



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months ended June 30, 2011 and 2010

WESTERNO ONE EQUITY INCOME FUND

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**MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of WesternOne Equity Income Fund (the "Fund") have been prepared by and are the responsibility of the Fund's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Fund's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

WesternOne Equity Income Fund

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

(Canadian Dollars)	<i>Note</i>	As at June 30, 2011	As at December 31, 2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 16,534,507	\$ 3,991,637
Accounts receivable	14	18,302,541	9,476,079
Inventories	6	10,346,817	2,058,753
Deposits and prepaid expenses		1,291,499	576,756
		46,475,364	16,103,225
PROPERTY & EQUIPMENT	4	55,305,045	35,671,863
INTANGIBLE ASSETS	5	52,150,188	22,331,771
GOODWILL	5	46,792,852	9,492,731
DEFERRED INCOME TAX ASSETS	8	8,952,194	7,868,561
TOTAL ASSETS		\$ 209,675,643	\$ 91,468,151
LIABILITIES			
CURRENT LIABILITIES			
Operating loans	7	\$ 1,017,481	\$ 2,608,318
Accounts payable and accrued liabilities		13,669,984	4,008,467
Distributions payable		789,475	694,452
Series A Debentures (Face Value \$3,088,300)	13	4,545,360	9,778,717
Current portion of Units	9	-	600,000
Capital and acquisition loans	7	62,719,192	30,444,585
Other liabilities		715,101	365,844
		83,456,593	48,500,383
FINANCE LEASES OBLIGATION	12	844,032	569,924
TERM MORTGAGE		-	306,244
2010 DEBENTURES (Face Value \$25,905,000)	13	32,186,963	27,876,000
2011 DEBENTURES (Face Value \$86,250,000)	13	87,112,500	-
EXCHANGEABLE UNITS	9	742,500	495,000
FUND UNITS	9	-	45,491,616
UNIT BASED COMPENSATION	10	872,128	207,053
		205,214,716	123,446,220
UNITHOLDERS' EQUITY			
FUND UNITS	9	56,568,289	-
ACCUMULATED DEFICIT		(52,107,362)	(31,978,069)
		4,460,927	(31,978,069)
TOTAL LIABILITIES & UNITHOLDERS' EQUITY		\$ 209,675,643	\$ 91,468,151

SUBSEQUENT EVENTS (Note 18)

See accompanying Notes to the Condensed Interim Consolidated Financial Statements

WesternOne Equity Income Fund

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS) (Unaudited)

(Canadian Dollars)	<i>Note</i>	Three-month period ended June 30, 2011	Three-month period ended June 30, 2010	Six-month period ended June 30, 2011	Six-month period ended June 30, 2010
REVENUE					
Modular building and equipment rentals		\$ 7,833,390	\$ 5,931,075	\$ 16,287,231	\$ 10,907,446
Modular building and equipment sales		8,067,817	1,636,037	9,103,504	2,424,503
Parts, fuel, service and others		4,626,630	3,592,830	12,587,830	10,873,205
		20,527,837	11,159,942	37,978,565	24,205,154
COST OF SALES					
Cost of modular building and equipment rentals, excluding depreciation		4,544,152	3,589,405	8,835,287	6,527,577
Cost of modular building and equipment sold		5,927,304	1,504,199	6,796,714	2,189,116
Depreciation of rental equipment		2,284,523	2,024,520	4,416,691	3,655,593
Parts, fuel, service and others		1,790,211	1,262,799	5,545,694	4,774,381
		14,546,190	8,380,923	25,594,386	17,146,667
GROSS PROFIT		5,981,647	2,779,019	12,384,179	7,058,487
OPERATING EXPENSES					
General and administration (including depreciation and amortization of operating and intangible assets)		5,588,108	3,731,344	9,992,377	6,911,965
Business acquisitions	<i>15</i>	762,273	150,978	953,112	430,978
		6,350,381	3,882,322	10,945,489	7,342,943
OTHER EXPENSES					
Finance costs	<i>7, 13</i>	7,376,200	582,449	13,252,819	2,329,100
Debenture issuance costs		4,848,963	-	4,848,963	1,733,160
Distributions to Unitholders		2,354,461	2,099,029	4,549,835	4,194,603
		14,579,624	2,681,478	22,651,617	8,256,863
LOSS BEFORE INCOME TAXES		(14,948,358)	(3,784,781)	(21,212,927)	(8,541,319)
DEFERRED INCOME TAX RECOVERIES	<i>8</i>	(725,597)	(513,923)	(1,083,634)	(948,838)
NET AND COMPREHENSIVE LOSS		\$ (14,222,761)	\$ (3,270,858)	\$ (20,129,293)	\$ (7,592,481)
Basic and diluted weighted average loss per unit		(0.91)	(0.23)	(1.34)	(0.54)
Basic and diluted weighted average number of units outstanding		15,549,264	13,987,729	14,982,774	13,978,926

See accompanying Notes to the Condensed Interim Consolidated Financial Statements

WesternOne Equity Income Fund

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY (Unaudited)

(Canadian Dollars)	Fund Units	Retained deficit	Total
BALANCE, January 1, 2010	\$ -	\$ (16,911,069)	\$ (16,911,069)
Net and comprehensive loss for the period	-	(4,321,623)	(4,321,623)
BALANCE, March 31, 2010	-	(21,232,692)	(21,232,692)
Net and comprehensive loss for the period	-	(3,270,858)	(3,270,858)
BALANCE, June 30, 2010	\$ -	\$ (24,503,550)	\$ (24,503,550)
BALANCE, December 31, 2010	\$ -	\$ (31,978,069)	\$ (31,978,069)
Net and comprehensive loss for the period	-	(5,906,532)	(5,906,532)
BALANCE, March 31, 2011	\$ -	\$ (37,884,601)	\$ (37,884,601)
Reclassification of Fund Units (Note 9)	56,568,289	-	56,568,289
Net and comprehensive loss for the period	-	(14,222,761)	(14,222,761)
BALANCE, June 30, 2011	\$ 56,568,289	\$ (52,107,362)	\$ 4,460,927

See accompanying Notes to the Condensed Interim Consolidated Financial Statements

WesternOne Equity Income Fund

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(Canadian Dollars)	<i>Note</i>	Three-month period ended June 30, 2011	Three-month period ended June 30, 2010	Six-month period ended June 30, 2011	Six-month period ended June 30, 2010
OPERATING ACTIVITIES					
Loss for the period		\$ (14,222,761)	\$ (3,270,858)	\$ (20,129,293)	\$ (7,592,481)
Items not affecting cash -					
Amortization of rental equipment	4	2,284,523	2,024,520	4,416,691	3,655,593
Amortization of operating and intangible assets	4, 5	1,322,047	1,285,614	2,659,469	2,422,386
Interest expense relating to amortization of transaction cost and conversion of convertible debentures		114,984	56,298	209,621	56,770
Deferred tax recoveries	8	(725,597)	(513,923)	(1,083,634)	(948,838)
Gain on derivatives		(41,000)	(41,182)	(80,297)	(108,203)
Unit-based compensation	10	377,219	16,094	682,433	61,422
Increase/(decrease) in fair value of convertible debentures		5,550,124	(2,301,631)	10,165,692	431,663
Increase/(decrease) in fair value of Exchangeable Units		121,500	(4,500)	247,500	22,500
Gain on sale of property and equipment		(356,593)	(8,812)	(463,232)	(64,705)
Business acquisition costs		762,273	150,978	953,112	430,978
Debenture issuance costs		4,848,963	1,733,160	4,848,963	1,733,160
Finance costs		1,697,705	1,101,897	2,807,190	1,821,414
Distributions		2,354,461	2,099,029	4,549,835	4,194,603
		4,087,848	2,326,684	9,784,050	6,116,262
Changes in non-cash working capital balances -					
Accounts receivable		3,699,298	2,177,407	2,122,483	1,554,859
Inventories		(2,681,989)	144,443	(2,807,280)	(43,640)
Deposits and prepaid expenses		(151,951)	77,049	(151,833)	100,044
Accounts payable and accrued liabilities		3,290,210	(625,795)	5,133,639	492,881
Unearned revenue		10,976	(6,547)	15,657	(25,693)
		8,254,392	4,093,241	14,096,716	8,194,713
INVESTING ACTIVITIES					
Cash held in trust		-	13,500,000	-	-
Purchase of property and equipment		(5,486,211)	(1,575,557)	(7,226,197)	(2,255,050)
Proceeds from the sale of property and equipment		1,230,012	558,892	1,723,266	729,416
Business acquisition	15	(100,699,419)	(13,479,353)	(100,890,258)	(13,759,353)
		(104,955,618)	(996,018)	(106,393,189)	(15,284,987)
FINANCING ACTIVITIES					
Debentures issued for cash (net of expenses)	13	81,401,037	(62,669)	81,401,037	25,866,841
Finance costs		(1,697,705)	(1,101,897)	(2,807,190)	(1,821,414)
Distributions paid		(2,316,187)	(2,097,949)	(4,454,812)	(4,192,946)
Proceeds from option exercises		56,545	-	56,545	-
Repayment of term mortgage		(4,406)	(4,124)	(8,854)	(8,301)
Repayment of loans payable		32,920,130	(3,921,749)	30,652,617	(6,134,200)
		110,359,414	(7,188,388)	104,839,343	13,709,980
NET CHANGE IN CASH AND EQUIVALENTS DURING THE PERIOD		13,658,188	(4,091,165)	12,542,870	6,619,706
CASH AND EQUIVALENTS, BEGINNING OF PERIOD		2,876,319	12,780,758	3,991,637	2,069,887
CASH AND EQUIVALENTS, END OF PERIOD		\$ 16,534,507	\$ 8,689,593	\$ 16,534,507	\$ 8,689,593
Supplemental cash flow information:					
Interest received		9,066	9,978	13,455	13,880
Interest paid		1,630,643	610,952	2,710,304	1,278,195
Assets under capital lease acquired		295,513	141,468	488,394	238,274

