



**2004 Third Quarter  
Interim Financial Statements  
for the nine month period ended September 30, 2004**



## Consolidated Balance Sheets

(un-audited)

	September 30, 2004	December 31, 2003
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,014,925	\$ 4,106,951
Accounts receivable	292,305	557,728
Current portion of Notes Receivable	7,246	28,210
Inventories	76,053	62,154
Prepaid expenses	154,501	65,355
Due from related parties (note 3)	8,986	-
	<u>5,554,016</u>	<u>4,820,398</u>
Notes receivable	77,193	77,193
Property, plant & equipment	20,811,305	19,316,493
Licenses (note 1)	3,500,000	3,500,000
Goodwill (note 1)	<u>42,579,216</u>	<u>42,579,216</u>
	<u>\$ 72,521,730</u>	<u>\$ 70,293,300</u>
<b>Liabilities and unitholder equity</b>		
Current liabilities:		
Accounts payable	\$ 1,043,042	\$ 344,509
Accrued liabilities	576,434	803,940
Due to related parties	-	164,472
Unitholder distributions payable	844,302	809,123
	<u>2,463,778</u>	<u>2,122,044</u>
Class B limited partnership units (note 4)	38,971,089	37,970,276
Unitholders' equity (note 5)	<u>31,086,863</u>	<u>30,200,980</u>
	<u>\$ 72,521,730</u>	<u>\$ 70,293,300</u>

see accompanying notes to consolidated financial statements

On behalf of the Board:

David J. Will, Director

"Signed by David J. Will"

Darcy J. Will, Director

"Signed by Darcy J. Will"



## Consolidated Statements of Unitholders' Equity

*(un-audited)*

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
Balance at the beginning of the period	\$ 30,200,980	\$ -
Issued In exchange For property, plant & equipment	-	-
Issued in exchange of shares of Service Plus Hospitality Ltd.	-	11,981,948
Issued pursuant to offering memorandum	-	20,500,000
Returned to treasury	-	(1,440)
Reorganization costs	27,682	(2,358,777)
Net income	4,366,099	2,693,930
Distributions to unitholders	<u>(3,507,895)</u>	<u>(2,614,681)</u>
Balance at the end of the period	<u>\$ 31,086,863</u>	<u>\$ 30,200,980</u>

## Consolidated Statements Of Operations

(un-audited)

	nine months ended September 30		three months ended September 30	
	2004	2003	2004	2003
Revenue				
Room revenue	\$ 2,425,613		\$ 769,080	
Table games	3,176,676		1,011,770	
Slot machines and other electronic devices	8,346,771		2,924,940	
Food and beverage services	2,856,455		977,475	
Lease revenues	218,843		73,296	
Other	1,477,152		494,725	
	<u>18,501,510</u>		<u>6,251,286</u>	
Expenses				
Cost of goods sold	1,162,483		394,450	
Human resources	4,147,119		1,378,390	
Marketing and promotions	484,257		198,056	
Operating	1,865,639		570,402	
Corporate and general administration	615,543		190,205	
	<u>8,275,041</u>		<u>2,731,503</u>	
Earnings before amortization and income allocation to Class B Limited Partners	10,226,469		3,519,783	
Amortization	(768,730)		(256,243)	
Income allocation to Class B Limited Partners	<u>(5,091,640)</u>		<u>(1,756,949)</u>	
Net income	<u>\$ 4,366,099</u>		<u>\$ 1,506,591</u>	
Earnings per unit				
Basic	<u>\$ 1.344</u>		<u>\$ 0.464</u>	

## Consolidated Statements of Cash Flows

(un-audited)

