



**2008 Annual Financial Statements
for the year and three months ended December 31, 2008**

Auditor's Report

To the Unit Holders of Gamehost Income Fund

We have audited the consolidated balance sheets of Gamehost Income Fund ("the Fund") as at December 31, 2008 and 2007 and the consolidated statements of unit holders' equity, consolidated statements of operations and consolidated statements of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Fund's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and 2007 and the results of its changes in unit holders' equity, operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Hywood Helmer & Partners LLP

Chartered Accountants

Red Deer, Alberta
February 13, 2009

Consolidated Balance Sheets

	December 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,935,729	\$ 13,124,669
Restricted cash (note 10)	58,962	409,886
Accounts receivable	1,265,275	1,083,241
Inventories (note 7)	357,509	283,710
Prepaid expenses	311,656	465,935
Due from related parties (note 14)	28,149	6,805
	<u>14,957,280</u>	<u>15,374,246</u>
Property, plant and equipment (note 11)	44,675,730	34,331,178
Goodwill (note 5)	42,579,216	42,579,216
	<u>\$ 102,212,226</u>	<u>\$ 92,284,640</u>
Liabilities and unit holder equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,690,652	\$ 2,460,096
Revolving credit lines (note 13)	5,367,004	-
Current portion of capital leases	29,705	-
Demand loans (note 13)	22,216,324	13,103,527
Unit holder distributions payable	5,080,588	9,287,323
	<u>35,384,273</u>	<u>24,850,946</u>
Capital leases (note 13)	52,922	-
Future income taxes (note 12)	1,800,682	2,234,822
Minority unit holders' equity (note 16)	32,955,463	33,065,390
	<u>70,193,340</u>	<u>60,151,158</u>
Fund unit holders' equity (note 15)	32,018,886	32,133,482
	<u>\$ 102,212,226</u>	<u>\$ 92,284,640</u>
Commitments (note 17)		
Guarantees (note 18)		
Subsequent events (note 20)		

See accompanying notes to consolidated financial statements

On behalf of the Board:



David J. Will, Trustee



Darcy, J. Will, Trustee

Consolidated Statements of Fund Unit Holders' Equity

	<u>twelve months ended December 31</u>		<u>three months ended December 31</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of period	\$ 32,133,482	\$ 34,758,310	\$ 33,531,274	\$ 34,962,827
Net earnings	10,950,508	9,836,119	2,660,052	3,347,260
Distributions to Fund unit holders	<u>(11,065,104)</u>	<u>(12,460,947)</u>	<u>(4,172,440)</u>	<u>(6,176,605)</u>
Balance at end of period	<u>\$ 32,018,886</u>	<u>\$ 32,133,482</u>	<u>\$ 32,018,886</u>	<u>\$ 32,133,482</u>

See accompanying notes to financial statements

Consolidated Statements of Earnings and Comprehensive Income

	twelve months ended December 31		three months ended December 31	
	2008	2007	2008	2007
Revenue				
Hotel - rooming	\$ 8,388,939	\$ 8,627,579	\$ 2,064,243	\$ 2,078,365
Table games	7,995,889	8,055,372	1,914,623	2,045,494
Slot machines	21,714,095	23,289,647	5,448,615	5,897,451
Food and beverage services	12,355,089	12,490,930	3,632,964	3,551,157
Lease and rental	328,273	316,583	84,976	77,606
Other	4,782,678	4,839,793	1,163,654	1,261,677
	<u>55,564,963</u>	<u>57,619,904</u>	<u>14,309,075</u>	<u>14,911,750</u>
Expenses				
Cost of goods sold	3,942,862	4,066,786	1,146,800	1,126,508
Human resources	14,778,440	14,627,407	3,901,877	3,788,693
Marketing and promotions	2,702,653	2,209,816	721,149	600,308
Operating	7,048,562	6,349,269	1,876,817	1,599,386
Corporate and general administration	2,149,080	2,016,341	571,732	489,801
	<u>30,621,597</u>	<u>29,269,619</u>	<u>8,218,375</u>	<u>7,604,696</u>
Earnings before the following:	24,943,366	28,350,285	6,090,700	7,307,054
Interest charges	1,432,782	1,099,722	390,433	267,357
Future income taxes (recoveries) (note 12)	(434,140)	2,234,822	(380,005)	(101,497)
Unrealized loss on fair valuation of financial assets and liabilities	189,495		189,495	-
Amortization of property, plant and equipment	2,300,187	2,244,094	679,005	582,993
Amortization of licenses	-	3,500,000	-	-
Earnings allocation to minority interest	10,504,534	9,435,528	2,551,720	3,210,941
	<u>10,950,508</u>	<u>9,836,119</u>	<u>2,660,052</u>	<u>3,347,260</u>
Net earnings and comprehensive income	\$ 10,950,508	\$ 9,836,119	\$ 2,660,052	\$ 3,347,260
Earnings per unit, basic and fully diluted	\$ 1.016	\$ 0.913	\$ 0.247	\$ 0.311