See accompanying Notes to the Condensed Interim Consolidated Financial Statements

WesternOne Equity Income Fund

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2011

(Unaudited)

1. CORPORATE INFORMATION

WesternOne Equity Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust created on June 14, 2006 and under the declaration of trust governed by the laws of British Columbia. The Fund is authorized to issue an unlimited number of units ("Units") and special voting units. Each holder of a unit of the Fund ("Unitholder") participates pro rata in any distribution of the Fund. The Fund was established to indirectly acquire investments as the trustees of the Fund (the "Trustees") may determine. The Fund commenced operations on August 15, 2006 when it completed its initial public offering (the "Offering").

Through its indirectly owned subsidiaries, the Fund operates equipment rentals, sales and services, and modular building manufacturing and leasing businesses primarily in western Canada.

At June 30, 2011, the Fund has a working capital deficiency of \$36,981,229 and incurred a loss for the six months ended June 30, 2011 of \$20,129,293 (2010 - net loss of \$7,592,481). Included in the working capital deficiency are capital and acquisition loans of \$62,719,192 and Series A Debentures of \$4,545,360. All Series A Debentures outstanding as at June 30, 2011 were subsequently converted to Units in July 2011 except for \$306,100 which were fully redeemed by the Fund on July 29, 2011 (refer to Note 18). Excluding these items and including the current portion of the capital and acquisition loans repayable in twelve months ending June 30, 2012 of \$10,076,526 and the \$306,100 redemption of Series A Debentures on July 29, 2011, the Fund had a working capital balance of \$19,900,697.

The Series A Debentures, 2010 Debentures and 2011 Debentures are convertible into Units at the option of the debenture holders or convertible into Units on maturity at the option of the Fund. Based on the current trading price of the Units, management anticipates that a significant portion of these debentures will convert into Units prior to maturity as evidenced through the subsequent event described in Note 18.

The Fund has financed its business acquisitions and expansion of its rental fleet through bank debt that is repayable on demand, although scheduled repayment terms occur over the next five years (Note 7). The Fund has used demand loans in order to minimize interest expense. The Fund believes it could convert these loans into long term if desired, albeit with a higher interest cost. In 2010, the Fund successfully renegotiated these loans. As at June 30, 2011, the Fund was in compliance with all bank covenants. The Fund has consistently generated positive cash flow from operations.

Based on the performance of the Fund to date, the renegotiation of the capital and acquisition loans during 2010, and the support from the Bank to date, the Fund does not believe there is any significant risk of having to repay such loans on dates earlier than the scheduled repayment dates. As a result of this determination, the Fund has concluded that it is a going concern and that there is no substantial doubt as to the Fund's ability to continue as a going concern in the foreseeable future.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Fund prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Fund has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian Generally Accepted Accounting Principles before the adoption of IFRS.

WesternOne Equity Income Fund

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting”. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has impacted the reported financial position, financial performance and cash flows of the Fund is provided in Note 19. This note includes reconciliations of equity and total comprehensive income for comparative periods reported under previous Canadian GAAP to those reported under IFRS. The Fund has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 5, 2011, the date the Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Fund’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Fund’s Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 19 discloses IFRS information for the six month period ended June 30, 2010 that is material to an understanding of these interim consolidated financial statements.

The interim consolidated financial statements were authorized for issue by the trustees of the Fund on August 5, 2011.

(b) Basis of measurement

The interim consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- financial instruments, including debentures and Exchangeable Units, at fair value through profit or loss are measured at fair value; and
- liabilities for cash settled unit based payment arrangements are measured at fair value.

(c) Foreign currency

Canadian dollar is both the functional and presentation currency of the Fund. Transactions in foreign currencies are translated to the respective functional currencies of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

(d) Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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(Unaudited)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The critical estimates and judgments utilized in preparing the Fund's financial statements include the valuation, impairment and useful life of intangible assets, goodwill and property and equipment, valuation of future income taxes, fair values of financial instruments, lease classification, provisions and contingencies. Actual results may differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Fund and all of its subsidiaries to all periods presented in these condensed interim consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Basis of consolidation

Subsidiaries

These condensed interim consolidated financial statements are stated in Canadian dollars. The Fund has consolidated the assets, liabilities and equity of all subsidiaries after the elimination of inter-entity transactions and balances. The condensed interim consolidated financial statements include the accounts of the Fund, and its wholly owned subsidiaries, WesternOne Equity GP Inc. and WesternOne Equity Operating Trust. These two subsidiaries in turn include the accounts of their subsidiaries, WesternOne Equity LP, WEQ Production Equipment GP Inc., WEQ Production Equipment LP, WEQ Old Country Rentals GP Inc., WEQ Old Country Rentals LP, WEQ C&N Rentals GP Inc., WEQ C&N Rentals LP, WEQ Deerfoot Rentals GP Inc., WEQ Deerfoot Rentals LP, WEQ Heat & Propane GP Inc., WEQ Heat & Propane LP, WEQ Britco GP Inc., and WEQ Britco LP. Subsidiaries are those entities controlled by the Fund. The financial statements of subsidiaries are included in the interim consolidated financial statements from the date that control commences until the date that control ceases.

(b) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" as issued in January 2008 are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held-for-sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" which are recognized and measured at fair value, less costs to sell.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Fund incurs in connection with a business combination are expensed as incurred.

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As part of its transition to IFRS, the Fund elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

(c) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in profit or loss.

The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Rental fleet	1-20 years
Building.....	25 years
Automotive, tractors and trailers	3-7 years
Furniture, fixtures and equipment	3-5 years
Computer equipment	2-5 years
Leasehold improvements	lesser of 5 years and the remaining term of the lease

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Goodwill and Intangible assets

Goodwill

Goodwill is not amortized but is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is allocated to the cash generating unit ("CGU") to which it relates. The fund identifies CGU's as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets.

Other Intangible Assets

Finite life intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss and are amortized on a straight line basis over their estimated useful lives.

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Indefinite life intangible assets are carried at cost less any accumulated impairment loss.

Amortization is calculated based on the cost of the asset, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and indefinite life intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Customer relationships	10 years
Non-competition agreements	3-5 years
Software	1-5 years
Brand name	indefinite

(e) Inventories

New and used equipment inventories of the equipment rental business, as well as raw materials, work in progress and finished goods inventories of the modular building manufacturing business are recorded at the lower of cost and net realizable value, with cost determined on a specific item basis. Inventory write-downs are included in cost of sales.

Parts inventories are valued at the lower of cost and net realizable value, with cost generally being determined on a weighted-average basis. Parts inventory write-downs are included in cost of sales.

(f) Revenue recognition

Revenue from rental contracts and logistical support is recognized in the period in which the related services have been provided and collectability is reasonably assured.

Service and parts revenue comprised of the sale of parts and equipment servicing, is recognized when the parts are delivered, the related services have been rendered, and collectability is reasonably assured.

Revenue from fuel sales is recognized at the time when the fuel is delivered, the related services have been rendered, and collectability is reasonably assured.

Revenue from equipment sales is recognized at the time at which the contract is signed by the purchaser, all significant risks and rewards of ownership have been transferred to the purchaser, and collectability is reasonably assured.

Revenue from manufacturing and sales of modular units are based upon contracts with customers that include fixed prices. Revenue is recognized using the percentage of completion method based on costs incurred to date over the total costs to complete the design, manufacture, transport and installation. Deposits received prior to completion are deferred and recognized throughout the design, manufacture, transport and installation.

(g) Leased assets

Leases in terms of which the Fund assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to

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the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Fund's statement of financial position. Payments under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease expense.

(h) Warranty provision

Warranties are given to customers on modular products sold to them. A warranty provision is recognized when products are sold. The provision is based on historical warranty data. Actual warranty costs in the future may differ from the estimates based on historical performance. The level of warranty provision required is reviewed on a product by product basis and adjusted accordingly in light of actual experience.

