORATION
Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Dollar amounts expressed in millions, except for per share information)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Comprehensive income (loss)

Comprehensive income (loss) consists of net earnings (loss) and other comprehensive income (“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.

n) Financial instruments

Financial instruments are initially recognized at fair value. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm’s-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values of financial instruments are based on independent prices quoted in active markets. In the absence of an active market, fair values are determined based on valuation models such as discounted cash flows, which require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. Subsequent measurement depends on management’s classification of the financial assets as held-for-trading, available-for-sale, held-to-maturity or loans and receivables, and financial liabilities as held-for-trading or other liabilities. The classification of financial instruments depends on the nature of and the purpose of the financial instruments, management’s choice and in some circumstances, management’s intentions.

Held-for-Trading

Financial instruments classified as held-for-trading are measured at fair value with the realized and unrealized changes in fair value recognized each reporting period through interest and financing costs, net on the consolidated statements of earnings (loss).

Available-for-Sale

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 that do not have a quoted price in an active market are recorded at cost. Each reporting period, available-for-sale assets are written down to fair value through interest and financing costs, net on the consolidated statements of earnings (loss) to reflect impairments that are considered to be other than temporary.

Held-to-Maturity, Loans and Receivables and Other Liabilities

Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost using the effective interest rate method.

GREAT CANADIAN GAMING CORPORATION
Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Financial instruments (Continued)

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

Financial instrument	Classification
Cash	Held-for-trading
Cash equivalents	Held-to-maturity
Short-term investments	Held-to-maturity
Restricted cash	Held-for-trading
Accounts receivable	Loans and receivables
Due from Nova Scotia Gaming Corporation	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Derivative liabilities	Cash flow hedge

o) Hedges

The Company entered into cross-currency interest rate swaps (see Note 13) 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 swaps as cash flow hedges. The fair value of these hedging instruments is included in the consolidated statements of financial position at December 31, 2010. The portion of the changes in fair values of the cross-currency interest rate swaps that is determined to be effective is recorded in OCI as changes in fair value of derivatives designated as cash flow hedges, and any ineffective portion is recorded as interest and financing costs, net 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 which are included in the foreign exchange loss and other line of 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 interest and financing costs, net on the consolidated statements of earnings (loss).

GREAT CANADIAN GAMING CORPORATION

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Dollar amounts expressed in millions, except for per share information)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Translation of foreign operations and foreign currency transactions

The Company's financial statements are presented in Canadian dollars. The Company's non-Canadian operations are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated into Canadian dollars using the exchange rates in effect on the dates of the consolidated statements of financial position. Revenues and expenses are translated at average exchange rates prevailing during the year. The resulting translation gains and losses are included as a separate component of OCI.

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 dates of the consolidated statements of financial position with the resulting gain or loss included in the foreign exchange loss and other line of the consolidated statements of earnings (loss) in the period in which it occurs.

q) Stock-based compensation

The Company applies the fair value method of accounting for all 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. The Company re-measures non-employee stock option awards at each reporting period and on the settlement date and recognizes the compensation expense over the contract life of the options or the option settlement date, whichever is earlier. The Company assumes that all awards will vest and recognizes the effect of forfeitures as they occur.

r) 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 and payable to 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 payable to 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 other associations as well as fees received based on off-site wagering on races simulcast to other associations.

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

GREAT CANADIAN GAMING CORPORATION
Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) *Income taxes*

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated tax payable for the current year. Future income taxes relate to the expected future tax consequences of differences between the carrying amount of items on the consolidated statements of financial position and their corresponding tax values. Future income tax assets, if any, are recognized only to the extent that, in the opinion of the Company, it is more likely than not that the future income tax assets will be realized. To the extent that the Company does not consider it more likely than not that a future income tax asset will be recovered, it provides a valuation allowance against the excess. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment or substantive enactment.

t) *Earnings (loss) per common share*

Basic earnings (loss) per common share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share are presented using the treasury stock method and are 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. CHANGES IN ACCOUNTING POLICIES

On January 1, 2010, the Company early adopted the following accounting standards of the Canadian Institute of Chartered Accountants ("CICA"): Business Combinations, Section 1582; Consolidated Financial Statements, Section 1601; and Non-Controlling Interests, Section 1602. These standards replace existing guidance and correspond to similar provisions of International Financial Reporting Standards. The standards change the accounting requirements for business combinations subsequent to January 1, 2010 and require all direct incremental costs incurred by the acquirer to effect the acquisition to be expensed, as opposed to being capitalized. The new standards also prevent any retroactive goodwill adjustments due to contingent consideration or trailing payments. With respect to contingent consideration or trailing payments on past business combinations, the standard in effect at the date of the acquisition will continue to apply. The new standards also require presenting the attribution of net earnings (loss) between the Company's shareholders and its non-controlling interests. The effect of this change is included in these consolidated financial statements.

GREAT CANADIAN GAMING CORPORATION

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Dollar amounts expressed in millions, except for per share information)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

No recently released Canadian accounting standards have been issued that are not yet effective that would have a significant impact on the Company other than the following:

The CICA has announced that Canadian GAAP for publicly accountable enterprise companies will be replaced with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for fiscal years beginning on or after January 1, 2011. As of January 1, 2011, the Company will prepare its consolidated financial statements in accordance with IFRS with comparative figures for 2010.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and restatement of the opening consolidated statement of financial position as at January 1, 2010. The Company's first financial statements presented in accordance with IFRS will be for the three-month period ended March 31, 2011.

4. CASH AND CASH EQUIVALENTS

	As at December 31,	
	2010	2009
Cash in banks	\$ 45.7	\$ 26.1
Cash floats	5.2	8.5
	\$ 50.9	\$ 34.6

Cash equivalents may include investments in term deposits, commercial paper, bankers' acceptances, money market investments and guaranteed investment certificates with original maturities within three months of the investment date.