See accompanying notes to financial statements

Consolidated Statements of Cash Flows

	twelve months ended December 31		three months ended December 31	
	2008	2007	2008	2007
Cash provided by (used for) operating activities				
Net earnings	\$ 10,950,508	\$ 9,836,119	\$ 2,660,052	\$ 3,347,260
Add non-cash items:				
Future income tax expense	(434,140)	2,234,822	(380,005)	(101,497)
Unrealized loss on fair valuation of financial assets and liabilities	189,495	-	189,495	-
Amortization of licenses	-	3,500,000	-	-
Amortization of property, plant & equipment	2,300,187	2,244,094	679,005	582,993
Allocation to minority interest	10,504,534	9,435,528	2,492,758	3,210,941
	<u>23,510,584</u>	<u>27,250,563</u>	<u>5,641,305</u>	<u>7,039,697</u>
Net changes in non-cash working capital:				
Accounts receivable	(182,034)	125,319	(109,670)	(349,973)
Inventories	(73,799)	(30,350)	(40,117)	(31,351)
Prepaid expenses	154,279	(143,973)	379,828	86,738
Accounts payable and accrued liabilities	353,914	187,575	591,946	111,099
	<u>23,762,944</u>	<u>27,389,134</u>	<u>6,463,292</u>	<u>6,856,210</u>
Cash provided by (used for) financing activities				
Advances (to) from related parties	(21,344)	(142,256)	106,763	(33,805)
Net advanced (repaid) on revolving loans	5,367,004	2,706,370	(10,763,021)	(1,945,018)
Net advanced (repaid) on demand term debt	9,112,797	-	9,112,797	-
Net advanced (repaid) on capital leases	(10,531)	-	(10,531)	-
Proceeds from collection of notes receivable	-	87,465	-	-
Distributions to minority unit holders	(12,761,551)	(11,608,978)	(2,199,087)	(2,066,882)
Fund unit holder distributions	(13,124,752)	(12,101,842)	(2,442,464)	(2,154,628)
	<u>(11,438,377)</u>	<u>(21,059,241)</u>	<u>(6,195,543)</u>	<u>(6,200,333)</u>
Cash provided by (used for) investing activities				
Property, plant and equipment	(12,513,507)	(889,895)	(24,080)	(226,811)
Increase (decrease) in cash and cash equivalents	(188,940)	5,439,998	243,669	429,066
Opening cash and cash equivalents	<u>13,124,669</u>	<u>7,684,671</u>	<u>12,692,060</u>	<u>12,695,603</u>
Closing cash and cash equivalents	<u>\$ 12,935,729</u>	<u>\$ 13,124,669</u>	<u>\$ 12,935,729</u>	<u>\$ 13,124,669</u>
Supplemental cash flow information:				
Interest earned	\$ 190,538	\$ 233,241	\$ 30,351	\$ 70,441
Interest capitalized	1,598,558	-	1,461,706	-

Non-cash transaction:

Purchase of property, plant and equipment and Accounts payable and accrued liabilities have been reduced by non-cash investing activities of \$38,107. Capital leases of \$93,196 have been removed from investing activities being non-cash investing activities.

See accompanying notes to financial statements



Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

1. Organization Structure

Fund

Gamehost Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 9, 2003 (the "Fund Agreement").

Trust

Gamehost Trust (the "Trust") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 10, 2003 (the "Trust Agreement"). All of the issued and outstanding units of the Trust are owned by the Fund. The trustees of the Trust are the trustees of the Fund.

Limited Partnership

Gamehost Limited Partnership (the "Limited Partnership") is a limited partnership formed under the laws of the Province of Alberta. The Limited Partnership owns the assets and business operations of the Fund. The Limited Partnership began operations of the Fund effective June 1, 2003.

Manager

The general partner of the Limited Partnership is Gamehost Management Inc. (the "Manager"). Pursuant to a management agreement (the "Management Agreement") between the Fund and the Manager, the administration and management of the Fund was delegated to the Manager.

Units

An unlimited number of Fund Units and Special Voting Units may be created and issued pursuant to the Fund Agreement. The Limited Partnership is authorized to issue unlimited numbers of both Fund Units and Class B Limited Partnership units ("B Units"). There are 10,773,153 Fund Units and 10,334,400 B Units of the Limited Partnership issued and outstanding. B Units are exchangeable, on a one-for-one basis, for Fund Units. Holders of Fund Units and holders of B Units have equal voting rights. Two additional units of the Fund issued for every unit outstanding on April 21, 2008 (effectively a 3 for 1 split). Otherwise, there has been no change in the number of units issued or outstanding during the Period.

2. Nature of Operations

The Fund's activities are currently confined to the Province of Alberta, Canada. Operations include the Boomtown Casino in Ft. McMurray, the Great Northern Casino in Grande Prairie and Service Plus Inns & Suites ("Service Plus"), a limited service hotel, also located in Grande Prairie. As a complement to the hotel, the Fund owns a retail complex (the "Strip Mall") that leases space to pub and full service restaurant operations. The Fund is a 40% joint venture partner in Deerfoot Inn & Casino Inc., (the "Deerfoot Joint Venture"), in Calgary and a 20% joint venture partner in Calgary West Hospitality Inc., (the "Stampede Joint Venture") that opened June 19, 2008 in Calgary.

Notes to Consolidated Financial Statements **years ended December 31, 2008 and December 31, 2007**

2. Nature of Operations (cont.)

Gaming operations of the Fund are controlled by the Alberta Gaming and Liquor Commission. Operations include Fund owned table games and the government owned slot machines and lottery ticket outlets. Hotel operations of the Fund include full and limited service hotels and banquet and convention services. Food, beverage and entertainment are offered at each of the Fund's casino locations.