(i) Financial instruments

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Fund initially recognizes loans and receivables on the date that they are originated. The loans and receivables are derecognized when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Such assets are recognized initially at fair value. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Assets in this category include accounts receivable and cash and cash equivalents. Cash and cash equivalents consist of cash on hand, plus short term investments with stated maturity dates of 90 days or less.

Financial liabilities at fair value through profit or loss

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of comprehensive income. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income within finance costs in the period in which they arise. Financial liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the date of the statement of financial position, which are classified as non-current. The Fund has the following financial liabilities at fair value through profit or loss: Series A Debentures, 2010 Debentures, 2011 Debentures and Exchangeable Units.

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Non-derivative financial liabilities

The Fund initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Interest, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the Unitholders are also recognized in profit or loss.

The Fund has the following non-derivative financial liabilities: operating loans, accounts payable and accrued liabilities, distributions payable, capital and acquisition loans, equipment financing payable and term mortgage.

Financial derivatives not using hedge accounting

The Fund holds derivative financial instruments at times to hedge its interest rate exposure. Financial derivatives not using hedge accounting are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are recognized at fair value and changes therein are accounted for in profit or loss.

(j) Segment reporting

The Fund's operating segments are organized based on the operating structure of the Fund's business and are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The chief executive officer has authority for resource allocation and assessment of the Fund's performance and is therefore the CODM.

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4. PROPERTY AND EQUIPMENT

	Rental fleet	Building	Land	Tractor & trailer	Furniture, Fixtures and equipment	Computer equipment	Leasehold improvement	Total
Cost								
January 1, 2010	\$ 35,912,836	\$ 128,017	\$ 481,133	\$ 1,972,295	\$ 1,156,727	\$ 146,627	\$ 401,407	\$ 40,199,042
Business Acquisition	7,572,350	-	-	718,000	74,380	80,000	-	8,444,730
Additions	7,205,206	-	-	1,030,466	201,272	-	59,701	8,496,645
Disposals	(2,705,292)	-	-	(32,406)	(662)	(73,943)	-	(2,812,303)
December 31, 2010	\$ 47,985,100	\$ 128,017	\$ 481,133	\$ 3,688,355	\$ 1,431,717	\$ 152,684	\$ 461,108	\$ 54,328,114
Additions	1,789,693	-	-	232,529	8,881	17,787	133,617	2,182,507
Disposals	(589,514)	-	-	-	(289,110)	-	-	(878,624)
March 31, 2011	\$ 49,185,279	\$ 128,017	\$ 481,133	\$ 3,920,884	\$ 1,151,488	\$ 170,471	\$ 594,725	\$ 55,631,997
Business Acquisition	17,039,293	-	-	52,592	1,042,981	33,035	32,750	18,200,651
Additions	4,611,359	-	-	786,188	45,205	24,070	253,999	5,720,821
Disposals	(1,353,829)	-	-	-	-	-	-	(1,353,829)
June 30, 2011	\$ 69,482,102	\$ 128,017	\$ 481,133	\$ 4,759,664	\$ 2,239,674	\$ 227,576	\$ 881,474	\$ 78,199,640
Accumulated Depreciation								
January 1, 2010	\$ 9,859,443	\$ 12,785	\$ -	\$ 418,860	\$ 327,771	\$ 58,643	\$ 138,552	\$ 10,816,054
Depreciation for the period	7,922,401	6,607	-	398,919	265,786	72,027	86,717	8,752,457
Disposals	(879,192)	-	-	(32,406)	(662)	-	-	(912,260)
December 31, 2010	\$ 16,902,652	\$ 19,392	\$ -	\$ 785,373	\$ 592,895	\$ 130,670	\$ 225,269	\$ 18,656,251
Depreciation for the period	2,132,168	1,626	-	162,921	75,939	25,898	41,581	2,440,133
Disposals	(75,348)	-	-	-	(128,863)	-	-	(204,211)
March 31, 2011	\$ 18,959,472	\$ 21,018	\$ -	\$ 948,294	\$ 539,971	\$ 156,568	\$ 266,850	\$ 20,892,173
Depreciation for the period	2,284,523	1,626	-	112,311	48,130	17,730	18,512	2,482,832
Disposals	(480,410)	-	-	-	-	-	-	(480,410)
June 30, 2011	\$ 20,763,585	\$ 22,644	\$ -	\$ 1,060,605	\$ 588,101	\$ 174,298	\$ 285,362	\$ 22,894,595
Carrying Amount								
December 31, 2010	\$ 31,082,448	\$ 108,625	\$ 481,133	\$ 2,902,982	\$ 838,822	\$ 22,014	\$ 235,839	\$ 35,671,863
June 30, 2011	48,718,517	105,373	481,133	3,699,059	1,651,573	53,278	596,112	55,305,045

A general security agreement providing a charge over all the assets of the Fund has been provided as collateral to the bank.

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5. GOODWILL & INTANGIBLES

	Goodwill	Customer relationships	Brand names	Franchise agreement	Non-compete agreement	Software	Total
Cost							
January 1, 2010	\$ 8,430,418	\$ 27,517,223	\$ 782,017	\$ 1,164,448	\$ 3,064,417	\$ 223,721	\$ 41,182,244
Additions	-	-	-	-	-	109,028	109,028
Fully amortized intangible assets	-	-	-	-	(47,893)	-	(47,893)
Impairment	-	-	-	(1,164,448)	-	-	(1,164,448)
Acquisition	1,062,313	2,636,827	-	-	134,742	-	3,833,882
December 31, 2010	\$ 9,492,731	\$ 30,154,050	\$ 782,017	\$ -	\$ 3,151,266	\$ 332,749	\$ 43,912,813
Fully amortized intangible assets	-	-	-	-	(661,300)	-	(661,300)
March 31, 2011	\$ 9,492,731	\$ 30,154,050	\$ 782,017	\$ -	\$ 2,489,966	\$ 332,749	\$ 43,251,513
Acquisition	37,300,121	14,676,884	15,895,090	-	1,399,638	-	69,271,733
June 30, 2011	\$ 46,792,852	\$ 44,830,934	\$ 16,677,107	\$ -	\$ 3,889,604	\$ 332,749	\$ 112,523,246
Accumulated Amortization							
January 1, 2010	\$ -	\$ 6,580,216	\$ -	\$ 181,945	\$ 1,411,980	\$ 70,406	\$ 8,244,547
Amortization for the period	-	2,949,439	-	72,778	1,113,261	10,902	4,146,380
Fully amortized intangible assets	-	-	-	-	(47,893)	-	(47,893)
Impairment	-	-	-	(254,723)	-	-	(254,723)
December 31, 2010	\$ -	\$ 9,529,655	\$ -	\$ -	\$ 2,477,348	\$ 81,308	\$ 12,088,311
Amortization for the period	-	753,889	-	-	258,931	16,637	1,029,457
Fully amortized intangible assets	-	-	-	-	(661,300)	-	(661,300)
March 31, 2011	\$ -	\$ 10,283,544	\$ -	\$ -	\$ 2,074,979	\$ 97,945	\$ 12,456,468
Amortization for the period	-	876,159	-	-	230,942	16,637	1,123,738
June 30, 2011	\$ -	\$ 11,159,703	\$ -	\$ -	\$ 2,305,921	\$ 114,582	\$ 13,580,206
Carrying Amount							
December 31, 2010	\$ 9,492,731	\$ 20,624,395	\$ 782,017	\$ -	\$ 673,918	\$ 251,441	\$ 31,824,502
June 30, 2011	46,792,852	33,671,231	16,677,107	-	1,583,683	218,167	98,943,040

As at June 30, 2011, all goodwill and intangible assets held by the Fund were acquired as part of business combinations.

Brand names are related to previous business acquisitions. Based on the expected future use of the brand names, they have been assigned an indefinite life. All other intangible assets' useful lives are finite.

For the purpose of impairment testing, goodwill is allocated to the Fund's CGUs. CGUs are the Fund's operating divisions that represent the lowest level within the Fund at which the goodwill is monitored for internal management purposes, which is not higher than the Fund's operating segments.

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6. INVENTORIES

For the three and six month period ended June 30, 2011, changes in inventory recognized as cost of sales amounted to \$7,971,117 (2010 - \$2,568,908) and \$12,031,757 (2010: \$6,557,883) respectively and the write-down of inventories to net realizable value amounted to \$nil (2010: \$nil).

	June 30, 2011	December 31, 2010
Raw materials	\$ 3,484,955	\$ -
Work in progress	4,909,539	-
Finished goods	1,952,323	2,058,753
	<u>\$ 10,346,817</u>	<u>\$ 2,058,753</u>

As at June 30, 2011, the Fund's operating loan is secured by 50% of the Fund's acceptable inventory balance (as defined in the operating loan agreement).

