

Growth Opportunity



Deerfoot Inn & Casino

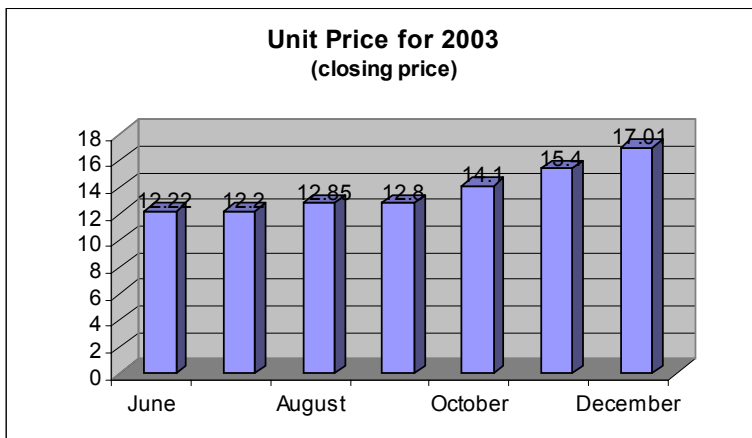
Calgary, Alberta



Annual Report 2003
For the 7 months ended December 31, 2003

Financial Highlights 2003

- Consistent growth in unit price, opening at \$10.00 per unit on June 1, 2003 and increasing to \$17.01 per unit on December 31, 2003.



- Excess distributable cash of \$675,737 (Excess of \$0.096 per unit).

Distributable Cash Generated	6,339,597
Distributions Declared	5,663,860
Distributable Cash Per Unit	\$ 0.901
Distributions Declared Per Unit	\$ 0.805

- Monthly cash distributions were consistent at \$0.115 per unit.
- Expense as a Percentage of Revenue is 49.1%

Revenue	12,530,430
Expenses	6,153,471
Earnings before Amortization and Income	
Allocation to Class B Limited Partners	6,376,959

Net Income 2,693,930

Per Unit Information:

Earnings per unit – basic \$0.829

- EBITDA return on revenue is 50.9%
- The Income Fund has no debt.
- Cash & Cash Equivalent Balance of \$4.106 million

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Fund Profile

Gamehost Income Fund (the "Fund") is an unincorporated open ended trust governed by the laws of the province of Alberta and was formed on April 9, 2003. On June 1, 2003, specific gaming and hotel facilities formerly owned by Service Plus Hospitality Ltd., Will Inns Ltd., Boomtown Casino Ltd. and 599754 AB Ltd were acquired through a plan of arrangement. The Fund now operates two casinos and a hotel all located in Alberta. These operations include **Boomtown Casino** in Fort McMurray, **Great Northern Casino** and **Service Plus Inns & Suites Hotel** both located in Grand Prairie. As complement to the Hotel the Fund owns a retail block that leases space to a liquor store, pub and full service restaurant operation. The Fund is also a joint venture partner (40%) in a hotel/convention/entertainment/casino development proposal for Calgary, Alberta (the "Joint Venture)". As of April 15, 2004, the proposal was advanced to Step 8 (Licensing) of the Casino Licensing Process, by the Alberta Gaming & Liquor Commission. Construction is expected to commence June 01, 2004, with an estimated completion date of Fall 2005.

The Fund distributes cash generated by owned and operated assets to unitholders on a monthly basis.

Growth

Our growth will come from:

- Continuing to market our comprehensive casino model at existing locations
- Potential increases in the number of gaming positions and devices at existing locations
- Acquiring additional casino operations
- Completing the construction and development of the new Deerfoot Inn & Casino project in Calgary. Gamehost holds a 40% interest in this project that has now commenced construction and has an estimated completion date of Fall 2005



Message from David J. Will, CEO

Mr. Will's Comments...

The year 2003 completes an exciting and rewarding period for our unit holders. To highlight the significant events for Gamehost:

- The plan of arrangement to form this open-ended trust initially occurred during April 2003.
- On June 01, Gamehost acquired the hotel and gaming real estate facilities and business operations previously owned by Service Plus Hospitality Ltd., Will Inns Ltd., Boomtown Casino Ltd., and 599754 Alberta Ltd.
- During July, the expansion to the Great Northern Casino was completed adding a number of gaming devices, and additional food and beverage space.
- In mid 2003, additional gaming devices were added to the Boomtown Casino.
- Gamehost surpassed our original expectations with a strong and consistent operational performance for all of the facilities during the first seven months of operation.
- December 22, 2003 the Deerfoot Inn and Casino Joint Venture was extended an opportunity to continue through the due diligence process relating to a Casino Facilities License Application previously filed by the Joint Venture for the development of a hotel/convention/casino/entertainment project in Calgary. Gamehost maintains a 40.0 % participating interest in the Joint Venture.

Operating Profits exceed \$ 6.3 million for the seven months of operation.