It is the intent and practice of the Fund to distribute taxable income of the Fund to unit holders by way of regular monthly cash distributions.

3. Significant Accounting Policies

Basis of Preparation

These consolidated annual financial statements ("Financial Statements") of the Fund have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

These Financial Statements include the activities of the Fund, the Trust, the Limited Partnership with all its operating divisions, subsidiaries and the Fund's proportionate share of its joint ventures. The Fund's functional and reporting currency is in Canadian dollars.

Certain prior year figures have been reclassified to conform to the current method of presentation.

Principles of Consolidation

These Financial Statements include the accounts of wholly owned subsidiaries, partnerships and trusts and its proportionate share of two joint ventures. All significant accounts and transactions between consolidated entities are eliminated.

Estimates

Preparation of these Financial Statements requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities at the date of the Financial Statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates. Estimates are used when accounting for such items and matters as long-term contracts, allowance for doubtful accounts, inventory obsolescence, amortization, employee benefits, impairment of long-lived assets, accrued liabilities, intangibles, future income taxes and contingencies.

Cash and cash equivalents

Cash and cash equivalents consist of floats, bank balances and credit card accounts. US dollar balances have been converted to Canadian equivalents using exchange rates at December 31, 2008.

Inventories

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

Notes to Consolidated Financial Statements
years ended December 31, 2008 and December 31, 2007

3. Significant Accounting Policies (cont.)

Property, plant and equipment

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

- Land improvements - 2% straight line
- Buildings - 4% - 5% reducing balance
- Leaseholds - 5 to 10 years straight line
- Furniture, fixtures and equipment - 20% - 45% reducing balance
- Assets under capital lease - 33.33% straight line

Assets under capital lease are accounted for at cost. Amortization is based on their estimated useful life which is the same period over which they are financed being 3 years.

Long-lived assets

Long-lived assets, such as property, plant and equipment and tangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If such assets are considered to be impaired, the impairment is charged to operations in the period the impairment occurred. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenue recognition

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

Revenues from hotel operations and food and beverage sales are recognized when services are rendered.

Revenues from rental operations are recognized in accordance with the lease agreements.

Financial Instruments

Canadian GAAP requires that financial instruments be classified into one of the five categories; held for trading, held to maturity, loans and receivables, available for sale financial assets or other financial liabilities.

Classification Financial asset / liability	Measurement	
	Fair Value	Amortized Cost
Held for trading		
Cash and cash equivalents	✓	
Interest rate swap	✓	
Loans and receivables		
Accounts receivable		✓
Other liabilities		
Revolving credit lines		✓
Accrued and accounts payable		✓
Capital leases		✓
Term loans		✓

Notes to Consolidated Financial Statements **years ended December 31, 2008 and December 31, 2007**

3. Significant Accounting Policies (cont.)

Joint venture

The Fund's investment in joint ventures is accounted for using the proportionate consolidation method.

4. Adoption of New Accounting Standards

Capital Disclosure, section 1535

Effective January 1, 2008, the Fund adopted the recommendations of section 1535 of the CICA Handbook. This section specifies the disclosure of (i) the Fund's objectives, policies and processes for managing capital; (ii) quantitative data about what the Fund regards as capital; (iii) whether the Fund has complied with any capital requirements; and (iv) if the Fund has not complied, the consequences of such non-compliance. (see Note 6)

Inventories, section 3031

Effective January 1, 2008, the Fund adopted the recommendations of section 3031 of the CICA Handbook. This section requires inventory to be measured at the lower of cost and net realizable value. The standard also provides guidance on the costs to be included in inventory values. In addition, previous inventory write-downs must be reversed if the economic circumstances have changed to support an increased inventory value. (see Note 7)

Financial Instruments, section 3862 and section 3863

Effective January 1, 2008, the Fund adopted the recommendations of sections 3862 and 3863 of the CICA Handbook. These sections revise and enhance disclosure requirements, and carry forward unchanged the former section 3861's presentation requirements. These sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Fund manages those risks. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures will not be restated except for any requirement to restate currency translation adjustments as part of other comprehensive income. (see Note 8)

PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

All publically accountable enterprises will be required to report under IFRS for interim and annual periods beginning on or after January 1, 2011. The Fund will fully adopt IFRS effective January 1, 2011. Comparative figures for in and on the year ending December 31, 2010 will be restated to conform to the new provision.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

5. Goodwill

Goodwill and Intangible Assets, section 3450

This section replaces Goodwill and other Intangible Assets, section 3062 and Research and Development Costs, section 3450. The standard addresses when internally developed intangible assets meets the criteria for recognition as an asset. These changes are effective for fiscal years beginning on or after October 1, 2008 with earlier adoption permitted and will be adopted by the Fund on January 1, 2009. The Fund is currently evaluating the effects of adopting these changes.

Goodwill arose from the Asset Transfer Agreement of a Plan of Arrangement which saw the Great Northern Casino, Grande Prairie Real Estate consisting of Service Plus and the Strip Mall, Boomtown Casino and a 40% interest in the Deerfoot Joint Venture transfer to Gamehost Limited Partnership. Goodwill represents the excess of the purchase price of Boomtown Casino and Great Northern casino assets over the estimated fair value of the tangible and intangible net assets of these two casinos acquired at the time of transfer.