Cash and cash equivalents excludes cash floats of \$15.9 (2009 - \$15.4) provided by BCLC for use in BC casino operations. Since these cash floats are owned by BCLC, they are not included in the Company's cash and cash equivalents balances. The Company has issued letters of credit in favour of BCLC as security for these amounts (see Note 26 (a)).

Restricted cash is comprised of \$0.6 (2009 - \$4.4) related to future payments for construction projects, \$0.6 (2009 - \$0.5) held for capital expenditures that require approval from OLG, and \$0.4 (2009 - \$0.7) for horsemen's purse pools.

5. 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.

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6. DUE FROM NOVA SCOTIA GAMING CORPORATION

The \$1.9 due from NSGC is the Capital Reserve Account receivable (2009 - \$1.7). The Capital Reserve Account receivable represents amounts spent by the Company on approved expenditures, plus accrued interest on the outstanding balance at bank prime plus 2% per annum, less repayments from the NSGC's Capital Reserve Account based on 5% of the gross operational revenues from the two Nova Scotia casinos.

7. 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. 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 property, plant and equipment and intangible assets have been impaired by \$32.1 and \$19.2, respectively. In addition, changes in expected future cash flows have resulted in the full goodwill impairment of \$14.2 associated with Flamboro Downs.

In connection with the impairment recorded for Hastings Racecourse, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of the change in estimate and the impairment recorded is approximately a \$1.3 increase in the annual non-cash amortization expense related to these assets on a prospective basis.

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8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and building improvements	Leasehold improvements	Equipment	Properties under development	Total
Cost						
Balance at December 31, 2008	\$ 77.8	\$ 510.4	\$ 65.7	\$ 89.4	\$ 87.6	\$ 830.9
Additions	0.2	0.8	0.2	2.5	71.4	75.1
Disposals	(0.1)	(0.4)	(2.6)	(6.5)	-	(9.6)
Reclassifications	1.4	132.7	6.9	6.6	(147.6)	-
Translation and other	(0.4)	(1.7)	(0.5)	(0.9)	-	(3.5)
Balance at December 31, 2009	\$ 78.9	\$ 641.8	\$ 69.7	\$ 91.1	\$ 11.4	\$ 892.9
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	\$ 76.7	\$ 652.7	\$ 71.4	\$ 95.8	\$ 9.2	\$ 905.8
Accumulated amortization and impairments						
Balance at December 31, 2008	\$ -	\$ (58.3)	\$ (7.3)	\$ (61.3)	\$ -	\$ (126.9)
Amortization	-	(20.8)	(4.2)	(10.3)	-	(35.3)
Disposals	-	-	1.1	2.7	-	3.8
Translation and other	-	0.3	0.2	0.6	-	1.1
Balance at December 31, 2009	\$ -	\$ (78.8)	\$ (10.2)	\$ (68.3)	\$ -	\$ (157.3)
Amortization	-	(27.9)	(5.1)	(9.2)	-	(42.2)
Disposals	-	-	0.1	0.9	-	1.0
Impairments ⁽¹⁾	(0.9)	-	(23.4)	(2.0)	(5.8)	(32.1)
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)	\$ (106.6)	\$ (38.4)	\$ (78.2)	\$ (5.8)	\$ (229.9)
Carrying amount						
At December 31, 2009	\$ 78.9	\$ 563.0	\$ 59.5	\$ 22.8	\$ 11.4	\$ 735.6
At December 31, 2010	\$ 75.8	\$ 546.1	\$ 33.0	\$ 17.6	\$ 3.4	\$ 675.9

⁽¹⁾ The impairment recorded during 2010 relates to Hastings Racecourse and other properties under development as described in Note 7.

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9. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder Agreements	Other	Total
Cost					
At December 31, 2008	\$ 74.1	\$ 34.6	\$ 106.0	\$ 1.7	\$ 216.4
Acquired through business combinations	-	-	-	0.8	0.8
At December 31, 2009	\$ 74.1	\$ 34.6	\$ 106.0	\$ 2.5	\$ 217.2
Acquired through business transactions	2.0	-	-	-	2.0
At December 31, 2010	\$ 76.1	\$ 34.6	\$ 106.0	\$ 2.5	\$ 219.2
Accumulated amortization and impairments					
At December 31, 2008	\$ (10.7)	\$ (7.1)	\$ (17.4)	\$ (0.7)	\$ (35.9)
Amortization	(4.2)	(4.2)	(5.2)	(0.1)	(13.7)
At December 31, 2009	\$ (14.9)	\$ (11.3)	\$ (22.6)	\$ (0.8)	\$ (49.6)
Amortization	(4.1)	(4.2)	(5.2)	(0.2)	(13.7)
Impairment ⁽¹⁾	(19.2)	-	-	-	(19.2)
At December 31, 2010	\$ (38.2)	\$ (15.5)	\$ (27.8)	\$ (1.0)	\$ (82.5)
Carrying amount					
At December 31, 2009	\$ 59.2	\$ 23.3	\$ 83.4	\$ 1.7	\$ 167.6
At December 31, 2010	\$ 37.9	\$ 19.1	\$ 78.2	\$ 1.5	\$ 136.7

⁽¹⁾ The impairment recorded during 2010 relates to Hastings Racecourse as described in Note 7.