For the fiscal year 2003, we are pleased to report an operating profit of approximately \$ 6.38 million – representing an EBIDTA (Earnings before interest, taxes, depreciation, and amortization) per Trust and Class B Limited Partnership Unit of \$ 0.874 per unit. Gamehost has provided their unit holders an annualized operating return on initial trust unit equity of 14.9 %. – Outstanding unit holder value and performance as promised!

Revenues for 2003 have exceeded \$ 12.5 million. Operating and administrative expenses before amortization amounted to \$ 6.15 million – representing 49.1 % of revenues. This translated into an EBITDA return on revenue of 50.9 %., with no debt or debt service to report. The results achieved throughout 2003 stand as further proof Gamehost has clearly delivered on the commitment to provide their unit holders excellent returns on their investment.

Cash received from operating activities and changes in non-cash working capital exceeded \$ 6.84 million. Distributions to the unit holders amounted to \$ 2.61 million. Distributions to Class B Limited Partners totaled \$ 3.049 million representing combined cash distributions amounting to \$ 0.805 per trust and Class B Limited Partnership Unit. Proceeds from the initial plan of arrangement combined with these operational activities have provided a cash position of \$ 4.1 million at the fiscal year end closing.

With the enlargement of the Great Northern Casino completed, we anticipate a strong stream of revenues and profit activity throughout 2004. The original model concept in Grande Prairie with its complete and modern multi-service facilities have become recognized and respected as one of Western Canada's most successful accommodation and entertainment operations.

1. Hotel Operations

The 123 room Service Plus Inns and Suites of Grande Prairie has performed to the level of our challenging expectations. In 2003, we projected our operating profits to exceed \$ 1.16 million, and the operating return on direct revenue would also exceed 55.0 %. During the year the hotel's net cash flow exceeded \$ 1.24 million, and operating return exceeded 59.5 %. These are solid financial results for any hotel property in the industry.

A revenue base of over \$ 2.09 million for seven months of operation has been achieved through the effective implementation of promotional and marketing programs aimed toward developing a strong and diversified base of clientele. This performance stands as proof these programs were successful. It is our commitment to continue with this successful operating strategy throughout the 2004 fiscal year.

2. Casino Operations and Related Facilities

We are pleased and excited about the results achieved during the recent year. Operating net income exceeded \$ 5.7 million with combined revenues totaling \$ 10.27 million. This represents a return on operating revenue of 55.5 %. With the substantial enlargement and enhancement to the Great Northern Casino facilities, we expect further revenue growth potential through 2004. Operating net income should continue to maintain this strong and rewarding pace.

The "**model**" concept of entertainment, gaming, and hospitality in Grande Prairie developed by our founding organization *Service Plus Hospitality Ltd.* has proven very successful. These results not only reaffirm the effectiveness of our management strategy but also, assist in building the foundation for the future. There is tremendous potential for success for the "model concept" when it becomes replicated selectively. The Boomtown Casino in Ft. McMurray has also been developed and consistently operated under the same approach. The positive financial results provided from these facilities support the rewards attained through this selective replication.

Our outlook

With no debt and adequate funds to function, and strong management, Gamehost has the ability to proceed into new ventures. It is our intention to enhance the asset base of the company during the coming years. The Fund is currently involved in new development opportunities, primarily the Deerfoot Inn and Casino Ltd. Joint Venture. The development has progressed to Step 8 of the license application process and under construction as of June 01, 2004. In addition we are investigating internal expansion possibilities as well as outside acquisitions.

The quest in attaining our goal of becoming the best value in our industry has not been easy, nor is it completed. We strongly believe by our efforts to make every operation a top performer, to operate efficiently, and continue to grow - the trust will derive great benefits to our customers, guests and unit holders alike in 2004 and beyond.

Our challenge is to continue to listen to and understand our customers. We must clarify and communicate what we stand for in business, retain a high level of customer loyalty, and appeal to those customer segments which provide Gamehost the greatest opportunity for profitable sales growth.

In short, we must make our customer an integral part of every business decision. In doing so, we fully intend to give our client the right product and the right service and hospitality, and to give you the high levels of return you anticipated when you invested in our company.

Some acknowledgements...

With a team of over 300 people employed with Gamehost, we wish to thank all of our employees for contributing to the trust's success during this eventful and busy year of change. The year 2003 marks an important year of operation in this publicly traded open-ended trust. Gamehost is a very competitive organization, and our team of employees has proven, through their loyalty and dedication to superior customer service, they can rise and meet the challenge. We would also like to thank the members of our Board of Trustees for their contribution to the success of Gamehost Income Fund during the year. Our accomplishments during 2003 are truly a testament to the experience, abilities and teamwork of our people.

To our Unit holders...

During 2003, we have been most gratified by the shareholders' confidence in Gamehost Income Fund. Without the trust, confidence and commitment of our unit holders, our solid growth during the recent year simply would not have been possible. On behalf of everyone at Gamehost, we would like to thank you for your support and invite you to be a part of our exciting future.

I hope you find these results satisfactory and encouraging. In the meanwhile, we will continue to unleash the potential of these exciting and dynamic gaming and hospitality facilities.