Goodwill is tested for impairment at least annually and whenever events or circumstances indicate that its carrying value may not be fully recoverable. Any impairment of goodwill is charged to operations in the period the impairment occurred. Management has determined that no impairment of the carrying value of goodwill at December 31, 2008.

6. Capital Disclosure

The Fund defines managed capital as cash and cash equivalents, short and long term debt and unit holders equity, which is comprised of issued units, organizational costs, cumulative earnings and comprehensive income and distributions declared. The Fund's objectives in managing capital are primarily to (i) provide a consistent, secure and growing source of cash for distribution to unit holders, (ii) maintain the productive capacity of the Fund, (iii) meet all debt servicing obligations and (iv) fund future expansions and acquisitions. The Fund may raise additional capital from time to time to pursue these objectives by issuing units or incurring additional debt.

	December 31, 2008	December 31, 2007
Liquidity:		
Cash and cash equivalents	12,935,729	13,124,669
Available credit facilities	2,832,996	4,500,000
Total liquidity	15,768,725	17,624,669
Managed debt	27,583,328	13,103,526
Equity		
Cumulative earnings and comprehensive income	94,832,772	83,775,602
Balance of equity net of distributions	(29,858,422)	(18,576,730)
Total Equity	64,974,350	65,198,872
Total managed capital	108,326,403	95,927,067

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

6. Capital Disclosure (cont.)

The Fund is subject to a minimum continuing net working capital position by the Alberta Gaming and Liquor Commission. The Fund's debt facilities are subject to certain covenants as described in Note 13. At December 31, 2008 the Fund was within all covenants except for the Stampede Joint Venture. The lender for the Stampede Joint Venture has not issued a notice of default and management is working with the lender to resolve the issue. The Fund began accelerating debt reduction during the year considering the markets general adversity to debt during the current economic crisis.

The Stampede Joint Venture entered into a 3 year interest rate swap agreement as a partial hedge against interest rate volatility. Otherwise, there were no other changes to the Fund's overall capital management strategy during the year.

7. Inventory

Inventories are recorded at the lower of cost or net realizable value, cost being determined by using the first-in first-out method. Inventories are limited to high turnover food, beverage and concession stuffs, uniforms and playing cards. During the year there were no reversals of write-downs or provisions recognized in prior periods.

8. Financial Instruments

The Fund's activities expose it to a certain financial risks. The Fund's risk management program focuses on the unpredictability of financial markets and endeavors to minimize the potential adverse effects on the Funds financial performance. The Fund does not purchase derivative financial instruments for speculative purposes. Material risks are monitored by management.

The Fund's financial instruments and the nature of the risks to which they are, or may be, subject to are set out in the following table:

Financial asset / liability	Risks				
	Credit	Liquidity	Market Risks		
			Currency	Interest Rate	Other Price
Cash and cash equivalents	✓		✓		
Accounts receivable	✓				
Revolving credit lines	✓			✓	
Accrued and accounts payable		✓			
Term loans		✓		✓	✓
Interest rate swap				✓	

Fair value

The fair value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, demand loan, due to/from related parties and unit holders distributions payable approximate their carrying value due to the short-term maturities of these instruments.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

8. Financial Instruments (cont.)

Foreign Exchange Risk

The Fund operates in Canada. The functional and reporting currency of the Fund is in Canadian dollars. The Fund is exposed, in its normal course of operations, to exchange rate risk from foreign exchange rate fluctuations. Foreign exchange risk arises because a Canadian dollar payable transaction denominated in foreign currencies may vary due to changes in exchange rates at the time the transactions are settled. Any differences in the settled amounts are recorded as part of cost of sales or expenses. Transactions in foreign currencies, mostly USA dollars, are not material. The Fund does not actively manage exposure to foreign exchange risk.

Interest Rate Risk

The Fund's interest rate risk arises primarily from its variable rate debt in the aggregate amount of \$24.3 million. The Stampede Joint Venture has hedged a portion of its interest rate risk (see note 13). A plus or minus 1% change in interest rates would impact annual earnings by \$243,000 on all floating rate debt.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks and credit exposure to customers. The Fund, in the normal course of operations, monitors the financial condition of its customers. The Fund does not have significant exposure to any individual customer or counterparty.

Carrying amounts of accounts receivable are reduced on an account specific basis when appropriate. The Fund does not currently carry an allowance for doubtful accounts. Carrying amounts of accounts receivable are reduced by direct write-off to earnings in the period of loss recognition. At December 31, 2008, all aged receivables are current within stated credit terms and customer historical payment practices.

Liquidity Risk

Liquidity risk arises from excess financial obligations over available financial assets due at any point in time. The Fund's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet ongoing liquidity requirements. The Fund achieves this by maintaining a conservative payout ratio on regular monthly distributable cash from operations and maintaining sufficient availability from committed debt facilities.

Contractual commitments of the Fund are reported in Note 18.