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10. GOODWILL

	Total
Cost	
At December 31, 2008	\$ 48.9
Foreign exchange movements	(1.1)
At December 31, 2009	\$ 47.8
Additions for contingent consideration	1.1
Foreign exchange movements	(0.4)
At December 31, 2010	\$ 48.5
Impairments	
At December 31, 2008	\$ (9.9)
Impairment	-
At December 31, 2009	\$ (9.9)
Impairment	(14.2)
At December 31, 2010	\$ (24.1)
Carrying amount	
At December 31, 2009	\$ 37.9
At December 31, 2010	\$ 24.4

As part of the 2008 acquisition of Haney Bingo Plex, the Company agreed to pay additional cash consideration of up to \$1.3 over ten years if the bingo facility was upgraded to a Community Gaming Centre and once slot machines were installed and operating for profit. In July 2010, Haney Bingo Plex was approved for redevelopment as the Maple Ridge Community Gaming Centre and construction of the slot room commenced, thereby triggering the recognition of these future payments. The \$1.1 present value of these trailing payments has been recorded as a liability with a corresponding increase in goodwill. On October 15, 2010, the slot machines commenced operation.

The impairment recorded during 2010 relates to Flamboro Downs as described in Note 7.

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11. LONG-TERM DEBT

	As at December 31,	
	2010	2009
Term Loan B, net of unamortized transaction costs of \$1.5 (2009 - \$2.0)	\$ 161.2	\$ 171.3
Senior Subordinated Notes and unamortized premium of \$1.1 (2009 - \$1.3), net of unamortized transaction costs of \$3.6 (2009 - \$4.4)	166.6	175.6
Senior Secured Revolving Credit Facility	-	12.0
Other	-	0.1
	327.8	359.0
Less: current portion	2.0	2.1
	\$ 325.8	\$ 356.9

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

2011	\$ 2.0
2012	2.0
2013	2.0
2014	156.7
2015	169.1
Total repayments	331.8
Less: unamortized transaction costs and premium	4.0
Total long-term debt (including current portion)	\$ 327.8

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 \$200.0 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

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, 2010, the principal balance outstanding for the Term Loan B is US\$163.6 (2009 – US\$165.3). 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 of 6.1% per annum (see Note 13). 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 14, 2014.

The Revolving Credit Facility is denominated in Canadian dollars and has a five-year term that expires in February 2012. The interest rate on advanced amounts and the commitment fee on the unused facility (see Note 27 (c)) are based on the Company's Total Debt to Adjusted EBITDA ratio, which is calculated quarterly (see Note 12).

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11. LONG-TERM DEBT (Continued)

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

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 \$37.3 (2009 - \$35.1) (see Note 26 (a)) and borrowings on the Revolving Credit Facility of \$nil (2009 - \$12.0), at December 31, 2010 the Company had \$162.7 (2009 - \$152.9) remaining credit available on the Revolving Credit Facility. The counter-parties 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 of 6.6% per annum (see Note 13). 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 13 (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 and 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.

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11. LONG-TERM DEBT (Continued)

The transaction costs of establishing the Term Loan B and the Subordinated Notes 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 were \$2.7 and are recorded as a component of other assets on the consolidated statements of financial position, and are 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,	
	2010	2009
Interest and financing costs on long-term debt	\$ 28.7	\$ 29.7
Interest income	(0.7)	(0.5)
Interest and financing costs, net	\$ 28.0	\$ 29.2

Interest costs capitalized to property, plant and equipment that was under development during the year ended December 31, 2010 totalled \$nil (2009 - \$0.5).

12. 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, short-term investments, cash flows from operations, and established debt facilities to finance its properties' 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.

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12. CAPITAL DISCLOSURES (Continued)

At December 31, 2010 the Company is in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio ⁽¹⁾	< 5.00	2.90
Senior Debt to Adjusted EBITDA ratio ⁽¹⁾	< 3.50	1.42
Interest Coverage ratio ⁽¹⁾	> 2.25	5.04
Fixed Charge Coverage ratio ⁽²⁾	> 2.00	5.13

⁽¹⁾ Defined in the long-term debt agreement covering the Term Loan B and Revolving Credit Facility.

⁽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 has 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 June 29, 2010, Moody's reaffirmed the Company's ratings of Ba3 Stable Corporate Family Rating (CFR) and Probability of Default Rating (PDR), Ba2 rating of the senior secured credit facilities and B2 rating of the senior subordinated notes.

⁽⁴⁾ On July 9, 2010, Standard & Poor's upgraded their rating on the Company's Corporate Credit rating from BB Stable, the Secured Term Loan B and Revolving Credit Facility from BBB-, and the Subordinated Notes from BB-

13. DERIVATIVES

a) Cross-currency interest rate swaps

The Company entered into cross-currency interest rate 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 Note 27 (c)). As at December 31, 2010, the cross-currency interest rate swap agreements are:

Debt	Notional Principal		Interest Rate		Maturity Date
	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	
Term Loan B	\$163.6 ⁽⁵⁾	\$193.3 ⁽⁵⁾	US LIBOR+1.50%	6.1%	February 14, 2014
Subordinated Notes	\$170.0	\$201.1	7.25%	6.6%	February 15, 2015

⁽⁵⁾ 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.

At December 31, 2010, the Company's swap associated with the Term Loan B was in a \$44.7 liability position (2009 - \$35.1 liability) and is recorded in derivative liabilities on the consolidated statements of financial position. The swap associated with the Subordinated Notes was in a \$22.9 liability position (2009 - \$15.7 liability) and is recorded in derivative liabilities on the consolidated statements of financial position.

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13. DERIVATIVES (Continued)

a) *Cross-currency interest rate swaps (Continued)*

The Company has evaluated these cross-currency interest rate 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 changes in fair values of the swaps, net of income taxes, have been recorded in other comprehensive income.

The fair values of the Company's cross-currency interest rate swaps at December 31, 2010 and at December 31, 2009 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.

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, 2010 was \$nil (2009 - \$nil). The premium is amortized over the term of the Subordinated Notes using the effective interest method.

14. DEFERRED CREDITS AND OTHER LIABILITIES

	Year Ended December 31,	
	2010	2009
Deferred credits	\$ 23.3	\$ 24.0
Other liabilities	5.9	3.8
	29.2	27.8
Less: current portion	1.1	0.8
	\$ 28.1	\$ 27.0

On August 22, 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". Upon completion of the parking garage in August 2009, the Company started amortizing the deferred credit on a straight-line basis over a period of 32 years.