(Signed David J. Will)

David J. Will
Chief Executive Officer
May 01, 2004

MANAGEMENT DISCUSSION & ANALYSIS
FOR THE INITIAL SEVEN MONTH REPORTING
PERIOD ENDED December 31, 2003

Discussion of Operations and Financial Condition

This discussion should be read in conjunction with reporting results for the year and quarter ended December 31, 2003.

Gamehost Income Fund is treated as a new entity for reporting purposes. As a result, the initial report includes results from June 1, 2003 through December 31, 2003, the ("Period"). Furthermore, no comparative financial information is available.

1. Facilities and Operations

In July of 2003, an expansion of the Grande Prairie casino was substantially completed one month later than projected. At December 31, 2003, the final completed cost of the expansion totaled \$1.86 million. At the time the expansion was opened the numbers of slot machines were increased to the maximum allowable for a minor casino. A smaller number of slot machines were added to operations in Ft. McMurray as well.

Management continues to concentrate on operating efficiencies and marketing initiatives that attract more customers to their properties.

2. Revenue

The Fund's model of combining live entertainment, food and beverage services and accommodation with gaming is producing the expected results. Demand for our model is growing. During the Period the Fund produced \$12.5 million in revenue. Hotel operations contributed \$2.1M (17%) of total revenue. Gaming operations contributed \$8.4M (67%) of total revenue and Food and Beverage Services contributed \$1.87M (15%) of total revenue.

Revenue Detail	Tables	Slot	Food & Beverage	Accommodation & Lease	Other	Total
\$'s	2,265,676	5,370,322	1,873,307	2,095,800	925,325	12,530,430
%	18%	43%	15%	17%	7%	100%

3. Expenses

Hotel operations accounted for \$1.11M (17%) of total expenses, Gaming operations accounted for \$2.74M (41%) of total expenses and Food and Beverage Services accounted for \$2.11M (31%) of total expenses. The remainder of total expenses, \$0.73M (11%), is made up of management and general salary and administration costs of the Fund including the Trust and Limited Partnership.

Direct and general administrative expenses including amortization of \$541,574 represent 53% of total Fund revenues.

Expense Detail	Cost of Sales	HR	Marketing	Occupancy	Other Operating	General Administration	Total
\$'s	802,038	2,530,455	581,929	1,211,154	301,860	1,267,609	6,695,045
% of Revenue	6%	20%	5%	10%	2%	10%	53%

4. Net Income

Net earnings before income allocated to Class B Unitholders totaled \$5.8 million or 47% of revenue for basic and fully diluted earnings per unit of 82.9 cents.

5. Hotel operations

Occupancy rates continue to be strong and are fueled by steady work in the resource and construction industries. Management actively markets the Grande Prairie hotel facility to executive, management, sales and procurement professionals as well as families. Our objective is to develop a high end diversified client base. To date our marketing efforts to this end have been successful there being a high volume of corporate travel to and from the Grande Prairie region.

A number of additional hotel projects are currently under development in Grande Prairie which will add additional capacity. We believe our positioning as a higher end facility together with our strong marketing efforts will minimize the impact of additional competition.

6. Gaming operations

The Fund's casinos generate revenue via commissions paid by Alberta Liquor and Gaming Commission ("AGLC") for operating AGLC owned slot machines and from winnings on table games owned and operated by the Fund. Strong employment in both Grande Prairie and Ft. McMurray where we operate have contributed to the revenue growth.

We are now seeing the benefits of our facility expansion in Grande Prairie and the inclusion of added and newer slot machines.

Boomtown Casino continues to benefit from very high activity in the resource and construction sectors in Ft. McMurray. The expanded Great Northern Casino in Grande Prairie is becoming more widely known as a destination entertainment facility for the northern areas of Alberta and British Columbia.

7. Food and Beverage

Food, beverage and entertainment sales are generated solely within our gaming facilities. Food, beverage, entertainment and gaming all benefit from co-existence. There is a demand for high quality food and live entertainment in both Ft. McMurray and Grande Prairie. Our facilities provide this in clean attractive venues that invite customers to return again and again.

Subsequent Events

The Alberta Gaming & Liquor Commission has advised the Deerfoot Inn and Casino Joint Venture, of which Gamehost Income Fund owns a 40% interest that its proposal for a new traditional casino facility license in the city of Calgary will proceed to Step 8 of the Casino Facility Application Process. Moving to Step 8 is not a guarantee that a Casino Facility License will be issued. The actual Casino Facility License will only be issued when Deerfoot Inn & Casino completes the building structure, parking and amenity package that was presented to the AGLC in its final proposal. Additionally, Deerfoot Inn & Casino must comply with all provincial and federal legislation, regulation, and policies and with municipal requirements, and produce any permits, licenses or authorizations necessary to operate. The corporation must also produce a certificate of title or other acceptable proof of right to occupy and control the premises. Should the proposed casino facility fail to comply with the approved proposal as submitted by Deerfoot Inn & Casino, the AGLC reserves the right to require changes to comply with the approved proposal or not issue a casino facility license until such time as the issues are addressed to the satisfaction of the AGLC.