7. CREDIT FACILITIES

The Fund's credit facilities consist of the following:

	June 30, 2011	June 30, 2011	December 31, 2010
	Approved	Carrying value	Carrying value
Operating loans	\$ 5,750,000	\$ 1,017,481	\$ 2,608,318
Capital loans:			
Non-revolving	1,411,952	1,411,952	1,638,920
Revolving:	14,500,000		
Loan #1		5,594,648	6,089,445
Loan #2		1,949,065	2,088,437
Loan #3		655,208	720,000
Loan #4		1,518,979	1,691,000
Loan #5		865,838	972,000
Loan #6		-	692,813
Loan #7		1,183,291	-
Loan #8		716,257	-
Other		-	969,001
	<u>15,911,952</u>	<u>13,895,238</u>	<u>14,861,616</u>
Acquisition loans:	48,823,954		
Loan #1		5,616,184	6,254,533
Loan #2		8,465,525	9,328,436
Loan #3		34,742,245	-
	<u>48,823,954</u>	<u>48,823,954</u>	<u>15,582,969</u>
Capital and acquisition loans	64,735,906	62,719,192	30,444,585
Total credit facilities	<u>\$ 70,485,906</u>	<u>\$ 63,736,673</u>	<u>\$ 33,052,903</u>

The following table illustrates the funding dates, maturity dates and interest rates as at June 30, 2011 for the Capital and Acquisition Loans described above:

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Loan	Funding date	Maturity date	Interest rate at June 30, 2011
Non-Revolver	August 14, 2006	August 13, 2013	4.20%
Revolving:			
Loan #1	July 2, 2010	July 1, 2014	4.20%
Loan #2	July 2, 2010	July 1, 2015	4.70%
Loan #3	September 14, 2010	September 13, 2015	4.70%
Loan #4	September 15, 2010	September 14, 2015	4.70%
Loan #5	September 28, 2010	September 27, 2015	4.70%
Loan #7	June 20, 2011	June 19, 2016	4.70%
Loan #8	June 20, 2011	June 19, 2016	4.70%
Acquisition Loans:			
Loan #1	February 15, 2008	February 14, 2013	4.50%
Loan #2	October 1, 2008	September 30, 2013	4.50%
Loan #3	May 31, 2011	May 30, 2016	4.50%

A single Canadian chartered bank (the "Bank") has made the above credit facilities available to various entities indirectly owned by the Fund to finance day-to-day operations, capital expenditures, and acquisitions.

The Bank has provided the operating loans which are payable upon demand. The operating loans are at the Bank's prime rate plus 1.00% and are secured by 50% of acceptable inventory and 75% of acceptable accounts receivable (as defined in the operating loan agreement), minus priority claims. The operating loan has no stated maturity date and is due on demand.

The capital and acquisition loans are repayable on demand, and unless and until demanded in monthly installments with interest, at the Fund's option, at the Bank's prime rate plus a range of 1.20% to 1.70%, or the Bank's banker's acceptance rate plus a stamping fee with a range of 2.70% to 3.20%. Unless repaid on demand to the Bank, the non-revolving capital loan shall be repaid in full by August 13, 2013. Unless repaid on demand to the Bank, the revolving capital and acquisition loans shall be repaid in full on the fourth or fifth anniversary of the date of such advance made. The costs of obtaining the capital and acquisition loans are being amortized over the terms of the respective loans, resulting in an effective interest rate at June 30, 2011 of 4.54% (2010 – 3.70%) for the capital loans and 4.59% (2010 – 3.94%) for the acquisition loans.

On July 2, 2008, the Fund entered into an interest rate swap with the Bank. The swap had a three-year term, a notional value of \$9,312,000 at the commencement of the swap, and a fixed rate of 4.08% plus a stamping fee of 3.00% as at June 30, 2011. The Fund did not apply hedge accounting to this swap, and as a result recorded a financial derivative liability of \$8,617 at June 30, 2011 (2010 – \$88,914). The Fund marks the value of this derivative to market every quarter, and any resulting gains/losses are recorded in net income. The fair value of the interest rate swap is determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Fund has categorized this swap contract as Level 2. The interest rate swap expired on July 1, 2011.

The fair value of debt not due on demand was determined using the discounted cash flow forecast, at an appropriate market discount rate as at June 30, 2011. The fair value of the interest rate swap was determined by discounting the future expected net cash flows of the fixed and variable interest payments using observable market data. The Fund's credit risk was considered in the fair value calculation of the interest rate swap.

The credit facilities have covenants specifying a minimum current ratio of 1.25 to 1.0, a maximum funded debt to earnings (as defined in the credit facilities agreement) ratio of 3.0 to 1.0, a minimum debt service coverage ratio of 1.25 to 1.0, and a restriction on increases in distributions to Unitholders and future acquisitions without the prior written consent of the Bank. For purposes of calculating the current ratio, 25% of the Series A Debentures and the capital and acquisition loans that are due within one year are included in current liabilities. As at June 30, 2011 the Fund was in compliance with all bank covenants.

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A general security agreement providing a charge over all assets of the Fund has been provided as collateral to the Bank.

Assuming that the contractual requirements of the capital and acquisition loans are met, and the demand feature is not exercised by the Bank, the minimum principle repayments required are as follows:

July 1 to December 31, 2011	\$ 4,975,682
2012	10,314,794
2013	16,626,826
2014	9,037,506
2015	7,462,709
Thereafter	<u>14,559,429</u>
	\$ 62,976,946
Balance of transaction costs to amortize	<u>(257,754)</u>
	\$ 62,719,192

8. DEFERRED INCOME TAX

Income tax expense is recognized based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income earned for the interim period. The Fund's consolidated effective tax rate is mainly affected by changes in the fair value of convertible debentures and distributions to unitholders, which are non-deductible expenses for tax purposes.

The tax effect of temporary differences that give rise to the deferred income tax asset/ (liability) are as follows:

	June 30, 2011	December 31, 2010
Deferred income tax asset/(liability):		
Issue costs	\$ 1,338,838	\$ 598,382
Intangible assets	2,989,470	3,236,581
Property and equipment	4,619,908	4,034,137
Others	3,978	(539)
	<u>\$ 8,952,194</u>	<u>\$ 7,868,561</u>

9. FUND UNITS

An unlimited number of Units may be created and issued by the Fund pursuant to the declaration of trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund. The Units are not subject to future calls or assessments, and entitle the Unitholders thereof to one vote at all meetings of voting Unitholders. The Units are redeemable at any time on demand by the holders thereof, subject to certain terms and conditions. The Fund's Units have no set par value.

As at January 1, 2010, the Units were classified as financial liabilities as the Units are redeemable and the Fund's declaration of trust contains a mandatory annual distribution requirement to distribute all undistributed income within the Fund, which constitutes a contractual obligation to deliver cash under IAS 32, "Financial Instruments: Presentation". On June 6, 2011, the Fund's Unitholders approved the amendment of certain terms of the Fund's declaration of trust, effective June 30, 2011. This amendment removed the mandatory annual distribution requirement of the Units. As a result of this amendment, the fund's Units met the definition of equity instruments under IAS 32 and therefore, the Units were reclassified to equity from liabilities on a carryover basis on June 30, 2011.

Subsequent to the reclassification of Units from liabilities to equity, the Fund measures the Units at amortized cost and distributions are recorded directly to unitholders' equity. The fair value of the Units,

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which was determined using the closing price at the Toronto Stock Exchange (the “Exchange”) as at June 30, 2011 was \$104,210,654 (2010 - \$61,111,688) for all outstanding Units.

The following table summarizes changes to the Fund’s Units for the six months ended June 30, 2011:

	Fund Units and Exchangeable Units ⁽¹⁾⁽²⁾⁽³⁾	Fund Units outstanding	Exchangeable Units outstanding ⁽²⁾
Issued capital			
Balance at December 31, 2010	\$ 46,586,616	13,889,020	125,000
Increase of fair value of Exchangeable Units	126,000	-	-
Issuance of Units from conversion of Debentures	5,945,127	1,134,998	-
Balance at March 31, 2011	\$ 52,657,743	15,024,018	125,000
Increase of fair value of Exchangeable Units	121,500	-	-
Issuance of Units from conversion of Debentures	4,457,643	752,325	-
Options exercised	73,903	13,150	-
Balance at June 30, 2011	\$ 57,310,789	15,789,493	125,000

⁽¹⁾ Amounts are net of transaction costs where applicable.

⁽²⁾ On February 15, 2008, pursuant to the acquisition of the assets of Deerfoot, WEQ Deerfoot Rentals LP, an indirect subsidiary of the Fund, issued 125,000 exchangeable units (“Exchangeable Units”) at \$4.00 per unit for net proceeds of \$500,000. Under the terms of the exchange agreement dated February 15, 2008, the Exchangeable Units are convertible to Units of the Fund on a one-for-one basis at the option of the holder. The Exchangeable Units do not have voting rights, but have economic rights equivalent to the Fund’s Units. The Exchangeable Units are measured at fair value through profit and loss.

⁽³⁾ Amount includes the Exchangeable Units of \$742,500 as at June 30, 2011.