The accruals in relation to restructuring and other expenses (see Note 18) are included in other liabilities.

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15. 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

For the year ended December 31, 2010, the Company did not purchase any shares under its normal course issuer bid, which expired on December 15, 2010. During 2009, no common shares were purchased under the normal course issuer bids.

Subsequent to December 31, 2010, the Company received approval from the Toronto Stock Exchange ("TSX") to commence another normal course issuer bid for up to 2,000,000 of its common shares, representing approximately 2.4% of the Company's outstanding common shares. This bid commenced on January 27, 2011 and will end on January 26, 2012, 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 33,609 common shares, or 25% of the average daily trading volume of 134,427 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 at the time of a stock option grant. Stock options granted vest over three years and expire five years from the date of grant.

As at December 31, 2010, 1,321,563 stock options (2009 – 2,212,234) remained available for granting. Subsequent to December 31, 2010, 1,071,500 stock options were granted at an exercise price of \$7.14.

Outstanding stock options under the plan are as follows:

	2010		2009	
	Options ⁽¹⁾	Weighted-Average Exercise Price	Options ⁽¹⁾	Weighted-Average Exercise Price
Outstanding, beginning of year	6,025	\$ 7.12	4,406	\$ 11.87
Granted	1,940	7.62	3,527	2.76
Forfeited	(420)	11.03	(474)	12.28
Expired	(81)	16.92	(1,146)	10.96
Exercised	(498)	2.67	(288)	2.65
Outstanding, end of year	6,966	\$ 7.23	6,025	\$ 7.12

⁽¹⁾ Option information is presented as options for thousands of common shares.

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15. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

b) Stock option plan (Continued)

Options outstanding and exercisable at December 31, 2010 are as follows:

Exercise Price	Number Outstanding ⁽¹⁾	Weighted-Average Remaining Contractual Life	Outstanding		Number Exercisable ⁽¹⁾	Exercisable Options'	
			Options' Average	Weighted-Average Exercise Price		Weighted-Average Exercise Price	
\$2.62-\$3.99	2,460	2.7 years	\$	2.62	1,435	\$	2.62
\$4.00-\$9.99	2,202	3.9 years		7.23	756		6.88
\$10.00-\$11.99	1,976	0.9 years		11.86	1,976		11.86
\$12.00-\$14.99	328	1.8 years		13.91	305		13.90
	6,966	2.5 years	\$	7.23	4,472	\$	8.19

⁽¹⁾ Option information is presented as options for thousands of common shares.

The fair values of stock options granted during 2009 were determined using the Black-Scholes option pricing model with the following assumptions: no dividends are to be paid; average expected volatility of 56% (2009 – 49%); average risk-free interest rate of 1.2% (2009 – 1.2%); and expected life of 2.5 years (2009 – 2.5 years). The weighted average grant-date fair value per stock option granted during 2010 was \$2.67 (2009 – \$0.86).

During the year ended December 31, 2010, the total compensation expense related to the fair value of stock options was \$5.4 (2009 – \$4.9).

c) 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 up to 5% of their gross pay, with the Company matching 25% of the contributions. As at December 31, 2010, 802,727 (2009 – 866,325) common shares were held by employees under the Share Purchase Plan and 32% of employees participated in the Plan (2009 – 36%). Due to the uncertain economic climate during 2009, on April 1, 2009 the Company temporarily suspended its contribution match to the Share Purchase Plan. As at December 31, 2010, this temporary suspension is still in effect.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

	As at December 31,	
	2010	2009
Accumulated other comprehensive loss comprises:		
Changes in fair values of derivatives designated as cash flow hedges, net of income taxes	\$ (49.7)	\$ (36.3)
Loss on derivatives designated as cash flow hedges transferred to net earnings, net of income taxes	46.0	31.7
Unrealized effect of foreign currency translation of foreign operations	(6.6)	(5.8)
Accumulated other comprehensive loss	\$ (10.3)	\$ (10.4)

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17. REVENUES

	Year Ended December 31,	
	2010	2009
Gaming revenues	\$ 274.9	\$ 269.9
Facility Development Commission	30.2	29.2
Hospitality and other revenues	67.5	65.3
Racetrack revenues	23.3	28.7
	395.9	393.1
Less: Promotional allowances	(12.4)	(10.9)
Revenues	\$ 383.5	\$ 382.2

18. RESTRUCTURING AND OTHER

In 2008, the Company commenced expense reduction initiatives in anticipation of a weakened Canadian economy. Since that time, restructuring expenses associated with these initiatives have totalled \$15.2 (2009 - \$14.8). The following table summarizes the restructuring and other expenses incurred during the last two years:

	Type	Year Ended December 31,	
		2010	2009
Severance	Restructuring	\$ 0.3	\$ 9.0
Stock-based compensation	Restructuring	-	0.2
Vacated head office lease	Restructuring	0.1	3.2
Impairment of leasehold improvements	Restructuring	-	1.0
Business development expenses	Other	1.9	-
Restructuring and other expenses		\$ 2.3	\$ 13.4

The following table summarizes movements in the restructuring and other expense accruals associated with these initiatives:

	Severance	Vacated head office lease	Total
Restructuring and other expenses	9.0	3.2	12.2
Payments	(9.3)	(0.8)	(10.1)
Balance at December 31, 2009	0.5	2.4	2.9
Restructuring and other expenses	0.3	0.1	0.4
Payments	(0.6)	(0.8)	(1.4)
Balance at December 31, 2010	\$ 0.2	\$ 1.7	\$ 1.9

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19. INCOME TAXES

The Company's income tax expense is as follows:

