

GAMEHOST INCOME FUND

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INITIAL FOUR MONTH PERIOD ENDED**

SEPTEMBER 30, 2003

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REVIEW ENGAGEMENT REPORT

To the Audit Committee of
Gamehost Income Fund

We have reviewed the consolidated Balance Sheet of Gamehost Income Fund as at September 30, 2003 and the consolidated Statements of Operations and Cash Flows for the four month period then ended. These consolidated financial statements are the responsibility of the Fund's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would not become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim consolidated financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the audit committee of Gamehost Income Fund to assist it in discharging its regulatory obligation to review these consolidated financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Chartered Accountants

Red Deer, Alberta
November 25, 2003

GAMEHOST INCOME FUND

INTERIM CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2003

(Unaudited)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,872,043
Accounts receivable	661,860
Inventories	65,171
Prepaid expenses	<u>123,641</u>
	4,722,715

PROPERTY, PLANT & EQUIPMENT (Note 4) 19,648,438

GOODWILL AND LICENSES (Note 5) 46,079,216

\$ 70,450,369

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 1,370,912
Unitholder distributions payable	<u>809,123</u>
	<u>2,180,035</u>

UNITHOLDERS' CAPITAL

CLASS B LIMITED PARTNERS' CAPITAL (Note 6) 36,753,323

UNITHOLDERS' CAPITAL 31,517,011

68,270,334

\$ 70,450,369

On behalf of the Board:

David J. Will, Director

Darcy J. Will, Director

GAMEHOST INCOME FUND

**INTERIM CONSOLIDATED STATEMENT OF
RETAINED EARNINGS AND UNITHOLDERS' CAPITAL
FOUR MONTHS ENDED SEPTEMBER 30, 2003
(Unaudited)**

	Class B Limited Partners	Unitholders	Total
BALANCE, BEGINNING OF PERIOD	\$ -	\$ -	\$ -
ISSUED IN EXCHANGE FOR PROPERTY, PLANT & EQUIPMENT	37,878,000	-	37,878,000
ISSUED UPON EXCHANGE OF SHARES OF SERVICE PLUS HOSPITALITY LTD.	-	11,981,454	11,981,454
ISSUED PURSUANT TO OFFERING MEMORANDUM	-	20,500,006	20,500,006
REORGANIZATION COSTS	(1,233,668)	(1,057,875)	(2,291,543)
NET INCOME	1,851,379	1,587,563	3,438,942
DISTRIBUTIONS TO UNITHOLDERS	<u>(1,742,388)</u>	<u>(1,494,137)</u>	<u>(3,236,525)</u>
BALANCE, END OF PERIOD	<u>\$ 36,753,323</u>	<u>\$ 31,517,011</u>	<u>\$ 68,270,334</u>

GAMEHOST INCOME FUND

**INTERIM CONSOLIDATED STATEMENT OF OPERATIONS
FOUR MONTHS ENDED SEPTEMBER 30, 2003
(Unaudited)**

REVENUE

Hotel revenue	\$ 1,100,153
Table games	1,319,425
Slot machines and other electronic games	2,970,122
Food and beverage services	979,407
Other	<u>606,862</u>
	<u>6,975,969</u>

EXPENSES

Corporate and general administration (Note 7)	356,829
Cost of goods sold	420,264
Human resources	1,374,637
Marketing and promotions	369,151
Occupancy	619,985
Operating	<u>232,169</u>
	<u>3,373,035</u>

INCOME BEFORE AMORTIZATION OF

PROPERTY, PLANT & EQUIPMENT	3,602,934
AMORTIZATION OF PROPERTY, PLANT & EQUIPMENT	<u>(163,992)</u>

NET INCOME \$ 3,438,942

PER UNIT INFORMATION:

Earnings per unit - basic	<u>\$ 0.49</u>
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GAMEHOST INCOME FUND

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOUR MONTHS ENDED SEPTEMBER 30, 2003
(Unaudited)**

CASH PROVIDED BY (USED FOR)

OPERATIONS

Net income	\$ 3,438,942
Add non-cash item:	
Amortization of property, plant & equipment	<u>163,992</u>
	3,602,934
Net changes in non-cash working capital:	
Accounts receivable	(661,860)
Inventories	(65,171)
Prepaid expenses	(123,641)
Accounts payable	<u>597,135</u>
Cash from operating activities	<u>3,349,397</u>