Background

The Deerfoot Inn and Casino Joint Venture was formed for the purposes of constructing, developing and operating a 188 room hotel with water park, convention facilities, dining and beverage facilities and a 60,000 square foot casino entertainment facility in Calgary, Alberta.

The Deerfoot Inn and Casino Joint Venture acquired 13.1 acres of undeveloped land in the Douglasdale Business Park in southeast Calgary for \$4.58 million as a prospective site for the hotel and casino entertainment facility. The joint venture has obtained the necessary land use approvals from Calgary City Council and the required development permit from the Calgary Planning Commission.

In March, 2002, the Deerfoot Inn and Casino Joint Venture submitted an Expression of Interest to the AGLC, initiating the 8 step regulatory process for obtaining a casino license for the proposed casino facility.

The Joint Venture agreement documents the Participating Interests and the Contributing Interest of the Joint Venture partners as follows:

	Participating Interest %	Contributing Responsibility %
Gamehost Income Fund	40.00	47.75
Will Inns Ltd.	31.00	24.31
Winners Gaming Corporation	20.00	15.69
JM Wood Investments Ltd	9.00	12.25

Will Inns Ltd. is controlled by David Will, Trustee of the Fund. Winners Gaming Corporation is controlled by Darcy Will, a Trustee of the Fund. JM Wood Investments Ltd. is controlled by Jed Wood, a Trustee of the Fund.

On April 20, 2004, the AGLC moved the Joint Ventures application for a traditional gaming license for their proposed development in Calgary to Step 8 of the 8 step process. At this point a license is not approved. The completed facility must meet all requirements of federal and provincial legislation as well as municipal regulations and policies. Pending satisfactory review of these requirements the AGLC will recommend to their board that a casino facility licenses be granted. As such, the Joint Venture is expediting construction of the hotel/convention/entertainment/gaming facility. Further to this, the Joint Venture Agreement

stipulates that on commencement of construction an adjustment to the contributing interest percentage be made to the Joint Venture partners. As a result, \$461,000 became due to the Joint Venture from the Fund on that date.

Liquidity and Solvency

Gamehost Income Fund carries \$70.3 million in total assets and ends the reporting Period with \$4.1 million in cash and cash equivalents. The Fund has no debt. A \$250 thousand credit facility is available to the Limited Partnership, but to date has not been used.

Working capital position at the end of the Period was \$2.7 million with a current ratio of 2.3:1.

Business Risks and Outlook

Grande Prairie will see some increased hotel room capacity over 2004. A number of developments are in various stages of progress. The increased capacity may impact occupancy rates and potentially "rev par" which is a measure of earned average room rate for this market place. In anticipation of the added competition, management has stepped up its marketing program to affirm existing client relationships and to establish new ones.

AGLC has received an application for a second casino in Grande Prairie. If approved, this new casino would be in direct competition with our Great Northern Casino. The AGLC's Casino Facility Application Process is a long and arduous one giving management of the Fund significant lead time in mitigating any detriment to our local operation should it look like the application might proceed. Management will be following closely this application.

In addition to the Fund's interest in Deerfoot Inn & Casino Inc. proposed hotel/convention/entertainment/casino joint venture in Calgary, management is currently reviewing a number of additional development opportunities which would augment the entertainment model being followed.

Forward Oriented Financial Information (FOFI)

The Fund's Offering Memorandum issued April 14, 2003 set out a forecast of the Fund's results covering a twelve month period ending December 31, 2003. The Fund subsequently adopted the 'new entity method' of accounting for the first year of reporting. The new entity method stipulates the initial reporting period cover only the duration of operation in the reporting period. In addition, prior year comparisons are not required. FOFI projections were not developed on a monthly basis hence the restated FOFI forecast has been prepared by prorating the original forecast by seven twelve's (7/12).

Further, the original FOFI forecast treated both Limited Partnership Units and Fund Units equally as equity position. A proposed change in GAAP reporting requires the Limited Partnership Units be reported similar to a minority interest position. The proposed change is likely to become a GAAP reporting requirement and a major proportion of the Income Trust Industry has already adopted it. The restated FOFI reflects this reporting format as do our financial statements.

GAMEHOST INCOME FUND

RESTATED FORECASTED INCOME AND DISTRIBUTABLE CASH

SEVEN MONTHS ENDED DECEMBER 31, 2003

(\$ thousands except per unit amount)

	<u>FOFI</u>
REVENUE	\$ 11,489
DIRECT EXPENSES	<u>4,338</u>
GROSS MARGIN	7,151
EXPENSES	
Amortization	440
General & Administrative	644
Occupancy	<u>636</u>
	1,720
NET INCOME	
	\$ <u>5,431</u>
Add:	
Income Allocation to Class B Limited Partners	(2,923)
Amortization	440
Capital Maintenance	<u>(117)</u>
DISTRIBUTABLE CASH	\$ <u>2,830</u>
DISTRIBUTABLE CASH PER UNIT	\$ <u>.87</u>

There are no significant variances when comparing actual results to restated FOFI. It should be noted that actual classification of some expenses differs from their FOFI presentation. Compared as a whole, direct and indirect expenses did not differ significantly from FOFI projections.