	Year Ended December 31,	
	2010	2009
Current income tax expense	\$ 9.5	\$ 4.6
Future income tax (recovery) expense	(8.8)	0.6
	\$ 0.7	\$ 5.2
Basic federal and provincial statutory income tax rate	28.50%	30.00%
Expected income tax provision for the period	\$ (6.1)	\$ 8.9
Effect of:		
Non-deductible impairment of goodwill	4.4	-
Non-deductible stock-based compensation	1.5	1.5
Tax rate differential on impairment of long-lived assets	1.8	-
Changes in tax rates on future income taxes	(1.2)	(6.0)
Change in valuation allowance on future income tax assets	0.5	0.4
Other items	(0.2)	0.4
	\$ 0.7	\$ 5.2

Temporary differences and carry-forwards which give rise to future income tax assets and liabilities at December 31 are as follows:

	2010	2009
Future income tax asset (liability) arising from:		
Intangible assets	\$ (36.0)	\$ (44.9)
Property, plant and equipment	(32.5)	(35.4)
Deferred partnership income	(2.2)	(3.6)
Debt transaction costs	(0.8)	(0.3)
Deferred compensation costs	0.2	0.6
Uneconomic lease costs	0.4	0.6
Non-capital loss carry-forwards	1.2	3.5
Capital loss carry-forwards	1.2	1.2
Cross-currency interest rate swaps	1.3	1.8
Former debt redemption costs	3.2	4.0
Deferred credits	5.8	6.0
Other	(0.1)	(0.1)
	\$ (58.3)	\$ (66.6)

Presented on the consolidated statements of financial position at December 31 as follows:

	2010	2009
Future income tax assets	\$ 7.7	\$ 2.0
Future income tax liabilities	(66.0)	(68.6)
Future income tax liabilities, net	\$ (58.3)	\$ (66.6)

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19. INCOME TAXES (Continued)

The Company has non-capital loss carry-forwards for tax purposes of approximately \$4.6 (2009 - \$11.7) available to reduce future years' income for tax purposes. These losses will expire as follows:

2014 - 2015	\$	1.6
2026 - 2030		3.0
	\$	4.6

The Company has not recognized a future income tax asset for capital loss carry-forwards of \$4.9 (2009 - \$3.2), which may only be used to offset future capital gains. These losses may be carried forward indefinitely.

20. 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,	
	2010	2009
Shareholders' net (loss) earnings (A)	(22.1)	\$ 23.5
Weighted average number of common shares outstanding (B) ⁽¹⁾	82,641	82,183
Dilutive adjustment for stock options ⁽¹⁾	-	989
Diluted weighted-average number of common shares (C) ⁽¹⁾	82,641	83,172
Shareholders' net (loss) earnings per common share		
Basic (A/B)	\$ (0.27)	\$ 0.29
Diluted (A/C)	\$ (0.27)	\$ 0.28

⁽¹⁾ Share information is presented in thousands of common shares.

The following table summarizes the outstanding stock options that are not included in the above calculation because their effect would be anti-dilutive for the period:

	Year Ended December 31,	
	2010	2009
Options ⁽²⁾	6,966	3,043

⁽²⁾ Information is presented in thousands.

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21. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Year Ended December 31,	
	2010	2009
Restricted cash - operating	\$ 0.2	\$ 1.0
Accounts receivable	(0.2)	7.0
Income taxes receivable or payable	5.3	1.3
Prepays, deposits and other assets	1.2	1.2
Accounts payable and accrued liabilities	(3.5)	0.1
	\$ 3.0	\$ 10.6

22. 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"). Revenues and assets attributable to each geographic segment as at or for the year ended December 31 are as follows:

	2010			2009		
	Canada	US	Total	Canada	US	Total
Revenues	\$ 361.4	\$ 22.1	\$ 383.5	\$ 356.0	\$ 26.2	\$ 382.2
Property, plant and equipment	\$ 662.2	\$ 13.7	\$ 675.9	\$ 720.9	\$ 14.7	\$ 735.6
Goodwill	\$ 17.8	\$ 6.6	\$ 24.4	\$ 30.9	\$ 7.0	\$ 37.9
Total assets	\$ 945.6	\$ 21.8	\$ 967.4	\$ 977.2	\$ 26.9	\$ 1,004.1

23. RELATED PARTY TRANSACTIONS

On March 31, 2009, the Company acquired 100% of the outstanding common shares of the Canadian Gaming Institute Inc. ("CGI"), a casino dealer training company controlled by a director of the Company. The total cash purchase price for the common shares was \$0.6. This related party transaction was recorded at the exchange amount, which is the amount of consideration paid or received as negotiated by the related parties. In 2009, there were no transactions with CGI prior to the date of acquisition.

On May 1, 2009, the Company's Chairman and Chief Executive Officer entered into a shareholder agreement with Ridge Capital Amalgamated Corp. ("Ridge Capital"), which owns four million common shares in Great Canadian Gaming Corporation. Through this agreement, the Company's Chairman and Chief Executive Officer acquired the right to exercise the votes attached to these shares in return for indemnifying Ridge Capital in certain circumstances should the shares lose value. Ownership of the shares remains with Ridge Capital, subject to the terms of the shareholder agreement.

The Company has engaged the services of a company ("the Consulting company") whose shareholder was, until May 1, 2009, a director and officer of Ridge Capital. Human resources expenses for 2009 include \$0.3 in fees for the Consulting company's advice on the Company's strategic and operational efficiency initiatives. On May 13, 2009, the Company issued to the Consulting company options to acquire 280,000 common shares of the Company at an exercise price of \$4.40 per option. As these transactions were in the normal course of operations, they were measured at the exchange amount agreed to by the Consulting company and the Company.

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24. 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:

	2010	2009
Opening Approved Amounts at January 1,	\$ 385.7	\$ 357.3
Additional Approved Amounts	89.6	57.6
FDC receipts	(30.2)	(29.2)
Closing Approved Amounts at December 31,	\$ 445.1	\$ 385.7

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 the generation of sufficient gross gaming win and that the operating agreements with BCLC remain in good standing.