FINANCING

Distributions payable	809,123
Proceeds from sale of units	20,500,006
Reorganization costs	(2,291,543)
Unitholder distributions	<u>(3,236,525)</u>
Cash from financing activities	<u>15,781,061</u>

INVESTMENTS

Purchase of goodwill and licenses	(7,544,990)
Purchase of property, plant & equipment	<u>(7,713,425)</u>
Cash (used for) investment activities	<u>(15,258,415)</u>

INCREASE IN CASH AND CASH EQUIVALENTS 3,872,043

**CASH AND CASH EQUIVALENTS,
BEGINNING OF PERIOD**

-

CASH AND CASH EQUIVALENTS, END OF PERIOD

\$ 3,872,043

SUPPLEMENTARY INFORMATION:

Cash interest paid	<u>\$ 5,532</u>
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DISCLOSURE OF NON-CASH TRANSACTIONS (Note 1)

GAMEHOST INCOME FUND

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(Unaudited)**

1. SUMMARY OF PLAN OF ARRANGEMENT

Gamehost Income Fund is an unincorporated open-ended trust governed by the laws of the province of Alberta and was formed on April 9, 2003 pursuant to the Gamehost Trust Agreement.

The Fund was created to acquire specific gaming and hotel facilities formerly owned by Service Plus Hospitality Ltd., Will Inns Ltd. and Boomtown Casino Ltd. These acquisitions were completed on June 1, 2003 through a Plan of Arrangement that resulted in the previous Service Plus Hospitality Ltd. shareholders indirectly exchanging their shares for Units in the Fund or Class "B" Limited Partnership units in Gamehost Limited Partnership. Will Inns Ltd. and Boomtown Casino Ltd. exchanged their specific assets for Class "B" Limited Partnership units in Gamehost Limited Partnership.

A summary of transactions is as follows:

	Service Plus Hospitality Ltd.	Will Inns Ltd.	Boomtown Casino Ltd.	Total
Assets acquired:				
Working capital	\$ 3,311,000	\$ -	\$ -	\$ 3,311,000
Property, plant & equipment	9,767,784	7,400,000	500,000	17,667,784
Licenses and goodwill	31,879,216	-	14,200,000	46,079,216
	<u>\$ 44,958,000</u>	<u>\$ 7,400,000</u>	<u>\$ 14,700,000</u>	<u>\$ 67,058,000</u>
Consideration:				
Cash	\$ 17,198,546	\$ -	\$ -	\$ 17,198,546
Gamehost Income Fund Units (Fund Units)	11,981,454	-	-	11,981,454
Class "B" Limited Partnership Units (LP Units)	15,778,000	7,400,000	14,700,000	37,878,000
	<u>\$ 44,958,000</u>	<u>\$ 7,400,000</u>	<u>\$ 14,700,000</u>	<u>\$ 67,058,000</u>

GAMEHOST INCOME FUND

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(Unaudited)**

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality.

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and credit card accounts.

b) Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by using the first-in, first-out method.

c) Property, plant & equipment

Property, plant & equipment are recorded at cost. Amortization is based on their estimated useful life using the following rates and methods:

Land improvements	- 8% straight line
Buildings	- 5% reducing balance
Leaseholds	- 5 to 7 years straight line
Furniture, fixtures and equipment	- 20% reducing balance

The Fund records one-half of the amortization rates in the year of acquisition.

d) Goodwill and licenses

Goodwill and licenses with indefinite useful lives will not be amortized but tested annually for impairment using a future undiscounted cash flow method. The Fund reviews the goodwill and licenses annually to determine if the carrying amounts exceeds its fair value. Where the carrying value exceeds its fair value, a charge against net income is recorded in the period in which the impairment occurred. Based on management's review, the Fund does not believe that an impairment in the carrying value of the goodwill and licenses has occurred and no provision for impairment has been recorded in these financial statements.

GAMEHOST INCOME FUND**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(Unaudited)****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**e) Revenue recognition

Revenues from gaming operations consist of the Fund's share of the gaming wins pursuant to its operating agreement with Alberta Gaming & Liquor Commission and are recognized on a daily basis.