9. Letters of Credit

The Fund's gaming operations are subject to regulations imposed by the Alberta Gaming and Liquor commission. The Fund has provided letters of credit in favour of Alberta Gaming and Liquor Commission in the amount of \$48,000 for the purpose of maintaining liquor licenses.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

10. Restricted Cash

Restricted cash consists of progressive jackpot funds. Progressive jackpots are divided into two pots. The first and larger of the two is reserved for the eventual winner of the jackpot. The second is used to seed the next pot after a jackpot is won. The progressive jackpot funds are not available for use in general operations. Included in accounts payable is \$58,962 relating to progressive jackpots.

11. Property, Plant and Equipment

December 31, 2008	Cost	Accumulated Amortization	Net Book Value
Land	\$ 4,396,976	\$ -	\$ 4,396,976
Land Improvements	1,944,327	165,213	1,779,114
Buildings	37,276,483	4,704,950	32,571,533
Buildings for lease or rent	851,708	209,148	642,560
Leaseholds	2,491,969	733,876	1,758,093
Equipment under capital lease	93,159	10,319	82,840
Furniture, fixtures and equipment	7,305,820	3,861,206	3,444,614
	<u>\$ 54,360,442</u>	<u>\$ 9,684,712</u>	<u>\$ 44,675,730</u>

December 31, 2007	Cost	Accumulated Amortization	Net Book Value
Land	\$ 4,396,976	\$ -	\$ 4,396,976
Land Improvements	1,929,649	126,547	1,803,102
Buildings	25,852,414	3,502,957	22,349,457
Buildings for lease or rent	851,708	175,330	676,378
Leaseholds	2,491,968	467,777	2,024,191
Furniture, fixtures and equipment	6,193,185	3,112,111	3,081,074
	<u>\$ 41,715,900</u>	<u>\$ 7,384,722</u>	<u>\$ 34,331,178</u>

Certain equipment and machines housed on premises of the Fund are provided by and owned by Alberta Gaming and Liquor Commission and have not been included in these financial statements.

12. Income Taxes

Income taxes

Income earned by the Trust as a limited partner of the Limited Partnership is subject to income taxes. The Trust has established a policy to distribute all of its taxable income to unit holders of the Trust so that the Trust will not have any liability for tax under Part I of the Tax Act in any taxation year.

Income earned by the Fund as the sole unit holder of the Trust is subject to income taxes. The Fund has established a policy to distribute all of its taxable income to the unit holders of the Fund so that the Fund will not have any liability for tax under Part I of the Tax Act in any taxation year.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

12. Income Taxes (cont.)

Future income taxes

On June 12, 2007 Bill C-52 formalizing the Government of Canada's proposal to tax the distributions of income trusts became law. The new tax effectively treats income trusts as corporations for tax purposes beginning January 1, 2011. Distributions, under the rules, will first be taxed at the Fund level at a current rate of 31.5%. The net amount would then be distributable to unit holders and treated as dividends for tax purposes. As a result of the new tax, the Fund is required to recognize the future tax assets and liabilities expected to arise when the new tax becomes applicable. The Fund accounts for income taxes using the asset and liability method. Future income tax assets and liabilities are based on temporary differences between the tax treatment of assets and liabilities of the Fund and the accounting treatment of these same assets and liabilities reported on the Fund's financial statements to the extent that these differences will exist at 2011. Based on its assets and liabilities at December 31, 2008 and the expected tax rate of 31.5% for 2011, the Fund has estimated a future tax liability of \$1.8 million.

The Fund will not be liable for current income taxes until January 1, 2011. At December 31, 2008 temporary differences giving rise to future tax are as follows:

	Net Value (tax basis)	Net Value (accounting basis)	Temporary Differences
Plant and equipment	34,563,075	40,279,524	5,716,449

13. Loans

The Fund has a \$15.0 million demand loan with the Canadian Western Bank ("CWB"). Interest on this loan is 1.0% above the CWB Prime Lending Rate. The Fund is making blended monthly principal and interest payments on a \$9.0 million segment of the loan amortized over 10 years. \$6.0 million of this loan is advanced on a revolving basis. There are no specific debt covenants attached to this loan. Security for the loan includes;

- General security agreement for first charge on Service Plus, Great Northern Casino and the Strip Mall. The Net Book Value of these assets at the end of the year is \$13.3 million
- Demand collateral mortgage first charge on the total loan amount
- Assignment of rents and leases
- Assignment of all risk casualty and liability insurance

The Fund has a 40% Participating Interest Responsibility in the debt facilities of the Deerfoot Joint Venture. The Deerfoot Joint Venture has a demand loan secured by its land and buildings. Interest on this loan floats at 1.0% above the CWB Prime Lending Rate. A segment of this loan is re-advance able to the extent it does not exceed the total outstanding balance of the loan. The Fund's portion of the total outstanding balance of this loan is \$6.95 million. The Deerfoot Joint Venture loan has the following financial covenants:

1. Maximum debt to equity ratio of 3.00:1
2. Minimum debt service coverage of 1.25:1

The Fund has a 20% Participating Interest Responsibility in the debt facilities of the Stampede Joint Venture. The Stampede Joint Venture has a 5 year term loan being amortized over 15 years. Currently the loan is in the form of bankers acceptances (BA) with various rolling maturity periods of 30 and 60 days. One BA, representing \$3.6 million is tied to a 3 year interest rate swap maturing Oct 2011