10. UNIT BASED COMPENSATION

Since August 14, 2006, the Fund has had the 2006 Incentive Unit Option Plan (the “2006 Option Plan”) in place for its senior executives, directors, trustees and certain employees and can issue Units according to the criteria detailed in the Fund’s declaration of trust. Grants under this plan are classified as cash settled awards and are accounted for according to the fair value based method of accounting for unit-based compensation and the number of options expected to be vested. The maximum term of an option is 10 years from the date of grant. Grants under this plan are vested equally over five years of employment with the Fund from the grant date.

On May 10, 2011, the Fund’s board of trustees granted options to certain employees to purchase in aggregate, 165,000 Units under the 2006 Option Plan and 135,000 Units under a special option grant. Each option provides the holder with the right for up to ten years to purchase one Unit at an exercise price of \$5.89. Vesting of the options occurs equally over the next five years of employment with the Fund.

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The following table summarizes the details of the options granted:

	Number of options	Exercise price	Weighted average exercise price
Outstanding, at January 1, 2010	463,000	\$ 4.90	\$ 4.90
Granted	503,000	\$ 4.30	\$ 4.30
Exercised	-	-	-
Forfeited	(9,000)	\$4.30 - \$4.90	\$ 4.57
Outstanding, at December 31, 2010	957,000	\$4.30 - \$4.90	\$ 4.59
Exercised	-	-	-
Forfeited	-	-	-
Outstanding, at March 31, 2011	957,000	\$4.30 - \$4.90	\$ 4.59
Granted	300,000	\$5.89	\$ 5.89
Exercised	(13,150)	\$4.30	\$ 4.30
Forfeited	-	-	-
Outstanding, at June 30, 2011	1,243,850	\$4.30 - \$5.89	\$ 4.90
Weighted average fair value of options granted at June 30, 2011			
	\$ 1.24		

The following table summarizes additional information relating to the options outstanding at June 30, 2011:

Range of exercise prices:	Options outstanding			Options exercisable	
	Number outstanding June 30, 2011	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable June 30, 2011	Weighted average exercise price
\$ 4.90	459,000	7.1 years	\$ 4.90	184,200	\$ 4.90
\$ 4.30	484,850	8.7 years	\$ 4.30	99,600	\$ 4.30
\$ 5.89	300,000	9.9 years	\$ 5.89	-	\$ 5.89

The Fund expenses the fair value of stock options that are expected to vest over the vesting period. The fair value of each option granted is estimated at the end of each reporting period using the Black-Scholes options pricing model. Expected volatility is estimated by considering historic average Unit price volatility. Forfeiture of options was estimated to be minimal based on the forfeiture history of the options. The following table illustrates the assumptions:

At June 30, 2011

Grant date of options	Unit price	Annual dividend yield of options	Volatility	Risk-free interest rate	Expected remaining life of options
July 9, 2008	\$ 6.60	9.09%	42.01%	2.47%	7.1 years
February 10, 2010	\$ 6.60	9.09%	42.01%	2.90%	8.7 years
May 10, 2011	\$ 6.60	9.09%	42.01%	2.90%	9.9 years

At June 30, 2010

Grant date of options	Unit price	Annual dividend yield of options	Volatility	Risk-free interest rate	Expected remaining life of options
July 9, 2008	\$ 4.40	13.64%	47.06%	2.56%	8.1 years
February 10, 2010	\$ 4.40	13.64%	47.06%	3.08%	9.6 years

For the three and six months ended June 30, 2011, the Fund recognized \$377,219 (2010 – \$16,094) and \$682,433 (2010 – \$61,422) of compensation expense. At June 30, 2011, the Fund recorded a liability for cash-settled unit based options of \$872,128 (2010 – \$207,053). The intrinsic value of the vested awards for the period was \$542,220 (2010 - \$nil).

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11. OPERATING LEASE COMMITMENTS

The Fund, through its indirectly owned subsidiaries, has entered into operating lease agreements for certain operating assets.

Non-cancellable operating lease rentals are payable as follows:

	June 30, 2011		December 31, 2010	
Less than one year	\$	4,858,974	\$	2,219,610
Between one and five years		15,681,267		4,776,431
More than five years		2,486,322		2,631,705

For the three and six months ended June 30, 2011, the Fund recognized an expense of \$801,780 (2010 - \$635,452) and \$1,385,081 (2010 - \$1,135,408) in profit or loss in respect of operating leases.

The Fund's most significant operating leases are related to land and buildings with no purchase options. Certain of the land and building operating leases have renewal options.

12. FINANCE LEASE COMMITMENTS

The Fund, through its indirectly owned subsidiaries, has entered into finance lease agreements for certain tractors and trailers that are part of the property and equipment. All finance lease agreements have the option or requirement to purchase the assets with a pre-determined price or market price at the end of the lease. These assets are being amortized consistent with the fund's amortization policy (see Note 3), and as at June 30, 2011 had a net carrying value of \$1,191,529.

There are no contingent rent agreements as part of the Fund's lease agreements.

Finance lease liabilities are payable as follows:

	June 30, 2011		December 31, 2010	
	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
Less than one year	\$ 349,797	\$ 314,024	\$ 218,523	\$ 171,304
Between one and five years	941,165	742,875	622,606	560,974
	\$ 1,290,962	\$ 1,056,899	\$ 841,129	\$ 732,278

13. DEBENTURES

(a) Series A Debentures

As part of the Offering, the Fund issued 100,000 5-year 9% senior secured convertible debentures – Series A (“Series A Debentures”) at \$100 per Series A Debenture, for proceeds of \$10,000,000.

At any time after August 15, 2008, on not more than 60 days' notice and not less than 30 days' notice, the Fund may redeem the Series A Debentures at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption, provided that the current market price (defined as “the weighted average trading price of the Units on the Exchange for the 20 consecutive trading days ending on the fifth trading day preceding such date”) of the Units on the day

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preceding the date on which notice of redemption is given is at least 125% of the conversion price of \$4.20 per Unit. The redemption can be settled in cash or through the issuance of Units.

At maturity on August 15, 2011, the Fund shall repay the outstanding principal amount of the Series A Debentures, along with any accrued or unpaid interest, or, at the Fund's sole option, upon providing not less than 30 days' notice and not more than 60 days' notice, the Series A Debentures shall be converted into such number of Units as is determined by dividing the principal amount of Series A Debentures plus accrued and unpaid interest by the value of Units obtained by calculating 95% of the weighted average trading price of the Units on the Exchange during the prior 20 consecutive days on which Units are traded.

The holders of Series A Debentures are permitted to convert all or any part of the principal of, and accrued interest on, the Series A Debentures held by them into Units at the conversion price of \$4.20 per Unit at any time prior to the maturity of the Series A Debentures, subject to anti-dilution provisions.

The Fund has elected to measure the Series A Debentures at fair value through profit or loss, with the fair value based on the closing price at the Exchange as at the end of each financial period.

Cash financing costs in the amount of \$1,060,332 were incurred in the issuance of the Series A Debentures. The financing costs were expensed when incurred.

The following summarizes the face and carrying value of the Series A Debentures at December 31, 2010 and June 30, 2011:

	Face value	Carrying value
Balance as at December 31, 2010	\$ 9,493,900	\$ 9,778,717
Conversion to Units	(6,405,600)	(8,131,354)
Mark to market as at June 30, 2011		2,897,997
Balance as at June 30, 2011	\$ 3,088,300	\$ 4,545,360

The Series A Debentures rank senior to the Units, 2010 Debentures (as defined under Note 13(b)) and 2011 Debentures (as defined under Note 13(c)), pari passu in all respects with any other Series A Debentures issued from time to time, and are subordinate to senior security and permitted encumbrances.

The fair value of Series A Debentures, which was determined using the closing price at the Exchange as at June 30, 2011, was \$4,545,360 (2010 – \$9,778,717) for all outstanding debentures.

On July 29, 2011, the Fund redeemed all outstanding Series A Debentures (refer to Note 18).

(b) 2010 Debentures

On February 26, 2010, the Fund completed a public offering of 27,600 8.50% unsecured convertible subordinated debentures (the "2010 Debentures") at \$1,000 per debenture, for gross proceeds of \$27,600,000. The 2010 Debentures will mature on December 31, 2015.

On and after December 31, 2013 and prior to December 31, 2014, the 2010 Debentures are redeemable in whole or in part from time to time at the Fund's option at par plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units on the Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price of \$5.25 per Unit. On and after

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(Unaudited)

December 31, 2014, the 2010 Debentures are redeemable at the Fund's option at any time at par plus accrued and unpaid interest. The redemption can be settled in cash or through the issuance of Units.

At maturity on December 31, 2015, the Fund has the option, upon not more than 60 nor less than 40 days' prior notice, to satisfy its obligations to pay on maturity, the principal amount of the 2010 Debentures, in whole or in part, by delivering freely tradeable Units. Any accrued and unpaid interest will be paid in cash. In such event, payment will be satisfied by delivering for each \$1,000 due, that number of freely tradeable Units obtained by dividing \$1,000 by 95% of the volume-weighted average trading price of the Units on the Exchange for the 20 consecutive trading days ending five trading days prior to the date of maturity.