Revenues from hotel operations are recognized when services are rendered.

f) Income taxes

Income earned directly by the Limited Partnership is not subject to income taxes as its income is taxed directly to the Limited Partnership unitholders or to the Fund unitholders.

g) Financial instruments

Financial instruments of the Fund consists of cash and cash equivalents, accounts receivable, accounts payable and unitholder distributions payable. There is no significant differences between the carrying value of these amounts and their estimated market values due to their short term maturities of these instruments. It is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments.

h) Principles of Consolidation

The consolidated financial statements include the accounts of all wholly owned subsidiaries, partnerships and trusts and its proportionate share of a joint venture. All significant accounts and transactions between consolidated entities are eliminated.

The LP Units are, to the greatest extent possible, the economic equivalent to a Unit in the Fund. They are exchangeable by the holder on a one-for-one basis into Units in the Fund. As such, the LP Units are treated as being equivalent to Fund Units.

3. REGULATIONS

The Fund's gaming operations are subject to regulations imposed by the Alberta Gaming & Liquor Commission.

GAMEHOST INCOME FUND

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(Unaudited)**

4. PROPERTY, PLANT & EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 3,832,600	\$ -	\$ 3,832,600
Land improvements	948,856	2,489	946,367
Buildings	12,962,803	91,639	12,871,164
Leaseholds	259,808	6,270	253,538
Furniture, fixtures and equipment	<u>1,808,363</u>	<u>63,594</u>	<u>1,744,769</u>
	<u>\$ 19,812,430</u>	<u>\$ 163,992</u>	<u>\$ 19,648,438</u>

The carrying value of projects in progress amounts to \$2,073,161, consisting of land of \$1,832,600 and development costs of \$240,561 and relates to the Deerfoot Inn & Casino Joint Venture. No amortization has been recorded in the accounts pertaining to these projects. No interest has been incurred relative to the projects.

During the period, the Great Northern Casino expanded its facility at a cost of \$1,852,270.

5. GOODWILL AND LICENSES

The goodwill in the amount of \$42,579,216 and licenses in the amount of \$3,500,000 were acquired on June 1, 2003. The goodwill and licenses are considered to have indefinite lives because they are expected to generate cash flow indefinitely.

GAMEHOST INCOME FUND

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(Unaudited)**

6. UNITHOLDERS' CAPITAL

An unlimited number of Fund Units and Class B Limited Partnership Units ("LP Units") may be created and issued pursuant to the Trust Agreement and Limited Partnership Agreement, as outlined in the Plan of Arrangement.

Fund Units represent an undivided interest in the Fund. LP Units represent a partnership interest in Gamehost Limited Partnership and are exchangeable on a one-for-one basis into Fund Units. Both Fund Unitholders and LP Unitholders are entitled to vote at meetings of the Fund and are entitled to distributions from time to time as determined by the Board.

Class "B" Limited Partnership Units

Balance, beginning of period	-
Issued in exchange for assets held by DJ Will Holdings Ltd.	1,577,800
Issued in exchange for assets held by Will Inns Ltd.	740,000
Issued in exchange for assets held by Boomtown Casino Ltd.	<u>1,470,000</u>
Balance, end of period	<u>3,787,800</u>

Fund Units

Balance, beginning of period	-
Issued pursuant to offering memorandum	2,050,000
Issued in exchange for shares of Service Plus Hospitality Ltd.	<u>1,198,051</u>
Balance, end of period	<u>3,248,051</u>
Denominator used in basic earnings per unit	<u>7,035,851</u>

As all units were issued effective June 1, 2003, the weighted average of equivalent units outstanding for the period is equal to the units issued during the period. The Fund did not have any options, warrants, rights or convertible instruments which would be potentially dilutive during the period.

GAMEHOST INCOME FUND**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(Unaudited)****7. RELATED PARTY TRANSACTIONS**

The acquisition of assets under the Plan of Arrangement (see Note 1) were conducted between related parties. Will Inns Ltd. is controlled by Mr. David J. Will and Boomtown Casino Ltd. is controlled by Mr. Darcy J. Will. Mr. David J. Will and Mr. Darcy J. Will were directors of Service Plus Hospitality Ltd.