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

13. Loans (cont.)

at 3.23% to the lenders cost of funds rate (a risk management facility has been arranged to facilitate hedging risks on interest rates swaps). The Stampede Joint Venture also has a revolving loan to fund the working capital requirements of the new casino. The Stampede Joint Venture loans have the following financial covenants:

1. Total Funded Debt to EBITDA (earnings before interest, taxes, depreciation and amortization) of less than or equal to 3.75:1, reducing as follows:
 - a. 12 months post Substantial Completion of less than or equal to 3.60:1;
 - b. 24 months post Substantial Completion of less than or equal to 3.00:1;
 - c. 36 months post Substantial Completion of less than or equal to 2.50:1;
2. Fixed Charge Coverage Ratio of not less than 1.25:1 at all times;
3. EBITDAR (EBITDA plus premises rent) Coverage Ratio of not less than 1.50:1 at all times, increasing as follows:
 - a. 24 months post Substantial Completion and thereafter of not less than 1.75:1; and
4. Minimum Equity of \$21 million plus 50% of annual net income to be maintained at all times.

Security for the loan includes:

- A debenture providing first ranking security interest over all current and future undertakings and property of the borrower;
- First ranking pledge of all securities in all current and future subsidiaries of the borrower;
- Guarantees limited to the amount of their respective participating interests and secured by Hypothecation Pledge of shares of the borrower from all present and future owners of the borrower;
- Joint and several guarantees from related parties, the Wills;
- First mortgage charge over the casino lease (the "Lease") with Calgary Exhibition and Stampede Limited;
- Assignment of the Lease and all rents

The Stampede Joint Venture at December 31, 2008 did not meet all required financial ratio covenants contained in the loan term sheet. Consequently, these loans are currently in technical default. Discussions are ongoing with the lender to resolve the deficiencies.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

13. Loans (cont.)

Credit Facilities		
	December 31, 2008	December 31, 2007
Authorized Maximum Loan amounts		
Demand loan	9,000,000	9,000,000
Revolving loan	6,000,000	-
Deerfoot Joint Venture - demand loan	8,800,000	8,639,701
Deerfoot Joint Venture - demand, revolving	800,000	800,000
Stampede Joint Venture – revolving	1,400,000	-
Stampede Joint Venture – risk management	600,000	-
Stampede Joint Venture – BA's	3,400,000	-
Stampede Joint Venture – BA w/swap agreement	3,600,000	-
	33,600,000	18,439,701
Outstanding balance		
Demand loan	8,384,641	5,300,000
Revolving loan	4,000,000	-
Deerfoot Joint Venture - demand loan	6,948,283	7,803,526
Stampede Joint Venture – revolving	1,367,004	-
Stampede Joint Venture – risk management	-	-
Stampede Joint Venture – BA's	3,303,600	-
Stampede Joint Venture – BA w/swap agreement	3,579,800	-
	27,583,328	13,103,526
Advances (payments) during the calendar year		
Demand loan	3,084,641	3,300,000
Revolving loan	4,000,000	-
Deerfoot Joint Venture - demand loan	(855,244)	(593,631)
Stampede Joint Venture – revolving	1,367,004	-
Stampede Joint Venture – risk management	-	-
Stampede Joint Venture – BA's	3,303,600	-
Stampede Joint Venture – BA w/swap agreement	3,579,800	-
	14,479,801	2,706,369
Interest rate		
Demand loan	4.00% (P + 1.00%)	7.00% (P + 1.00%)
Revolving loan	4.00% (P + 1.00%)	-
Deerfoot Joint Venture - demand loan	4.00% (P + 1.00%)	7.00% (P + 1.00%)
Stampede Joint Venture – revolving	3.00% (P))	-
Stampede Joint Venture – risk management	n/a	-
Stampede Joint Venture – BA's	4.00% (COF + 2.25%)	-
Stampede Joint Venture – BA w/swap agreement	5.48% (3.23% + 2.25%)	-

Capital leases

The Stampede Joint Venture has entered into a number of capital leases for equipment. Capital leases are for terms of three years at financing rates ranging from 5% to 10% per annum.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

14. Related Party Transactions

Related party transactions are measured at the exchange amount which is the amount agreed to by related parties. Related party balances are non-interest bearing with no specific terms of repayment.

The Fund had related party transactions with the persons of David Will and Darcy Will and/or companies owned or controlled by David Will and/or Darcy Will collectively (the "Wills"). Both David Will and Darcy Will are trustees of the Fund. Together, the Wills control 44.0% of the outstanding units of all unit classes of the Fund. Transactions with the Wills include the following:

- The Fund recorded \$922,582 (\$1,061,093 – 2007) of management services during the year which are included in Human resources expenses. At the end of the year \$16,469 (\$2,577 - 2007) remained in due to/from accounts. As Chief Executive Officer and Vice President, David Will and Darcy Will, do not receive any compensation from the Fund except fixed formula amounts through management services agreements.
- At the end of the year \$11,681 (\$nil - 2007) remained in due to/from accounts for excess contributions made to the Stampede Joint Venture over their contributing interest responsibility.
- The Fund recorded \$54,533 (\$314,961 – 2007) of charter aircraft rental expenses during the year which are included in Operating expenses. \$nil (\$52,945 – 2007) remains in accounts payable at the end of the year.
- The Fund recorded \$49,000 (\$45,500 – 2007) in trustee fees during the year which are included in Human resources expenses. At the end of the year \$1,525 (\$3,250 – 2007) remained in accounts payable.