Distributable Cash

The Fund's mandate is to make consistent monthly cash payments to our unitholders based on management's projections of the year's 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.

Monthly per unit distributions Distributable cash for the period ended December 31, 2003 was as follows:

GAMEHOST INCOME FUND

SUMMARY OF DISTRIBUTABLE CASH

FOR THE INITIAL SEVEN MONTH PERIOD ENDED DECEMBER 31, 2003

	Class B Limited Partners	Unitholders	Total
NET EARNINGS	\$ 3,141,455	\$ 2,693,923	\$ 5,835,378
Add:			
Amortization	291,560	250,014	541,574
Capital Expenditures	<u>(37,355)</u>	<u>-</u>	<u>(37,355)</u>
DISTRIBUTABLE CASH GENERATED	<u>\$ 3,395,660</u>	<u>\$ 2,943,937</u>	<u>\$ 6,339,597</u>
DISTRIBUTIONS DECLARED	<u>\$ 3,049,179</u>	<u>\$ 2,614,681</u>	<u>\$ 5,663,860</u>
DISTRIBUTABLE CASH PER UNIT	<u>\$.896</u>	<u>\$.906</u>	<u>\$.901</u>
DISTRIBUTIONS DECLARED PER UNIT	<u>\$.805</u>	<u>\$.805</u>	<u>\$.805</u>

Throughout 2003, monthly cash distributions were consistent at \$0.115 per unit. Subsequent to year end, Gamehost Income Fund announced monthly distributions of \$0.12 per unit in each month of its first quarter in 2004. Management believes the increased monthly distribution is sustainable over the long term.

GAMEHOST INCOME FUND

SUMMARY OF OWNERSHIP INTEREST

FOR THE INITIAL SEVEN MONTH PERIOD ENDED DECEMBER 31, 2003

	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.	-	11,981,948	11,981,948
ISSUED PURSUANT TO OFFERING MEMORANDUM	-	20,500,000	20,500,000
Returned to Treasury	-	(1,440)	(1,440)
REORGANIZATION COSTS	-	(2,358,777)	(2,358,777)
NET INCOME	3,141,455	2,693,930	5,835,385
DISTRIBUTIONS TO UNITHOLDERS	<u>(3,049,179)</u>	<u>(2,614,681)</u>	<u>(5,663,860)</u>
BALANCE, END OF PERIOD	<u>\$ 37,970,276</u>	<u>\$ 30,200,980</u>	<u>\$ 68,171,256</u>

GAMEHOST INCOME FUND

INCOME ALLOCATIONS

FOR THE TAX YEAR ENDED DECEMBER 31, 2003

	Class B Limited Partners	Unitholders	Total
GAMEHOST LIMITED PARTNERSHIP			
Net income per financial statements	\$ 3,232,209	\$ 2,771,554	\$ 6,003,763
Adjustments to accounting income	<u>(302,195)</u>	<u>(259,059)</u>	<u>(561,254)</u>
Net Income for tax purposes	<u>\$ 2,930,014</u>	<u>2,512,495</u>	<u>\$ 5,442,509</u>
PER UNIT:			
Taxable Income	\$ 0.774		
Non-taxable return of capital	<u>0.031</u>		
	<u>\$ 0.805</u>		
GAMEHOST INCOME TRUST			
Taxable allocation from Partnership		2,512,495	
Expenses incurred to earn income		<u>(57,961)</u>	
Net income for tax purposes		<u>2,454,534</u>	
GAMEHOST INCOME FUND			
Taxable allocation from Trust		2,454,534	
Expenses incurred to earn income		(112,643)	
Adjustments to accounting income		<u>(228,176)</u>	
Net income for tax purposes		<u>\$ 2,113,715</u>	
PER UNIT:			
Taxable Income		\$ 0.651	
Non-taxable return of capital		<u>0.154</u>	
		<u>\$ 0.805</u>	

Class B limited partners and Fund Unitholders share equally on a per unit basis in cash distributions and taxable net income from Gamehost Limited Partnership. Some tax deductible expenses of Gamehost Trust and Gamehost Income Fund, however, benefit only the Fund Unitholders. These expenses include but are not limited to amortization of reorganization expenses, public relation and regulatory expenses of the Fund.

Forward Looking Statements

This management's discussion and analysis may contain forward-looking statements, which reflect management's expectations regarding the future growth, performance and opportunities. Forward looking statements typically contain words such as "expects", "anticipates" or "believes", but not limited to. Forwarding-looking statements are based on information that is currently available to management. Therefore actual results may differ materially from the results discussed in the forward-looking statements. The Fund cannot assure readers that actual results will be consistent with these forward-looking statements.