	nine months ended September 30, 2004	three months ended September 30, 2004
Cash provided by (used for) operations		
Net income	\$ 4,366,099	\$ 1,485,046
Add non-cash item:		
Allocation of net income to class B limited partners	5,091,640	1,778,494
Amortization of property, plant & equipment	768,730	256,243
	<u>10,226,469</u>	<u>3,519,783</u>
Net changes in non-cash working capital:		
Accounts receivable	265,423	387,951
Inventories	(13,899)	(18,389)
Prepaid expenses	(89,146)	131,016
Accounts payable and accrued liabilities	471,027	543,041
Unitholder distributions payable	35,179	-
	<u>10,895,053</u>	<u>4,563,402</u>
Financing		
Advances to/from related parties	(173,458)	10
Proceeds from sale of units	-	-
Reorganization costs	27,679	-
Proceeds from collection of notes receivable	20,964	7,120
Distributions to Class B Limited Partners	(4,090,824)	(1,363,608)
Unitholder distributions	(3,507,895)	(1,169,298)
	<u>(7,723,534)</u>	<u>(2,525,776)</u>
Investments		
Purchase of goodwill and licenses	-	-
Purchase of property, plant & equipment	(2,263,545)	(1,124,363)
	<u>(2,263,545)</u>	<u>(1,124,366)</u>
Increase in cash and cash equivalents	907,974	913,263
Cash and cash equivalents at the beginning of the period	<u>4,106,951</u>	<u>4,101,662</u>
Cash and cash equivalents at the end of the period	<u>\$ 5,014,925</u>	<u>\$ 5,014,925</u>
Supplemental cash flow information:		
Cash interest paid	280	10
Cash interest received	<u>36,292</u>	<u>-</u>

## Notes to Consolidated Financial Statements

for the nine months ended September 30, 2004

(un-audited)

### 1. Summary of the 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 began operations on June 1, 2003.

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 cash and 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.

The acquisition was accounted for by the purchase method of accounting whereas the purchase price is allocated to the identifiable tangible and intangible assets and liabilities based on their fair values, and any excess of the purchase price over the fair values of the tangible and intangible assets and liabilities is allocated to goodwill and intangibles. The Fund evaluates the allocation and makes all necessary classifications for recognizing and measuring intangible assets from goodwill in accordance with Canadian generally accepted accounting principles.

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	1,750,000	-	1,750,000	3,500,000
Goodwill	30,129,216	-	12,450,000	42,579,216
	<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>

The \$42,579,216 of acquired goodwill was assigned to the Hotel and Gaming segments in the amounts of \$4,579,216 and \$38,000,000, respectively. The \$3,500,000 of licenses was assigned entirely to the Gaming segment. Of the total amount of goodwill and licenses, \$19,362,937 will be included as part of eligible capital expenditure of which 75% will be amortized at 7% per annum for income tax purposes.

## Notes to Consolidated Financial Statements

for the nine months ended September 30, 2004

(un-audited)

### 2. Basis of Preparation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles; however, they do not include all of the disclosure requirements for annual consolidated financial statements. The same accounting principles as were used for the consolidated financial statements for the seven months ended December 31, 2003 were used in preparation of these statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the seven months ended December 31, 2003 including notes thereto.

Comparable prior year quarterly financial information is not available for the nine and three months ended September 30, 2004. Readers should be aware that the Fund began operating June 1, 2003 and the first reported quarter in September 2003 included four months of operation.

These interim consolidated financial statements have been neither reviewed nor audited by the Funds auditors.

### 3. Related Party Transactions

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

To this stage of the project's progress, contributions or accruals have been made in accordance with forecasted cash call assumptions. At the end of the period, amounts contributed to the Joint Venture equal the Fund's contributing responsibility of 47.75% of required capital. The amounts due from related parties are unsecured, are non-interest bearing and have no fixed repayment terms.

Due to related parties includes \$7000 payable to Gamehost Management Inc. which is equally and 100% owned by David J. Will and Darcy J. Will. A further \$1,986 is owed to D. J. Will Holdings a company owned and controlled by David J. Will.

Included in corporate and general administration is \$202,500 for management services to Mr. David J. Will and Mr. Darcy J. Will as employees of Gamehost Limited Partnership. These amounts have been accrued pending final approval by the board on a number of compensation matters including a unit option plan that has been deferred to Fund's Compensation Committee.

These transactions with related parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

## Notes to Consolidated Financial Statements

for the nine months ended September 30, 2004  
(un-audited)

### 4. Class B Limited Partnership Units

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

LP Units represent a partnership interest in Gamehost Limited Partnership and are exchangeable on a one-for-one basis into Fund Units. 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.

The LP Units have the attributes of a minority interest position and have been reflected in these consolidated financial statements as such.

As at September, 2004, there are 3,787,800 units outstanding (December 31, 2003 – 3,787,800). There were no units issued or redeemed during the Period.