The Fund recorded \$112,373 (\$79,641 – 2007) in trustee fees during the year paid to other trustees or companies controlled by other trustees of the Fund which are included under Human resources expenses. At the end of the year \$8,972 (\$16,000 – 2007) remained in accounts payable.

The Fund recorded \$30,230 (\$41,643 – 2007) in professional and administrative fees during the year paid to companies controlled by other trustees of the Fund. At the end of the year \$2,625 (\$6,750 – 2007) remained in accounts payable.

The Fund recorded \$210,138 (\$230,000 – 2007) of management services expenses during the year to other officers which are included under Human resources expenses. The Fund entered into a management services contract with the Chief Operating Officer of the Fund. Formerly the Chief Operating Office was compensated by salary.

15. Fund Unit Holders Equity

The Fund is authorized to issue an unlimited number of Fund Units. The Fund issued 2 additional units for every one unit outstanding on April 21, 2008 (effectively a 3 for 1 split). Otherwise, there were no changes in the number of issued or outstanding Fund Units during the Year. The weighted average of equivalent units outstanding for the Year is equal to the units issued. The Fund did not have any options, warrants, rights or convertible instruments that would be potentially dilutive during the year.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

15. Fund Unit Holders Equity (cont.)

Fund Unit Holders Equity	December 31, 2008		December 31, 2007	
	Units	\$'s	Units	\$'s
Balance at beginning of period	10,773,153	\$ 32,133,482	10,773,153	\$ 34,758,310
Net earnings		10,950,508		9,836,119
Distributions to Fund Unit holders		(11,065,104)		(12,460,947)
Balance at end of period	10,773,153	\$ 32,018,886	10,773,153	\$ 32,133,482

16. Minority Unit holders Equity

The Limited Partnership is authorized to issue an unlimited number of Class B Limited Partnership Units. The Limited Partnership issued 2 additional units for every one unit outstanding on April 21, 2008 (effectively a 3 for 1 split). Otherwise, there were no changes in the number of Class B Limited Partnership Units issued or outstanding during the year.

Minority Unit Holders Equity	December 31, 2008		December 31, 2007	
	Units	\$'s	Units	\$'s
Balance at beginning of period	10,334,400	\$ 33,065,390	10,334,400	\$ 35,583,320
Minority interest earnings allocation		10,504,534		9,435,528
Distributions to minority unit holders		(10,614,461)		(11,953,458)
Balance at end of period	10,334,400	\$ 32,955,463	10,334,400	\$ 33,065,390

17. Commitments

Deerfoot Joint Venture

The Fund has a 47.75% Contributing Interest Responsibility to the Deerfoot Joint Venture for any capital requirements. All current capital requirements of the Deerfoot Joint Venture have been satisfied. There were no requests for capital made by the Deerfoot Joint Venture during the year.

Stampede Joint Venture

The Fund has a 23.1% Contributing Interest Responsibility to the Stampede Joint Venture for any capital requirements. During the year \$5.4 million was contributed to honour this responsibility including \$323,489 for an additional cash call from the Stampede Joint Venture. Further cash calls are likely but can not be reasonably estimated.

All presently known capital requirements of the Stampede Joint Venture have been satisfied to date.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

17. Commitments (cont.)

Management Agreements

The Fund has a management services agreement with Gamehost Management Inc. The management agreement stipulates that Gamehost Management Inc. is entitled to a percentage of any earnings before interest, taxes, depreciation and amortization of the Fund.

The Fund has a management services agreement with 1068802 Alberta Ltd. The management agreement stipulates a fixed compensation rate for the Fund's Chief Operating Officer.

The Deerfoot Joint Venture has a management services agreement with 1016312 Alberta Ltd. The management agreement stipulates that 1016312 Alberta Ltd is entitled to a percentage of the gross revenues plus a percentage of any earnings before interest, taxes, depreciation and amortization of the Deerfoot Joint Venture.

The Stampede Joint Venture intends to enter into a management services agreement with 1016312 Alberta Ltd. Terms of the agreement have not yet been finalized, but are expected to be similar to those of the Deerfoot Joint Venture.

Other Commitments

The Fund has certain commitments for equipment, services and premises rent including the Funds Participating Interest Responsibility in commitments of joint ventures. At December 31, 2008 these commitments were;

<u>Operating Leases and service contracts</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>
	2,383,289	2,182,938	2,193,433	1,699,365	1,564,408	34,710,000

A rental commitment for the Stampede Joint Venture is arranged so that the greater of a set fee or percentage of revenue is paid for a lease of land from the Calgary Exhibition and Stampede Limited for a term of 50 years.

18. Guarantees

The Fund has entered into indemnification agreements with current trustees to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the trustees and officers as a result of any lawsuit, or any judicial, administrative or investigative proceeding in which the trustees and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents management from making a reasonable estimate of the maximum potential amount the Fund could be required to pay counterparties. The Fund has purchased directors' and officers' liability insurance.