AUDITORS REPORT

To the Unitholders of Gamehost Income Fund

We have audited the consolidated balance sheet of Gamehost Income Fund (the "Fund") as at December 31, 2003 and the consolidated statement of unitholders equity, operations and cash flows for the seven month period ended December 31, 2003. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2003 and the results of its operations, changes in unitholders' equity and its cash flows for the seven months ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

(Signed Heywood, Holmes and Partners LLP)

Red Deer, Alberta
March 17, 2004

GAMEHOST INCOME FUND

CONSOLIDATED BALANCE SHEET DECEMBER 31, 2003

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	4,106,951
Accounts receivable		557,728
Current portion of note receivable (Note 4)		28,210
Inventories		62,154
Prepaid expenses		<u>65,355</u>

TOTAL CURRENT ASSETS 4,820,398

NOTES RECEIVABLE (Note 4) 77,193

PROPERTY, PLANT & EQUIPMENT (Note 5) 19,316,493

LICENSES (Note 6) 3,500,000

GOODWILL 42,579,216
\$ 70,293,300

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$	344,509
Accrued liabilities		803,940
Due to related parties (Note 8)		164,472
Unitholders distributions payable		<u>809,123</u>

TOTAL CURRENT LIABILITIES 2,122,044

CLASS B LIMITED PARTNERS' UNITS (Note 9) 37,970,276
40,092,320

UNITHOLDERS' EQUITY 30,200,980

\$ 70,293,300

COMMITMENTS (Note 11)

On behalf of the Board:

David J. Will, Director _____ (Signed David J. Will)

Darcy J. Will, Director _____ (Signed Darcy J. Will)

GAMEHOST INCOME FUND

**CONSOLIDATED STATEMENT OF
UNITHOLDERS' EQUITY
FOR THE INITIAL SEVEN MONTH PERIOD ENDED
DECEMBER 31, 2003**

BALANCE, BEGINNING OF PERIOD	\$ -
ISSUED UPON EXCHANGE OF SHARES OF SERVICE PLUS HOSPITALITY LTD.	11,981,948
ISSUED PURSUANT TO OFFERING MEMORANDUM	20,500,000
RETURNED TO TREASURY	<u>(1,440)</u>
FUND UNITS (Note 10)	32,480,508
REORGANIZATION COSTS	(2,358,777)
NET INCOME	2,693,930
DISTRIBUTIONS TO UNITHOLDERS	<u>(2,614,681)</u>
BALANCE, END OF PERIOD	<u>\$ 30,200,980</u>

GAMEHOST INCOME FUND

CONSOLIDATED STATEMENT OF OPERATIONS SEVEN MONTHS ENDED DECEMBER 31, 2003

REVENUE

Hotel revenue	\$	1,938,960
Table games		2,265,676
Slot machines and other electronic games		5,370,322
Food and beverage services		1,873,307
Rental revenues		129,995
Other		<u>952,170</u>
		<u>12,530,430</u>

EXPENSES

Cost of goods sold		802,038
Human resources		2,530,455
Marketing and promotions		581,929
Occupancy		1,211,154
Operating		301,860
Corporate and general administration (Note 8)		<u>726,035</u>
		<u>6,153,471</u>

EARNINGS BEFORE AMORTIZATION AND INCOME

ALLOCATION TO CLASS B LIMITED PARTNERS 6,376,959

AMORTIZATION (541,574)

INCOME ALLOCATION TO CLASS B LIMITED PARTNERS (3,141,455)

NET INCOME \$ 2,693,930

PER UNIT INFORMATION:

Earnings per unit - basic \$ 0.829

GAMEHOST INCOME FUND

CONSOLIDATED STATEMENT OF CASH FLOWS SEVEN MONTHS ENDED DECEMBER 31, 2003

CASH PROVIDED BY (USED FOR)

OPERATIONS

Net income	\$	2,693,930
Add non-cash item:		
Allocation of net income to Class B Limited Partners		3,141,455
Amortization of property, plant & equipment		<u>541,574</u>
		6,376,959
Net changes in non-cash working capital:		
Accounts receivable		(557,728)
Inventories		(62,154)
Prepaid expenses		(65,355)
Accounts payable and accrued liabilities		<u>1,148,447</u>
Cash from operating activities		<u>6,840,169</u>

FINANCING

Advances from related parties		164,472
Proceeds from sale of units		20,500,000
Reorganization costs		(2,358,777)
Distributions to Class B Limited Partners		(2,613,582)
Unitholders distributions		<u>(2,241,155)</u>
Cash from financing activities		<u>13,450,958</u>

INVESTMENTS

Purchase of goodwill and licenses		(7,544,990)
Purchase of property, plant & equipment (Note 12)		<u>(8,639,186)</u>
Cash (used for) investment activities		<u>(16,184,176)</u>

INCREASE IN CASH AND CASH EQUIVALENTS 4,106,951

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

CASH AND CASH EQUIVALENTS, END OF PERIOD \$ 4,106,951

SUPPLEMENTARY INFORMATION:

Cash interest paid	\$	<u>769</u>
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DISCLOSURE OF NON-CASH TRANSACTIONS (Note 1)

GAMEHOST INCOME FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2003

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.