The 2010 Debentures are convertible at the holder's option into fully paid Units at any time prior to the close of business on the earlier of maturity and the business day immediately preceding the date fixed for redemption at a conversion price of \$5.25 per Unit, subject to anti-dilutive provisions.

The Fund has elected to measure the 2010 Debentures at fair value through profit or loss, with the fair value based on the closing price at the Exchange as at the end of each financial period.

Cash financing costs in the amount of \$1,733,160 were incurred in the issuance of the 2010 Debentures. The financing costs were expensed when incurred.

The following summarizes the face and carrying value of the 2010 Debentures at December 31, 2010 and June 30, 2011:

	Face value	Carrying value
Balance as at December 31, 2010	\$ 27,600,000	\$ 27,876,000
Conversion to Units	(1,695,000)	(1,915,224)
Mark to market as at June 30, 2011		6,226,187
Balance as at June 30, 2011	\$ 25,905,000	\$ 32,186,963

The payment of the principal of, and interest on, the 2010 Debentures are subordinated in right of payment to all senior obligations of the Fund, including all senior security and Series A Debentures. The 2010 Debentures rank pari passu with other series of debentures issued under the trust indenture of the 2010 Debentures, and rank senior to the Units.

The fair value of 2010 Debentures, which was determined using the closing price at the Exchange as at June 30, 2011, was \$32,186,963 (2010 – \$27,876,000) for all outstanding debentures.

(c) 2011 Debentures

The Fund completed a public offering on June 1, 2011 of 75,000 and an overallotment on June 6, 2011 of 11,250 8.00% extendible convertible series 2 unsecured subordinated debentures (collectively, the "2011 Debentures") at \$1,000 per debenture, for gross proceeds of \$86,250,000. The 2011 Debentures will mature on June 30, 2018.

On and after June 30, 2014 and prior to June 30, 2016, the 2011 Debentures are redeemable in whole or in part from time to time at the Fund's option at par plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units on the Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price of \$7.50 per Unit. On and after June 30, 2016, the 2011 Debentures are redeemable at the Fund's option at any time at par plus accrued and unpaid interest. The redemption can be settled in cash or through the issuance of Units.

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At maturity on June 30, 2018, the Fund has the option, upon not more than 60 nor less than 40 days' prior notice, to satisfy its obligations to pay on maturity, the principal amount of the 2011 Debentures, in whole or in part, by delivering freely tradeable Units. Any accrued and unpaid interest will be paid in cash. In such event, payment will be satisfied by delivering for each \$1,000 due, that number of freely tradeable Units obtained by dividing \$1,000 by 95% of the volume-weighted average trading price of the Units on the Exchange for the 20 consecutive trading days ending five trading days prior to the date of maturity.

The 2011 Debentures are convertible at the holder's option into fully paid Units at any time prior to the close of business on the earlier of maturity and the business day immediately preceding the date fixed for redemption at a conversion price of \$7.50 per Unit, subject to anti-dilutive provisions.

The Fund has elected to measure the 2011 Debentures at fair value through profit or loss, with the fair value based on the closing price at the Exchange as at the end of each financial period.

Cash financing costs in the amount of \$4,848,963 were incurred in the issuance of the 2011 Debentures. The financing costs were expensed when incurred.

The following summarizes the face and carrying value of the 2011 Debentures at June 30, 2011:

		Face value		Carrying value
Issuance in June 2011	\$	86,250,000	\$	86,250,000
Mark to market as at June 30, 2011				862,500
Balance as at June 30, 2011	\$	86,250,000	\$	87,112,500

The payment of the principal of, and interest on, the 2011 Debentures are subordinated in right of payment to all senior obligations of the Fund, including all senior security and Series A Debentures. The 2011 Debentures rank pari passu with other series of debentures issued under the trust indenture of the 2011 Debentures, and rank senior to the Units.

The fair value of 2011 Debentures, which was determined using the closing price at the Exchange as at June 30, 2011, was \$87,112,500 (2010 – \$nil) for all outstanding debentures.

14. FINANCIAL INSTRUMENTS

(a) Comparison of fair value to carrying value

Financial instruments consist of cash and cash equivalents, accounts receivable, financial derivatives, operating loans, accounts payable and accrued liabilities, distributions payable, capital and acquisition loans, mortgage payable, equipment financing payable, Series A Debentures, 2010 Debentures, 2011 Debentures and Exchangeable Units. The carrying values of the financial instruments, except for the capital and acquisition loans, mortgage payable, equipment financing payable, Series A Debentures, 2010 Debentures, 2011 Debentures and Exchangeable Units, are considered to approximate their fair values due to their short term nature. The face values of the capital and acquisition loans approximate their fair values as they are due on demand. The fair values of the mortgage payable and equipment financing payable are based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. The fair value of Exchangeable Units is based on observable market price and is disclosed in Note 9. The fair values of the Series A Debentures, 2010 Debentures and 2011 Debentures are also based on observable market price and are disclosed in Note 13.

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(b) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument.

The Fund is exposed to credit risk with respect to its trade receivables, particularly from customers in the construction and resource industries in British Columbia and Alberta due to the Fund's concentration of business in these sectors. The Fund mitigates the risk by means of a diverse customer base in the construction (industrial, commercial, infrastructure, and residential), resource (oil & gas, mining and forestry) as well as other sectors. As at June 30, 2011, two of the Fund's accounts receivable balances were in excess of 10% of the Fund's consolidated accounts receivable balance. In assessing the credit risks in relation to these two accounts receivable balances, management has considered the financial health of the respective companies in terms of working capital position, financial leverage, ability to generate operating cash flow, revenue base and profitability. Management has also reviewed the payment history and average collection cycle of these accounts and made provisions where necessary. In general, the Fund mitigates the risk by following a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary.

The allowance for doubtful accounts in respect of trade receivables is used to record impairment losses unless the Fund is satisfied that a recovery of the amount owing is possible, at which point the amounts are considered irrecoverable and are written off against the trade receivables directly.

Objective evidence that trade receivables are impaired can include default or delinquency by a debtor and indications that a debtor will enter into bankruptcy.

Aging of receivables is as follows:

	June 30, 2011	December 31, 2010
Trade receivables, gross		
Outstanding 1-30 days	\$ 7,257,584	\$ 5,029,316
Outstanding 30 – 60 days (past due)	4,249,118	2,629,517
Outstanding over 60 days (past due)	5,339,413	824,460
	16,846,115	8,483,293
Allowance for doubtful accounts	(558,942)	(163,135)
Trade receivables, net	16,287,173	8,320,158
Sales tax and other receivables	2,015,368	1,155,921
Accounts receivable	\$ 18,302,541	\$ 9,476,079

The movement in the allowance for doubtful accounts in respect of trade receivables is as follows:

	2011	2010
Balance as at January 1	\$ 163,135	\$ 239,032
Acquisition	276,792	-
Bad debt expenses	229,423	93,142
Wrote off against trade receivables	(110,408)	(148,692)
Balance as at June 30	\$ 558,942	\$ 183,482

Based on historic default rates, the Fund believes that, no impairment allowance is necessary in respect of trade receivables not past due.

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(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due.

The Fund manages its liquidity risk through cash and debt management including monitoring debt covenants and timely collection of accounts receivables. As at June 30, 2011, the Fund had available unused approved credit facilities of \$6,749,233. The Fund also has accounts receivable of \$18,302,541, and cash and cash equivalents totalling \$16,534,507.

A centralized treasury function ensures that the Fund maintains funding flexibility by assessing future cash flow expectations and by maintaining sufficient headroom on its committed borrowing facilities. Cash flow estimates are based on rolling forecasts of operating, investing and financing cash flows. Such forecasting also takes into account borrowing limits, cash restrictions and compliance with debt covenants.

Cash which is surplus to working capital requirements is managed by the centralized treasury function which invests it in money market funds or bank money market deposits, choosing maturities which are aligned with expected cash needs based on the rolling forecast process.

(d) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's credit facilities bear interest at variable rates.

The Fund is managing its interest rate risk, in part, through interest rate swaps (see Note 7 and Note 18).

The Fund's Series A Debentures, 2010 Debentures and 2011 Debentures bear a fixed interest rate of 9.0%, 8.5% and 8.0%, respectively, throughout the term of the debentures and thus are not exposed to any interest rate risk.

The Fund's mortgage payable bears a fixed interest rate of 6.5% throughout the four-year term and thus is not exposed to any interest rate risk.

The Fund's equipment financing payable bears fixed interest rates of up to 3.45% throughout the terms of the respective financing and thus is not exposed to any interest rate risk.

The Fund's finance leases payable bear fixed interest rates from 4.20% to 15.30% throughout the terms of the leases and thus are not exposed to any interest rate risk.

Units and Exchangeable Units are not exposed to interest rate risk as distributions paid are discretionary.

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Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Fund's cash flow exposure to foreign currency is due mainly to purchases of rental equipment and replacement parts from suppliers in the United States.

As at June 30, 2011, the Fund's consolidated balance sheet included \$859,026 of accounts payable (2010 - \$135,457), \$188,552 of operating line (2010 - \$nil) and \$291,572 of cash (2010 - \$43,765) which were U.S. currency denominated.