The Fund provided an \$11.46 million unsecured limited liability guarantee to the Deerfoot Joint Venture to indemnify it in the event the Deerfoot Joint Venture does not perform its contractual obligations. At December 31, 2008, the maximum potential liability under this guarantee was \$8.0 million. The Fund has not recorded a liability with respect to this guarantee, as the Fund does not expect to make any payments in excess of what is recorded on the Financial Statements for the aforementioned items. The Fund has not charged a fee to the Deerfoot Joint Venture in regards to this guarantee. No specific assets have been provided as security.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

18. Guarantees (cont.)

The Fund's investment in the Stampede Joint Venture is made through 1363840 Alberta Ltd (the "Subsidiary"). The Subsidiary was created for the sole purpose of investing in the Stampede Joint Venture. The Subsidiary pledged its participating interest, being 20%, in the Stampede Joint Venture as collateral. At December 31, 2008, the maximum potential liability under this guarantee was \$5.4 being the funds provided under Subsidiary's contributing Interest responsibility.

The Fund provided an additional \$5.0 million unsecured limited liability guarantee to the lender to the Stampede Joint Venture to indemnify it in the event the Stampede Joint Venture does not perform its contractual obligations. The Fund has not recorded a liability with respect to this guarantee, as the Fund does not expect to make any payments in excess of what is recorded on the Financial Statements for the aforementioned items. The Fund has not charged a fee to the Stampede Joint Venture in regards to this guarantee.

19. Investment in Joint Ventures

The following financial statements report the Fund's proportionate share (Participating Interest) in joint venture(s) assets, liabilities, revenues and expenses and net income, and cash flows resulting from operating, financing and investing activities.

Deerfoot Joint Venture

The Fund has a 40% Participating Interest Responsibility and a 47.75% Contributing Interest Responsibility in Deerfoot Inn & Casino Inc., a Joint Venture, which operates Deerfoot Inn & Casino in Calgary, Alberta.

The Fund is severally liable for all obligations of the Deerfoot Joint Venture in proportion to its Participating Interest Responsibility or Contributing Interest Responsibility as the case may be. All Deerfoot Joint Venture partners are contingently liable for obligations of the Deerfoot Joint Venture in situations where other Deerfoot Joint Venture partners are in default as defined by the Deerfoot Joint Venture Agreement.

All of the assets of the Deerfoot Joint Venture are available for the purpose of satisfying any such obligation. No provision for any contingent amount payable has been accrued to these financial statements.

Stampede Joint Venture

The Fund, through its Subsidiary, has a 20% Participating Interest Responsibility and a 23.1% Contributing Interest Responsibility in Calgary West Hospitality Inc., a joint venture that constructed and opened the new Stampede Casino in Calgary, Alberta on June 19, 2008.

The Fund is severally liable for all obligations of the Stampede Joint Venture in proportion to its Participating Interest Responsibility or Contributing Interest Responsibility as the case may be. All Stampede Joint Venture partners are contingently liable for obligations of the Stampede Joint Venture in situations where other Stampede Joint Venture partners are in default as defined by the Stampede Joint Venture Agreement. All of the assets of the Stampede Joint Venture are available for the purpose of satisfying any such obligation. No provision for any contingent amount payable has been accrued to these financial statements.

Notes to Consolidated Financial Statements

years ended December 31, 2008 and December 31, 2007

19. Investment in Joint Ventures (cont.)

Transfer of the assets of the Stampede Joint Venture to a limited partnership is in progress. The restructuring is a requirement of the Alberta Gaming and Liquor Commission's licensing agreement. Operations of the Stampede Joint Venture will not be reported on a proportionate consolidation basis once the restructuring to a limited partnership is complete. The change will be treated prospectively with no restatement of prior periods. At change over, the Funds participating interest in the assets, liabilities and net income will be treated as an investment for reporting purposes.

Participating Interest of the Fund in Joint Ventures Balance Sheets

	December 31, 2008	December 31, 2007
Assets		
Current assets	\$ 6,266,484	\$ 6,505,332
Property, plant & equipment	26,231,799	15,534,269
	<u>\$ 32,498,283</u>	<u>\$ 22,039,601</u>
Liabilities and unit holder equity		
Current liabilities	\$ 16,296,489	\$ 8,918,001
Capital Leases	52,922	-
Unit holder equity	16,148,872	13,121,600
	<u>\$ 32,498,283</u>	<u>\$ 22,039,601</u>

Participating Interest of the Fund in Joint Ventures Statements of Operations and Cash Flows

	twelve months ended December 31	
	2008	2007
Revenue	\$ 19,381,423	\$ 19,993,835
Expenses	17,284,425	16,361,307
Net earnings	<u>\$ 2,096,998</u>	<u>\$ 3,632,528</u>
Cash provided by (used for) operating activities	\$ 5,328,527	\$ 8,091,811
Cash provided by (used for) financing activities	6,115,375	(4,273,631)
Cash provided by (used for) investing activities	<u>(11,629,935)</u>	<u>(704,878)</u>
Increase (decrease) in cash and cash equivalents	(186,034)	3,113,302
Opening cash and cash equivalents	5,705,123	2,591,821
Closing cash and cash equivalents	<u>\$ 5,519,089</u>	<u>\$ 5,705,123</u>

Notes to Consolidated Financial Statements
years ended December 31, 2008 and December 31, 2007

20. Subsequent Events

The Fund declared regular monthly distributions of \$0.0733 per units for both January 2009 and February 2009. The February distribution is payable March 13, 2009.