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% (\$14,522,203) will be amortized at 7% per annum for tax purposes.

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.

Cash and cash equivalents

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

Inventories

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

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% - 30% reducing balance

Goodwill and licenses

Goodwill and licenses with indefinite useful lives will not be amortized but tested annually for impairment. The Fund reviews the goodwill and licenses annually to determine if the carrying amounts exceed 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 impairment in the carrying value of the goodwill and licenses has occurred and no provision for impairment has been recorded in these financial statements.

Long lived assets

Long-lived assets consist primarily of property, plant, equipment, goodwill and licenses.

For purposes of recognizing and measuring an impairment loss, long-lived assets will be grouped with other assets and liabilities to form an asset group. The makeup of these asset groups will follow the same allocation as reported in Note 12 - Segmented Information which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

As at December 31, 2003, there are no events or circumstances indicating that the carrying value of long-lived assets may not be recoverable.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

Joint Ventures

Joint ventures are accounted for using the proportionate consolidation method.

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. The Fund has established a policy to distribute all of its taxable income to unitholders on an annual basis.

Financial instruments

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, due to related parties and unitholders distributions payable approximate their carrying value due to their short term maturities of these instruments.

The fair value of the Class B Partnership Units approximates their fair value. 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.

It is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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.

Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent 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 such as long-term contracts, allowance for doubtful accounts, inventory obsolescence, amortization, employee benefits, impairment of goodwill and intangibles and contingencies.

3. **REGULATIONS**

The Fund's gaming operations are subject to regulations imposed by the Alberta Gaming & Liquor Commission. The Fund has a letter of guarantee in favor of Alberta Gaming & Liquor Commission in the amount of \$18,000 for the purpose of purchasing liquor.

4. NOTE RECEIVABLE

Note receivable repayable in monthly installments of \$2,958 including interest at 8% per annum. The note receivable is secured by a general security agreement and hypothecation agreement. The note receivable is due October, 2007.

\$ 105,403

Less current portion

(28,210)

\$ 77,193

Estimated principal repayments are:

2004	\$ 28,210
2005	30,500
2006	33,000
2007	13,693

5. PROPERTY, PLANT & EQUIPMENT

Included in property, plant and equipment is the carrying value of the Deerfoot Inn and Casino Inc. joint venture project-in-progress. The Fund's interest in the project totals \$2,077,345, consisting of land of \$1,832,600, and development costs of \$244,745. No amortization has been recorded in the accounts pertaining to this project. No interest has been incurred relative to this project.

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 3,832,600	\$ -	\$ 3,832,600
Land improvements	948,856	9,489	939,368
Buildings	12,975,270	318,263	12,657,006
Leaseholds	259,808	18,809	240,999
Furniture, fixtures and equipment	<u>1,841,533</u>	<u>195,013</u>	<u>1,646,520</u>
	<u>\$ 19,858,067</u>	<u>\$ 541,574</u>	<u>\$ 19,316,493</u>

At the plan of arrangement the Great Northern Casino was undergoing an expansion and had an incurred cost of \$973,415. The remainder of the expansion costs, \$760,372, was funded from the proceeds of the offering memorandum for a total project cost of \$1,860,552.

Certain equipment and machines are provided by and owned by AGLC and have not been included in these financial statements.

6. LICENSES

Licenses were acquired on June 1, 2003. The licenses are considered to have indefinite lives because they are expected to generate cash flow indefinitely.

7. LINE OF CREDIT

The Fund has an authorized line of credit of \$250,000 in the Gamehost Limited Partnership at the bank's prime rate. The effective interest rate at year end is 4.5%. The line of credit is secured by a general security agreement.

8. RELATED PARTY TRANSACTIONS

The acquisition of assets under the Plan of Arrangement (see Note 1) was 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 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. 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.

Amounts payable to D J Will Holdings Limited amounted to \$164,472 and are subject to normal credit and payment policies. DJ Will Holdings Limited is controlled by Mr. David J. Will.

Included in corporate and general administration is \$360,500 paid to Gamehost Management Inc. for management services. Gamehost Management Inc. is controlled by Mr. David J. Will and Mr. Darcy J. Will.

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

9. CLASS B 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.

Class "B" Limited Partnership Units	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><u>3,787,800</u></u>

During the period, \$3,141,455 of income was allocated to the LP Units and total cash distributions declared amounted to \$3,049,179.

10. 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.

Fund Units	Units	
Balance, beginning of period	-	-
Issued pursuant to offering memorandum	2,050,000	20,500,000
Issued in exchange for shares of Service Plus Hospitality Ltd.	1,198,195	11,981,948
Returned to Treasury	<u>(144)</u>	<u>(1,440)</u>
Balance, end of period	<u><u>3,248,051</u></u>	<u><u>\$ 32,480,508</u></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.