The Fund does not use hold or issue financial instruments for trading or speculative purposes. At June 30, 2011 there were no foreign exchange contracts outstanding.

(e) Capital Risk Management

The Fund's capital currently consists of cash and cash equivalents, credit facilities (including capital and acquisition loans), debentures and issued unit capital.

The Fund's objective when managing capital is to maximize long-term Unitholder value by:

- maintaining a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations; and
- providing a return to Unitholders by delivering monthly cash distributions.

In managing its capital structure, the Fund monitors performance throughout the period to ensure anticipated cash distributions, working capital requirements and maintenance capital expenditures are funded from operations, available cash on deposit and where applicable, bank borrowings. The Fund will make adjustments to its capital structure to meet the objectives of the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust the capital structure, the Fund may adjust the amount of cash distributions to Unitholders, borrow funds and/or issue new Units.

The Fund's credit facilities have restrictive covenants relating to debt incurrence and distributions to Unitholders. Furthermore, the credit facilities contain financial covenants, as described in Note 7 above, that also form the basis for the Fund to monitor its capital. The Fund closely monitors the business performance to evaluate compliance with the covenants. As at June 30, 2011, the Fund was in compliance with all such covenants.

15. BUSINESS COMBINATIONS

On May 16, 2011, WEQ Britco LP ("Britco"), a subsidiary of the Fund, entered into an acquisition agreement with Britco Structure LLP and Britco Leasing Ltd (collectively, the "Britco Group") pursuant to which Britco agreed to acquire the assets and the business of the Britco Group (the "Acquisition"). The aggregate purchase price was paid in cash and is subject to an earn-out provision whereby the previous owners of the Britco Group will receive a portion of any earnings above a prescribed threshold for the year ending May 31, 2012. The Acquisition was completed on June 1, 2011.

Britco designs, manufactures and leases commercial portable and permanent modular buildings.

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Management of the Fund believes the Acquisition is beneficial to the Fund for a number of reasons, including:

- the Acquisition represents a diversification of the Fund's equipment rentals, sales and services platform;
- the business platform of Britco can benefit from the Fund's business networks and the Fund will be able to offer an expanded range of products and services to a wider customer base;
- Britco's first on-site presence through its modular offices or staff accommodation units at its customers' locations provides an in-road for the Fund's other product and service offerings.
- the Acquisition gives the Fund economies of scale, improving the Fund's information technology infrastructure and leveraging sales and marketing efforts; and
- the Acquisition gives the Fund's existing construction and infrastructure businesses a marketing and sales channel in the high growth oil and gas sector in Alberta.

The purchase price was paid in cash, and the acquisition was accounted for using the purchase method. The allocation of the purchase price to the estimated fair value of the net assets acquired is as follows:

Allocation of purchase price	
Accounts receivable	\$ 10,948,945
Inventories	5,480,785
Prepays	562,910
Accounts payable	(4,527,878)
Property and equipment	18,200,651
Intangible assets:	
Customer relationships	14,676,884
Brand name	15,895,090
Non-compete agreements	1,399,638
Goodwill	37,300,121
	\$ 99,937,146
Consideration:	
Cash	\$ 99,391,442
Earn-out provision	545,704

The Goodwill is attributable mainly to 1) Britco's strong business model which will enhance future growth in operation; 2) the synergies with the Fund's other businesses expected to be achieved from the reasons discussed above; and 3) Britco's assembled workforce. 75% of the goodwill is expected to be deductible for tax purposes pursuant to the Canadian Income Tax Act.

16. OPERATING SEGMENTS

The Fund operates in two operating (and reportable) segments: equipment rentals, sales & services and modular building manufacturing & leasing, based on the way that management organizes the Fund's businesses for making operating decisions and assessing performance. The equipment rentals, sales & services segment is engaged in the business of equipment rentals, sales and services, and fuel wholesale and distribution. The modular building manufacturing & leasing segment includes the manufacturing, sales and leasing of modular buildings to provide space solution for workforce accommodations, resource, commercial and industrial camps, custom office complexes, hotels and motels, disaster relief housing and schools, among other uses.

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The seasonality of the Fund's business segments impact its quarterly operating results as follows:

(a) Equipment rentals, sales & service segment

The aerial and general rentals business is generally lower from January through March as the winter weather hampers construction activity. Construction heater rentals and related fuel supply and wholesale during the winter months compensate for the slow winter business cycle in the aerial and general rentals sector. From April through July, the rental demand for construction and general rental equipment grows gradually as rental activities accelerate into the summer months. Expenditures on inventory for sale and rental fleet are mostly incurred during these months in anticipation of equipment rental and sales in the summer and fall. From August through November the demand for rental equipment continues as construction companies strive to meet construction targets prior the start of the holiday season in December. The construction heater rentals and fuel wholesale business in Alberta starts in November and continues through to the spring of the following year.

(b) Modular building manufacturing and leasing segment

The modular building manufacturing division does not follow a specific seasonal trend. Modular buildings are pre-fabricated buildings that are manufactured in Britco's two production facilities (in Agassiz and Penticton, BC) throughout the year, and are not subject to external weather conditions. Production is scheduled based on the level of project backlogs, timing of contracts signed and job orders issued, product type and timing of delivery. Similarly, the modular leasing division has not historically been subject to seasonality. Common applications of modular space units include work camp accommodations, classrooms, temporary offices, construction site offices, sales offices, special event headquarters and storage containers. Unlike the Fund's equipment rentals, sales and service segment, the lease terms of modular space leasing are typically longer (3 to 5 years, compared to daily, weekly or monthly rentals), with the exception of short-term event-driven modular space rentals, which typically experience a higher level of activity during the summer months.

The method used for the allocation of assets jointly used by the operating segments and costs and liabilities jointly incurred (mostly corporate costs) between the operating segments is based on a proportion of each segment's assets, and for revenues and expenses on a proportion of each segment's revenue.

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For the three-month period ended June 30	Equipment Rental, Sales & Service		Modular Building Manufacturing & Leasing		Consolidated	
	2011	2010	2011	2010	2011	2010
Total segment revenue	13,440,216	11,159,942	7,087,621	-	20,527,837	11,159,942
Revenue with other segment (eliminated in consolidation)	13,100	-	342	-	13,442	-
Depreciation & amortization of:						
Property and equipment	2,367,511	2,255,525	115,321	-	2,482,832	2,255,525
Intangible and other assets	978,103	1,054,609	145,635	-	1,123,738	1,054,609
Finance cost	5,099,130	582,449	2,277,070	-	7,376,200	582,449
Income tax recoveries	475,048	513,923	250,549	-	725,597	513,923
Earnings before distributions, finance costs, taxes, depreciation, amortization, write down of assets, foreign exchanges gains/(losses), business acquisition costs and unit based compensation expense	3,122,321	2,335,794	1,181,011	-	4,303,332	2,335,794
Purchase of property and equipment (net of business acquisitions)	5,117,357	1,575,557	368,854	-	5,486,211	1,575,557
Total identifiable assets⁽¹⁾	88,311,580	91,468,151	121,364,063	-	209,675,643	91,468,151

⁽¹⁾Balances for 2010 are balances as of December 31, 2010.

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For the six-month period ended June 30	Equipment Rental, Sales & Service		Modular Building Manufacturing & Leasing		Consolidated	
	2011	2010	2011	2010	2011	2010
Total segment revenue	30,890,944	24,205,154	7,087,621	-	37,978,565	24,205,154
Revenue with other segment (eliminated in consolidation)	13,100	-	342	-	13,442	-
Depreciation & amortization of:						
Property and equipment	4,807,644	4,044,626	115,321	-	4,922,965	4,044,626
Intangible and other assets	2,007,560	2,033,353	145,635	-	2,153,195	2,033,353
Finance cost	10,975,749	2,329,100	2,277,070	-	13,252,819	2,329,100
Income tax recoveries	881,428	948,838	202,206	-	1,083,634	948,838
Earnings before distributions, finance costs, taxes, depreciation, amortization, write down of assets, foreign exchanges gains/(losses), business acquisition costs and unit based compensation expense	8,887,654	6,215,091	1,181,011	-	10,068,665	6,215,091
Purchase of property and equipment (net of business acquisitions)	6,857,343	2,255,050	368,854	-	7,226,197	2,255,050
Total identifiable assets⁽¹⁾	88,311,580	91,468,151	121,364,063	-	209,675,643	91,468,151

⁽¹⁾Balances for 2010 are balances as of December 31, 2010.

17. RELATED PARTIES

(a) Purchase of equipment

The Fund purchased equipment from a company in which a board member of the Fund has a controlling interest, for \$58,183 (2010 - \$117,335) and \$156,145 (2010 - \$254,617) during the three and six month period ended June 30, 2011. These transactions arose during the normal course of business and were recorded at fair market value.