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, 2010 totalled \$1.6 (2009 - \$1.6).

26. COMMITMENTS, CONTINGENCIES AND LITIGATION

a) Letters of credit

As at December 31, 2010, letters of credit in the amount of \$37.3 (2009 - \$35.1) were outstanding as security primarily in connection with gaming cash floats, construction projects and service commitments.

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26. COMMITMENTS, CONTINGENCIES AND LITIGATION (Continued)

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.

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27. FINANCIAL INSTRUMENTS

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

Financial instrument	Risks			
	Credit	Liquidity	Market risks	
			Interest rate	Currency
Measured at amortized cost:				
Cash equivalents	x			x
Short-term investments	x		x	
Accounts receivable	x			x
Due from Nova Scotia Gaming Corporation	x			
Other assets	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			
Cross-currency interest rate swaps (included in 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:

	Year ended December 31,	
	2010	2009
Cash in banks	\$ 45.7	\$ 26.1
Short-term investments	53.0	-
Restricted cash	1.6	5.6
Accounts receivable	7.4	7.3
Due from Nova Scotia Gaming Corporation	1.9	1.7
	\$ 109.6	\$ 40.7

Cash in banks, restricted cash, and short-term investments: 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, Due from Nova Scotia Gaming Corporation, and Other assets: Credit risk associated with these assets is minimized due to their nature. The majority of these receivable balances are due from sales tax rebates from the federal and provincial governments, the Nova Scotia Gaming Corporation (a branch of that province's government) and other provincial gaming corporations, racetrack operators, a horseracing association, 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, 2010, the provision for doubtful accounts receivable totalled \$2.2 (2009 - \$0.6).

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27. FINANCIAL INSTRUMENTS (Continued)

a) *Credit risk (Continued)*

Cross-currency interest rate swaps: At December 31, 2010, the Company's swap associated with the Term Loan B was in a \$44.7 liability position (2009 - \$35.1) and the swap associated with the Subordinated Notes was in a \$22.9 liability position (2009 - \$15.7). The credit risk associated with these cross-currency interest rate 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 not be able to meet its financial obligations as they come close. The Company manages liquidity risk by monitoring its capital structure (see Note 12), 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 11). The Company expects the following maturities of its financial liabilities (including interest) and operating leases and contracts:

	Expected payments by period as at December 31, 2010					Total
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years		
Accounts payable and accrued liabilities	\$ 52.3	\$ -	\$ -	\$ -	\$ -	\$ 52.3
Payments related to cross-currency interest rate swaps	27.4	54.5	411.6	-	-	493.5
Receipts related to cross-currency interest rate swaps	(17.0)	(34.1)	(346.2)	-	-	(397.3)
Term Loan B and Subordinated Notes	17.0	34.1	346.2	-	-	397.3
Operating leases	3.9	3.6	1.4	3.0	-	11.9
Income taxes payable	5.4	-	-	-	-	5.4
Other contractual commitments	16.3	6.9	1.8	0.6	-	25.6
Total	\$ 105.3	\$ 65.0	\$ 414.8	\$ 3.6	\$ -	\$ 588.7

The expected payments related to the cross-currency interest rate swaps (see Note 13) represent the Canadian dollar fixed interest and principal payments required under these contracts.

The expected receipts related to the cross-currency interest rate 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, 2010 foreign currency exchange rate.

The Term Loan B and the Subordinated Notes (see Note 11) amounts represent interest and principal payments, converted to Canadian dollars at the December 31, 2010 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, 2010 of 1.79% has been applied to all future periods in the above table. The Subordinated Notes bear interest at a fixed rate of 7.25%.

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27. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk (Continued)

Operating leases and other contractual contracts include 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, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and commitments to NSGC to fund responsible gaming programs.

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 swaps and short-term investments, 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 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:

	Carrying amount December 31, 2010	Foreign Currency Risk ⁽¹⁾			
		-25%		+25%	
		Net earnings (loss)	OCI	Net earnings (loss)	OCI
Financial Assets					
Cash and cash equivalents	\$ 50.9	\$ (1.4)	\$ (1.0)	\$ 1.4	\$ 1.0
Accounts receivable	7.4	(0.1)	-	0.1	-
Financial Liabilities					
Accounts payable and accrued liabilities	52.3	0.3	0.6	(0.3)	(0.6)
Total (decrease) increase		\$ (1.2)	\$ (0.4)	\$ 1.2	\$ 0.4

⁽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.

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27. FINANCIAL INSTRUMENTS (Continued)

c) *Market risk (Continued)*

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 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 11 and 13). The fair values of the U.S. dollar denominated debt and related cross-currency interest rate 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 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. 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	2.25%	1.00%	0.50%
4.00 to < 4.50	1.88%	0.63%	0.40%
3.50 to < 4.00	1.63%	0.38%	0.35%
3.00 to < 3.50	1.38%	0.13%	0.30%
2.50 to < 3.00	1.13%	0.00%	0.25%
2.00 to <2.50	0.88%	0.00%	0.20%
< 2.00	0.75%	0.00%	0.18%

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27. FINANCIAL INSTRUMENTS (Continued)

d) *Fair values*

The fair values of cash and cash equivalents, restricted cash, accounts receivable, due from Nova Scotia Gaming Corporation, accounts payable and accrued liabilities and cross-currency interest rate swaps approximate their carrying values.

The Company's short-term investments and long-term debt instruments are Level 2⁽¹⁾ 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, 2010, the fair values of the Company's short-term investments totalled \$53.0 (2009 - \$nil) and the fair values of the Company's long-term debt instruments totalled \$334.0 (2009 - \$349.3).