Under the Plan of Arrangement, a substantive change in ownership occurred pursuant to a private placement of 2,050,000 special warrants which were converted on a one-for-one basis with Fund Units. The acquisition amounts of the purchased assets are recorded at fair value as supported by independent evidence. (see Note 1).

The Deerfoot Inn & Casino Joint Venture is jointly owned by Will Inns Ltd., Winners Gaming Corporation and JD Wood Investments Ltd. The Fund's 40% interest is accounted for utilizing the proportionate consolidation method. JD Wood Investments Ltd. is controlled by Mr. Jed Wood. Mr. David Will, Mr. Darcy Will and Mr. Jed Wood are trustees of the Fund.

Amounts payable to DJ Will Holdings Ltd. amounted to \$157,171 and are subject to normal credit and payment policies. DJ Will Holdings Ltd. is controlled by Mr. David J. Will.

Included in corporate and general administration is \$206,000 paid to Gamehost Management Inc. for management services. Gamehost Management Inc. is controlled by Mr. David J. Will and Mr. Darcy J. Will. Also included in corporate and general administration expense is \$112,033 representing professional fees paid to arms-length third parties for one-time expenses incurred pertaining to the Plan of Arrangement.

The transactions are measured at the exchange amounts which are the amounts agreed to by the related parties.

GAMEHOST INCOME FUND

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(Unaudited)**

8. DISTRIBUTABLE CASH

Distributable cash is defined as net income determined in accordance with Canadian generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including:

- i) adding the following items: amortization on property, plant & equipment, future income tax expense and losses on dispositions of assets; and
- ii) deducting the following items: future income tax credits, gains on dispositions of assets and capital maintenance expenditures.

Other adjustments may be made to Distributable cash as determined by a majority of the Trustees in their discretion. It is the intention of the Fund trustees to distribute sufficient income from the Fund so that the Fund will not have any liability for tax under Part I of the Income Tax Act.

Distributable cash for the period ended September 30, 2003 was as follows:

Distributable cash	\$	-
Net earnings for the period		3,438,942
Add:		
- Amortization of property, plant & equipment		163,992
- Capital expenditures		<u>-</u>
Distributable cash generated for the period		<u>\$ 3,602,934</u>
Distributions declared during the period		<u>\$ 3,236,525</u>

Subsequent to year end, Gamehost Income Fund announced monthly distributions of \$0.115 per unit for the months of October 2003 and November 2003.

GAMEHOST INCOME FUND

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(Unaudited)**

9. SEGMENTED INFORMATION

The Fund's operations are predominantly in the hotel accommodation and gaming industries. The Fund derives its revenues from marketing its services in Western Canada.

The hotel accommodation division includes the operations of the motor hotels and commercial real estate. The gaming division includes the operations of the casino facility. Head office and market research division includes administration and marketing functions.

	Hotel	Gaming	Head Office and Market Research	Consolidated
September 30, 2003 (4 months)				
Total revenue	<u>\$ 1,186,956</u>	<u>\$ 5,784,170</u>	<u>\$ 4,843</u>	<u>\$ 6,975,969</u>
Amortization of property, plant & equipment	132,966	27,026	4,000	163,992
Corporate and general administration (Note 7)	-	-	356,829	356,829
Cost of goods sold	22,698	397,566	-	420,264
Human resources	230,633	1,144,004	-	1,374,637
Marketing and promotions	42,436	326,715	-	369,151
Occupancy	113,961	506,024	-	619,985
Operating	<u>66,853</u>	<u>164,010</u>	<u>1,306</u>	<u>232,169</u>
	<u>609,547</u>	<u>2,565,345</u>	<u>362,135</u>	<u>3,537,027</u>
Net income (loss)	<u>\$ 577,409</u>	<u>\$ 3,218,825</u>	<u>\$ (357,292)</u>	<u>\$ 3,438,942</u>
Capital expenditures				
- completed projects	<u>\$ 9,189,163</u>	<u>\$ 8,550,106</u>	<u>\$ -</u>	\$ 17,739,269
Capital expenditures				
- projects in progress				<u>2,073,161</u>
Total capital expenditures				<u>\$ 19,812,430</u>
Total property, plant & equipment- net book value				
- Hotel	\$ 9,098,994			
- Gaming	8,476,283			
- Projects in progress	<u>2,073,161</u>			
	<u>\$ 19,648,438</u>			