11. COMMITMENTS

The Fund has certain commitments for office equipment as well as premise rent for one of its Casino locations. At December 31, 2003, the future minimum commitment payments were as follows:

2004	\$	260,412
2005		283,326
2006		279,867
2007		277,499
2008		266,868
Thereafter		118,508

12. 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. 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.

December 31, 2003 (7 months)

	<u>Hotel</u>	<u>Gaming</u>	<u>Food & Beverage</u>	<u>General Administration</u>	<u>Consolidated</u>
Operations					
Total revenue	\$ 2,095,799	\$ 8,403,624	\$ 1,873,307	\$ 157,700	<u>\$ 12,530,430</u>
Amortization	258,506	172,927	106,386	3,755	541,574
Corporate & General administration	-	-	-	726,035	726,035
Cost of Goods Sold	40,551	-	761,487	-	802,038
Human Resources	426,348	1,836,531	266,509	1,067	2,530,455
Marketing & Promotions	1,648	58,028	522,253	-	581,929
Occupancy	202,874	601,361	400,907	6,012	1,211,154
Operating	<u>175,746</u>	<u>74,749</u>	<u>49,832</u>	<u>1,533</u>	<u>301,860</u>
	<u>1,105,673</u>	<u>2,743,596</u>	<u>2,107,374</u>	<u>738,402</u>	<u>6,695,045</u>
Net Income	<u>\$ 990,126</u>	<u>\$ 5,660,028</u>	<u>(\$ 234,067)</u>	<u>(\$ 580,702)</u>	5,835,385
Income allocation to LP Units					<u>(3,141,455)</u>
Net income					<u>\$ 2,693,930</u>

12. SEGMENTED INFORMATION (continued)

December 31, 2003 (7 months)

	<u>Hotel</u>	<u>Gaming</u>	<u>Food & Beverage</u>	<u>General Administration</u>	<u>Consolidated</u>
Property, Plant & Equipment (PPE) and Intangibles					
Goodwill and Licenses	\$ 4,579,216	\$ 41,500,000	\$ -	\$ -	\$ 46,079,216
PPE Acquired Through Plan of Arrangement					
Working assets	\$ 9,106,915	\$ 3,408,168	\$ 3,416,433	\$ 82,249	\$ 16,013,765
Project 1 – in-progress	-	973,415	-	-	973,415
Project 2 – in-progress	1,124,861	613,561	306,780	-	2,045,202
PPE Expenditures during the Period					
Working assets	-	-	11,537	21,633	33,170
Project 1 – complete	-	760,372	-	-	760,372
Project 2 – in-progress	<u>17,679</u>	<u>9,643</u>	<u>4,821</u>	-	<u>32,143</u>
Total PPE	<u>\$ 10,249,455</u>	<u>\$ 5,765,159</u>	<u>\$ 3,739,571</u>	<u>\$ 103,882</u>	<u>\$ 19,858,066</u>

Project 1 – Expansion of the Great Northern Casino
 Project 2 – Deerfoot Inn & Casino Inc. joint venture

Total PPE -Net Book Value

Hotel	\$ 8,848,409
Gaming	5,125,433
Food and beverage	3,240,678
General administration	24,628
Projects in progress	<u>2,077,345</u>
	<u>\$ 19,316,493</u>

13. INVESTMENT IN JOINT VENTURE

The Fund is invested in Deerfoot Inn & Casino Inc., a hotel/convention/entertainment/gaming joint venture project in Calgary, Alberta. The Fund holds a 40% Participating Interest and a 47.75% Project Contributing Interest in this joint venture. The Fund's consolidated financial statements 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:

Cash	\$	11,419
Other current assets		<u>351</u>
Total current assets		11,770
Non-current assets		<u>2,075,345</u>
	\$	<u>2,087,115</u>

Equity	\$	<u>2,087,115</u>
Operating activities	\$	(351)
Investing activities		(2,075,345)
Financing activities		<u>2,087,115</u>
	\$	<u>11,419</u>

The Fund is contingently liable for the other participants' portion of the liabilities of this joint venture. However, all of the assets of the joint venture are available for the purpose of satisfying such obligation. No provision for any contingent amount payable has been accrued to these financial statements.

14. SUBSEQUENT EVENTS

Trustees of the Fund have appointed a compensation committee with instructions to develop a compensation plan for the management of the Fund. The compensation plan will replace a management service agreement in place for 2003. The committee will present their recommendations to the board in early 2004 for implementation retroactive to the beginning of 2004.

Trustees

David J. Will
Darcy J. Will
David Harrop
James McPherson
Jed Wood

Officers

David J. Will
Dave E Harrop
Jed Wood

Legal Council

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3rd Floor, 4943 Ross Street
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Heenan Blaikie SRL/LLP
Calgary, Alberta

Audit Committee of the Board

James R. McPherson
Dave E Harrop
Darcy J. Will

Compensation Committee of the Board

James R. McPherson
Dave E Harrop
Jed Wood

Head Office

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Auditors

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Chartered Accountants
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Transfer Agent

Computershare Trust Company of
Canada

Stock Exchange Listing

TSX Venture Exchange
Trading Symbol – GH.UN