The fair values of the Company's cross-currency interest rate swaps at December 31, 2010 were in a combined liability position of \$67.6 (2009 - \$50.8) and were determined based on credit risk adjusted discounted cash flows. The cross-currency interest rate swaps are considered Level 2⁽¹⁾ 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, 2010.

The Company does not hold any Level 1⁽¹⁾ financial assets or liabilities that are based on unadjusted quoted prices trading in active markets, or, Level 3⁽¹⁾ 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.

¹ References to Level 1; 2; and 3, relate to defined terms in CICA Handbook Section 3862.27A, *Financial Instruments – Disclosures*.

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28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ from those principles that the Company would have followed had its consolidated financial statements been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

Material variations between financial statement items under Canadian GAAP and the amounts determined under U.S. GAAP are presented in the following reconciliations, which were prepared to comply with the requirements of Item 17 of Form 20-F of the United States Securities and Exchange Commission.

There are no material variations that affected the consolidated statements of cash flows for the years ended December 31, 2010 and 2009. The material variations which affect the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of earnings (loss) for the years ended December 31, 2010 and 2009 are as follows:

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28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in millions of Canadian dollars)

As at December 31, 2010	Notes			Under U.S. GAAP
	Under CDN GAAP	a	b	
ASSETS				
Current				
Cash and cash equivalents	\$ 50.9	\$ -	\$ -	\$ 50.9
Short-term investments	53.0	-	-	53.0
Restricted cash	1.6	-	-	1.6
Accounts receivable	7.4	-	-	7.4
Due from Nova Scotia Gaming Corporation	1.9	-	-	1.9
Prepays, deposits, and other assets	5.9	-	-	5.9
	120.7	-	-	120.7
Property, plant and equipment	675.9	-	-	675.9
Intangible assets	136.7	-	-	136.7
Goodwill	24.4	-	-	24.4
Future income taxes	7.7	-	-	7.7
Other assets	2.0	-	-	2.0
	967.4	-	-	967.4
LIABILITIES				
Current				
Accounts payable and accrued liabilities	52.3	-	-	52.3
Income taxes payable	5.4	-	-	5.4
Long-term debt, deferred credit and other liabilities, current	3.1	-	-	3.1
	60.8	-	-	60.8
Long-term debt	325.8	-	-	325.8
Derivative liabilities	67.6	-	-	67.6
Deferred credit and other liabilities	28.1	-	-	28.1
Future income taxes	66.0	-	-	66.0
	548.3	-	-	548.3
SHAREHOLDERS' EQUITY				
Share capital and contributed surplus	354.3	(12.5)	-	341.8
Accumulated other comprehensive loss	(10.3)	-	(3.8)	(14.1)
Retained earnings	75.1	12.5	3.8	91.4
	419.1	-	-	419.1
	\$ 967.4	\$ -	\$ -	\$ 967.4

See accompanying notes.

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28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in millions of Canadian dollars)

As at December 31, 2009	Notes			Under U.S. GAAP
	Under CDN GAAP	a	b	
ASSETS				
Current				
Cash and cash equivalents	\$ 34.6	\$ -	\$ -	\$ 34.6
Restricted cash	5.6	-	-	5.6
Accounts receivable	7.3	-	-	7.3
Due from Nova Scotia Gaming Corporation, current	1.7	-	-	1.7
Prepays, deposits, and other assets	7.2	-	-	7.2
	56.4	-	-	56.4
Property, plant and equipment	735.6	-	-	735.6
Intangible assets	167.6	-	-	167.6
Goodwill	37.9	-	-	37.9
Future income taxes	2.0	-	-	2.0
Other assets	4.6	-	-	4.6
	1,004.1	-	-	1,004.1
LIABILITIES				
Current				
Accounts payable and accrued liabilities	63.4	-	-	63.4
Income taxes payable	0.1	-	-	0.1
Long-term debt, deferred credit and	2.9	-	-	2.9
	66.4	-	-	66.4
Long-term debt	356.9	-	-	356.9
Derivative liabilities	50.8	-	-	50.8
Deferred credit and other liabilities	27.0	-	-	27.0
Future income taxes	68.6	-	-	68.6
	569.7	-	-	569.7
SHAREHOLDERS' EQUITY				
Share capital and contributed surplus	347.6	(12.5)	-	335.1
Accumulated other comprehensive income (loss)	(10.4)	-	(3.4)	(13.8)
Retained earnings	97.2	12.5	3.4	113.1
	434.4	-	-	434.4
	\$ 1,004.1	\$ -	\$ -	\$ 1,004.1

See accompanying notes.

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28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

CONSOLIDATED STATEMENT OF EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)

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

For the year ended December 31, 2010	Notes		
	Under CDN GAAP	b	Under U.S. GAAP
REVENUES	\$ 383.5	\$ -	\$ 383.5
EXPENSES			
Human resources	153.2	-	153.2
Property, marketing and administration	93.9	-	93.9
Amortization	55.9	-	55.9
Stock-based compensation	5.4	-	5.4
Restructuring and other	2.3	-	2.3
	310.7	-	310.7
	72.8	-	72.8
Interest and financing costs, net	28.0	-	28.0
Impairment of long-lived assets	51.3	-	51.3
Impairment of goodwill	14.2	-	14.2
Foreign exchange loss (gain) and other	0.5	(0.4)	0.1
(LOSS) EARNINGS BEFORE INCOME TAXES	(21.2)	0.4	(20.8)
Income taxes	0.7	-	0.7
NET (LOSS) EARNINGS	\$ (21.9)	\$ 0.4	\$ (21.5)
NET (LOSS) EARNINGS ATTRIBUTABLE TO:			
Shareholders of the Company	(22.1)	0.4	(21.7)
Non-controlling interests	0.2	-	0.2
	\$ (21.9)	\$ 0.4	\$ (21.5)
SHAREHOLDERS' NET (LOSS) EARNINGS PER COMMON SHARE			
Basic	\$ (0.27)		\$ (0.26)
Diluted	\$ (0.27)		\$ (0.26)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
Basic	82,641,029		82,641,029
Diluted	82,641,029		82,641,029
NET (LOSS) EARNINGS	(21.9)	0.4	(21.5)
OTHER COMPREHENSIVE INCOME (LOSS)			
Changes in fair values of derivatives	(13.4)	-	(13.4)
Loss on derivatives	14.3	-	14.3
Unrealized effect of foreign currency translation	(0.8)	(0.4)	(1.2)
COMPREHENSIVE (LOSS) INCOME	\$ (21.8)	\$ -	\$ (21.8)

See accompanying notes.