(b) Rental obligations

The Fund currently rents premises in various locations from companies in which employees of the Fund hold certain interests. The Fund paid \$212,986 (2010 - \$203,777) and \$419,150 (2010 - \$403,986) in such rent during the three and six month period ended June 30, 2011 and a rental deposit of \$36,858 (2010 - \$36,858) for such premises at June 30, 2011. The rent between the parties is at fair market value.

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(c) Key Management Personal Compensation

The following table summarizes the compensation of the Fund's key management:

	Six-month period ended June 30, 2011	Six-month period ended June 30, 2010
Short term employee benefits	\$ 330,206	\$ 184,242
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
Share based payments	\$ 265,086	\$ 16,825

18. SUBSEQUENT EVENTS

- a) On July 29, 2011, pursuant to the debenture indenture dated August 15, 2006, the Fund redeemed all of its outstanding Series A Debentures. The redemption price was paid in cash and was \$100 per \$100 principal amount of the Series A Debentures outstanding, plus accrued and unpaid interest.
- b) On August 10, 2011, the Fund entered into an interest rate swap with the Bank for a principal amount of \$20,000,000. The swap has a three-year term and a fixed rate of 1.43% plus a stamping fee of 3.00%.
- c) From July 1, 2011 to August 12, 2011, 1,082,959 Units were issued as a result of the conversion of \$2,782,200 and \$2,197,000 of Series A Debentures and 2010 Debentures, respectively, thereby reducing the balance of Debentures and increasing the balance of Units.

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19. TRANSITION TO IFRS

The Fund adopted IFRS in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards". The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). In accordance with IFRS, the Fund has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of January 1, 2010, as required; and
- applied certain optional exemptions and certain mandatory exceptions as applicable for first time IFRS adopters.

The Fund's interim consolidated financial statements were previously prepared in accordance with Canadian GAAP.

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

(a) IFRS exemption options

Business Combinations - IFRS 1 provides the option to apply IFRS 3, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Fund elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

(b) IFRS mandatory exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Fund under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

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(c) Reconciliation of Canadian GAAP to IFRS

The following is a reconciliation of the Fund's financial position reported in accordance with Canadian GAAP to IFRS:

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
June 30, 2010				
ASSETS				
CURRENT ASSETS				
Cash & cash equivalents		8,689,593		8,689,593
Accounts receivable		5,381,172		5,381,172
Inventories		1,805,399		1,805,399
Deposits & prepaid expenses		473,549		473,549
		16,349,713		16,349,713
PROPERTY & EQUIPMENT	I	35,436,405	(142,129)	35,294,276
INTANGIBLE ASSETS	I	25,092,141	142,129	25,234,270
GOODWILL	II	9,923,709	(430,978)	9,492,731
DEFERRED INCOME TAX ASSETS	II, IV	6,766,868	737,544	7,504,412
TOTAL ASSETS		93,568,836		93,875,402
LIABILITIES AND UNITHOLDERS' DEFICIENCY				
CURRENT LIABILITIES				
Operating loans		852,972		852,972
Accounts payable and accrued liabilities		3,902,767		3,902,767
Distributions payable		693,589		693,589
Current portion of Units	V	-	600,000	600,000
Capital and acquisition loans		27,573,884		27,573,884
Other liabilities		201,272		201,272
		33,224,484		33,824,484
FINANCE LEASE OBLIGATION		290,356		290,356
TERM MORTGAGE		314,035		314,035
FINANCIAL DERIVATIVES		194,483		194,483
SERIES A DEBENTURES	IV	8,940,606	1,007,930	9,948,536
2010 DEBENTURES	IV	23,459,447	4,278,553	27,738,000
EXCHANGEABLE UNITS	V	-	495,000	495,000
FUND UNITS	V	-	45,416,618	45,416,618
UNIT BASED COMPENSATION	III	-	157,440	157,440
		66,423,411		118,378,952
UNITS	V	42,107,603	(42,107,603)	-
RETAINED DEFICIT	II-V	(18,742,083)	(5,761,467)	(24,503,550)
CONTRIBUTED SURPLUS	III	114,584	(114,584)	-
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES	IV	3,665,321	(3,665,321)	-
		27,145,425		(24,503,550)
TOTAL LIABILITIES & UNITHOLDERS' DEFICIENCY		93,568,836		93,875,402

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The following is a reconciliation of the Fund's comprehensive income reported in accordance with Canadian GAAP to IFRS:

Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	
	Three-month period ended June 30, 2010			Six-month period ended June 30, 2010			
REVENUE							
Equipment rental	5,931,075		5,931,075	10,907,446		10,907,446	
Equipment sales	1,636,037		1,636,037	2,424,503		2,424,503	
Parts, fuel, service and others	3,592,830		3,592,830	10,873,205		10,873,205	
	11,159,942		11,159,942	24,205,154		24,205,154	
COST OF SALES							
Cost of equipment rentals, excluding depreciation	3,589,405		3,589,405	6,527,577		6,527,577	
Depreciation of rental equipment	2,024,520		2,024,520	3,655,593		3,655,593	
Equipment sold	1,504,199		1,504,199	2,189,116		2,189,116	
Parts, fuel, service and others	1,262,799		1,262,799	4,774,381		4,774,381	
	8,380,923		8,380,923	17,146,667		17,146,667	
GROSS PROFIT	2,779,019		2,779,019	7,058,487		7,058,487	
OPERATING EXPENSES							
General and administration	III	3,736,454	(5,110)	3,731,344	6,888,924	23,041	6,911,965
Business acquisitions	II	-	150,978	150,978	-	430,978	430,978
		3,736,454		3,882,322	6,888,924		7,342,943
RESULTS FROM OPERATING ACTIVITIES		(957,435)		(1,103,303)	169,563		(284,456)
Finance costs	IV, V	1,393,020	(810,571)	582,449	2,311,197	1,751,063	4,062,260
Distributions to Unitholders	V	-	2,099,029	2,099,029	-	4,194,603	4,194,603
LOSS BEFORE INCOME TAX		(2,350,455)		(3,784,781)	(2,141,634)		(8,541,319)
DEFERRED INCOME TAX RECOVERY	II, IV	(462,811)	(51,112)	(513,923)	(433,965)	(514,873)	(948,838)
TOTAL COMPREHENSIVE LOSS		(1,887,644)		(3,270,858)	(1,707,669)		(7,592,481)

The IFRS adjustments made to the comparative interim consolidated statement of comprehensive loss for the six months ended June 30, 2010 have been made to the interim consolidated statement of cash flows as at the same date. There were no other significant IFRS transition differences noted.

(d) Explanation note of transition to IFRS

Software

- I. Software was classified as property and equipment in the previous Canadian GAAP financial statements.

Starting from January 1, 2010 the Fund is required to classify software as intangible assets in accordance with IAS 38.

Business combinations

- II. Acquisition-related costs incurred by the Fund were included as part of goodwill under previous Canadian GAAP.

Starting from January 1, 2010 the Fund is required to expense acquisition related costs in accordance with IFRS 3. This also led to an increase in the temporary difference between the accounting basis and tax basis of the intangible assets (including goodwill) compared to Canadian GAAP.

WesternOne Equity Income Fund

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2011

(Unaudited)

Unit based compensation

- III. The Fund granted options to acquire Units for its directors, trustees and other employees. These options vest evenly over five years. Under previous Canadian GAAP, these options were accounted for as equity settled options and the Fund had expensed the fair value of these options with an equal amount every year over the respective vesting periods. Under IFRS 2, "Share-Based Payment", these options are cash settled options and the Fund is required to account for each tranche of the options with graded vesting as a separate option grant and recognize the related expense and liabilities accordingly.

Financial instruments

- IV. Under previous Canadian GAAP, the Series A Debentures and the 2010 Debentures (collectively, the "Debentures") were bifurcated between the equity and liability components using the residual method and the related transaction costs were deferred and amortized through the life of the Debentures. Under IAS 39, "Financial Instruments: Recognition and Measurement", the Fund elected to record its Debentures at their fair values based on the trading price at the Exchange. Furthermore, since the Units were classified as liabilities under IAS 39, no bifurcation between the equity and the liability components of the debenture was required. Also under IAS 39, the related transactions costs for issuing the Debentures were expensed when incurred. This led to an increase in the temporary difference between the accounting basis and tax basis of the deferred transaction costs compared to Canadian GAAP.

Financial instrument classification and presentation

- V. The Fund's Units and Exchangeable Units were classified as equity under previous Canadian GAAP. Under IAS 32, since the Units are redeemable and the Fund has a contractual obligation to distribute the Fund's income according to the Fund's declaration of trust, the Units and Exchangeable Units are required to be classified as liabilities and the Units that are redeemable within 12 months from the date of the statement of financial position are required to be classified as current liabilities.

Fund Units

The related issuance costs of the Units have been amortized fully using the effective interest rate method in accordance with IAS 39 as the Fund's Units are carried at amortized cost. Distributions declared are recorded as part of the Fund's comprehensive income in accordance with IAS 32.

Exchangeable Units

The Exchangeable Units are carried at fair value through profit or loss with changes in their fair value being recorded as part of the Fund's comprehensive income.