During the nine months ended September 30, 2004, \$5,113,185 of income was allocated to the LP Units (seven months December 31, 2003 - \$3,141,455) and total cash distributions declared amounted to \$4,090,824 (seven months December 31, 2003 - \$3,049,179).

### 5. Fund Units

An unlimited number of Fund Units may be created and issued pursuant to the Trust Agreement. Fund Units represent an undivided interest in the Fund. Fund Unitholders are entitled to vote at meetings of the Fund and are entitled to distributions from time to time as determined by the Board.

As at September 30, 2004, 3,248,051 units are outstanding (December 31, 2003 – 3,248,051). There were no units issued or redeemed during the Period.

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.

### 6. 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 division includes the operations of the motor hotels and commercial real estate. The gaming division includes the operations of the casino facility. Food, beverage and entertainment functions are carried out within the casino facilities but have their own management reporting to the casino management. General Administration includes head office.

**Notes to Consolidated Financial Statements**  
for the nine months ended September 30, 2004  
(un-audited)

**6. Segmented Information (continued)**

	Hotel	Gaming	Food & Beverage	General Administration	Consolidated
<b>Operations</b>					
Total revenue	\$ 2,670,193	\$ 12,933,027	\$ 2,848,402	\$ 49,888	\$ 18,501,510
Amortization	369,896	227,720	151,813	19,301	768,730
Corporate & General admin	173,221	147,640	98,427	196,255	615,543
Cost of Goods Sold	47,523	-	1,114,960	-	1,162,483
Human Resources	549,286	2,345,846	781,949	470,038	4,147,119
Marketing & Promotions	109,607	207,994	138,663	27,993	484,257
Operating	330,859	834,731	700,130	(81)	1,865,639
	1,580,392	3,763,931	2,985,942	713,506	9,043,771
Net Income	\$ 1,089,801	\$ 9,169,096	(\$ 137,540)	(\$ 663,618)	\$ 9,457,739

Income allocation to LP Units (5,091,640)

Net income \$ 4,366,099

**Property, Plant & Equipment (PPE) and Intangibles**

Goodwill and Licenses \$ 46,079,216

PPE at beginning of the period

Working assets	9,106,915	5,141,955	3,427,970	103,882	17,780,722
Joint Venture - WIP	1,142,540	623,204	311,601	-	2,077,345
	10,249,455	5,765,159	3,739,571	103,882	19,858,067

PPE - Expenditures During the Period

Working assets	(175,238)	43,028	29,060	2,280	(100,870)
Joint Venture - WIP	1,300,428	709,325	354,662	-	2,364,415
	1,125,190	752,353	383,722	2,280	2,263,545

Total PPE \$ 22,121,612

Total PPE -Net Book Value

Hotel	\$ 8,304,881
Gaming	4,796,470
Food and beverage	3,196,414
General administration	71,781
Projects in progress	4,441,760
	<u>\$ 20,811,305</u>



## Notes to Consolidated Financial Statements

for the nine months ended September 30, 2004

(un-audited)

### 7. Investment in Joint Venture

The Fund is invested in Deerfoot Inn & Casino Inc. (the "Joint Venture"), a hotel/convention/entertainment/gaming project in Calgary, Alberta. The Fund holds a 40% Participating Interest and a 47.75% Project Contributing Responsibility in this joint venture. On receiving a construction permit and in accordance with the joint venture agreement, the Fund contributed an amount representing the difference between the Fund's Participating Interest and Contributing Responsibility. This amount is recorded as a separate asset in Property, Plant and Equipment. The Fund's consolidated financial statements also include its Participating Interest in the assets, liabilities, revenues and expenses and net income, and cash flows resulting from operating, investing and financing activities of the joint venture, which are as follows:

#### Gamehost Income Fund – Interest in Deerfoot Inn & Casino Inc For the nine months ended September 30, 2004

##### Balance Sheet

Cash	\$ 588,975
Other current assets	46,923
Total current assets	<u>635,898</u>
Non-current assets	4,019,092
	<u>\$ 4,654,990</u>
Current liabilities	445,792
Equity	4,209,198
	<u>\$ 4,654,990</u>

##### Cash Flows

Operating activities	\$ (457)
Investing activities	(4,019,092)
Financing activities	<u>4,597,105</u>
Increase in cash	577,556
Beginning cash	<u>11,419</u>
Ending cash	<u>\$ 588,975</u>