GREAT CANADIAN GAMING CORPORATION
Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Dollar amounts expressed in millions, except for per share information)

28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME

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

For the year ended December 31, 2009	Notes		Under U.S. GAAP
	Under CDN GAAP	b	
REVENUES	\$ 382.2	\$ -	\$ 382.2
EXPENSES			
Human resources	155.6	-	155.6
Property, marketing and administration	100.0	-	100.0
Amortization	48.5	-	48.5
Stock-based compensation	4.9	-	4.9
Restructuring and other	13.4	-	13.4
	322.4	-	322.4
	59.8	-	59.8
Interest and financing costs, net	29.2	-	29.2
Foreign exchange loss (gain) and other	0.8	(1.4)	(0.6)
EARNINGS BEFORE INCOME TAXES	29.8	1.4	31.2
Income taxes	5.2	-	5.2
NET EARNINGS	\$ 24.6	\$ 1.4	\$ 26.0
NET EARNINGS ATTRIBUTABLE TO:			
Shareholders of the Company	23.5	1.4	24.9
Non-controlling interests	1.1	-	1.1
	\$ 24.6	\$ 1.4	\$ 26.0
SHAREHOLDERS' NET EARNINGS PER COMMON SHARE			
Basic	\$ 0.29		\$ 0.30
Diluted	\$ 0.28		\$ 0.30
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
Basic	82,182,940		82,182,940
Diluted	83,171,871		83,171,871
NET EARNINGS	24.6	1.4	26.0
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Changes in fair values of derivatives	(25.1)	-	(25.1)
Loss on derivatives	39.9	-	39.9
Change in foreign currency translation adjustments	(2.5)	(1.4)	(3.9)
COMPREHENSIVE INCOME	\$ 36.9	\$ -	\$ 36.9

See accompanying notes.

GREAT CANADIAN GAMING CORPORATION
Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Dollar amounts expressed in millions, except for per share information)

28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

Notes to the reconciliation between Canadian and U.S. GAAP as at and for the years ended December 31, 2010 and 2009

a) Stock-based compensation

Prior to 2006, under Canadian GAAP, the Company applied the fair value method of accounting for all stock option awards, recognizing compensation expense that was recorded as a charge against earnings. Under U.S. GAAP, these awards historically were accounted for under the recognition and measurement provisions of APB No. 25, "Accounting for Stock Issued to Employees" (APB 25), and its related interpretations. Effective January 1, 2006, the Company adopted Accounting Standards Codification ("ASC") Topic 718 "Stock Based Compensation", using the modified-prospective application transition method. Results for prior periods have not been restated. Because the fair value recognition provisions of ASC Topic 718 were materially consistent under the Company's equity plans, the adoption of ASC Topic 718 did not have a significant impact on the financial position or results of operations of the Company. Prior to the Company's adoption of ASC Topic 718, benefits of tax deductions in excess of recognized compensation costs were reported as an operating cash flow.

b) Foreign exchange loss (gain)

Under Canadian GAAP, a proportionate amount of the cumulative foreign currency translation account is recognized in net income on a partial realization or disposition of an investment in a self-sustaining foreign subsidiary. Under U.S. GAAP, ASC Topic 830 "Derecognition", such recognition occurs only when there has been a substantially complete realization of the investment.

GREAT CANADIAN GAMING CORPORATION
Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(Dollar amounts expressed in millions, except for per share information)

28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

Recent accounting pronouncements

The following U.S. GAAP accounting pronouncements made in the past year may affect the reconciliation of its financial statements prepared under Canadian GAAP to these determined under U.S. GAAP as presented to comply with the requirements of Item 17, of Form 20-F of the United States Securities and Exchange Commission:

In December 2010, the Financial Accounting Standards Board ("FASB") issued ASU 2010-29, "*Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*". This ASU clarifies the acquisition date that should be used for reporting the pro forma financial information disclosures in Topic 805 when comparative financial statements are presented. The amendments also expand the supplemental pro forma disclosures under Topic 805. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after January 1, 2011. The Company expects that the adoption of ASU 2010-29 will not have a material impact on its consolidated financial statements.

In April 2010, the FASB issued ASU 2010-16, "*Entertainment – Casinos (Topic 924): Accruals for Casino Jackpot Liabilities*". This ASU clarifies the accounting for casino base jackpot liabilities. The adoption of ASU 2010-16 is effective for fiscal years beginning on or after December 15, 2010. The Company expects that adoption of ASU 2010-16 will not have a material impact on its consolidated financial statements.

In March 2010, the FASB issued ASU 2010-11, "*Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives*". This update clarifies the embedded derivative scope exception and brings U.S. GAAP closer to IFRS. This ASU is effective for fiscal quarters beginning after June 15, 2010. The adoption of ASU 2010-11 did not have a material impact on the consolidated financial statements.

29. SUBSEQUENT EVENTS

On February 22, 2011, a municipal council vote in Tukwila, Washington resulted in a prohibition of the operation of card rooms in that city effective January 1, 2016. Unless the municipality subsequently reverses this decision, the Company's Tukwila card room will be closed in January of 2016. Consequently, the facility's long-lived assets will be amortized over their remaining useful lives to a maximum of five years. This legislative change has no impact on the Company's other Washington State locations.