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INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*For the Three Months ended March 31, 2011 and 2010*

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WESTERNONE EQUITY INCOME FUND

Suite 910, 925 West Georgia Street • Vancouver • British Columbia • Canada • V6C 3L2 • Telephone (604) 678-4042 • Fax (604) 681-5969

# WesternOne Equity Income Fund

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

(Canadian Dollars)	<i>Note</i>	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		\$ 2,876,319	\$ 3,991,637	\$ 2,069,887
Accounts receivable	14	11,052,894	9,476,079	6,139,001
Inventories	6	2,184,044	2,058,753	1,454,686
Deposits and prepaid expenses		576,638	576,756	511,944
		16,689,895	16,103,225	10,175,518
PROPERTY & EQUIPMENT	4	34,739,824	35,671,863	29,382,988
INTANGIBLE ASSETS	5	21,302,314	22,331,771	24,507,279
GOODWILL	5	9,492,731	9,492,731	8,430,418
DEFERRED INCOME TAX ASSETS	8	8,226,597	7,868,561	6,555,574
<b>TOTAL ASSETS</b>		<b>\$ 90,451,361</b>	<b>\$ 91,468,151</b>	<b>\$ 79,051,777</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Operating loans	7	\$ 1,229,569	\$ 2,608,318	\$ 1,740,870
Accounts payable and accrued liabilities		5,860,263	4,008,467	3,293,896
Distributions payable		751,201	694,452	691,932
Series A Debentures (Face Value \$4,795,900)	13	6,282,629	9,778,717	-
Current portion of Units	9	600,000	600,000	600,000
Capital and acquisition loans	7	29,580,750	30,444,585	32,767,926
Other liabilities		368,614	365,844	339,344
		44,673,026	48,500,383	39,433,968
FINANCE LEASES OBLIGATION	12	679,128	569,924	267,767
TERM MORTGAGE		302,198	306,244	321,626
FINANCIAL DERIVATIVES	7	-	-	302,686
SERIES A DEBENTURES	13	-	-	9,799,889
2010 DEBENTURES (Face Value \$27,600,000)	13	30,111,600	27,876,000	-
EXCHANGEABLE UNITS	9	621,000	495,000	472,500
FUND UNITS	9	51,436,743	45,491,616	45,268,392
UNIT BASED COMPENSATION	10	512,267	207,053	96,018
		128,335,962	123,446,220	95,962,846
<b>UNITHOLDERS' DEFICIENCY</b>				
Net Deficit attributable to Unitholders		(37,884,601)	(31,978,069)	(16,911,069)
<b>TOTAL LIABILITIES &amp; UNITHOLDERS' DEFICIENCY</b>		<b>\$ 90,451,361</b>	<b>\$ 91,468,151</b>	<b>\$ 79,051,777</b>

See accompanying Notes to the Interim Consolidated Financial Statements

# WesternOne Equity Income Fund

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

(Canadian Dollars)	<i>Note</i>	<b>Three-month period ended March 31, 2011</b>	<b>Three-month period ended March 31, 2010</b>
<b>REVENUE</b>			
Equipment rental		\$ 8,453,841	\$ 4,976,371
Equipment sales		1,035,687	788,466
Parts, fuel, service and others		7,961,200	7,280,375
		<b>17,450,728</b>	<b>13,045,212</b>
<b>COST OF SALES</b>			
Cost of equipment rentals, excluding depreciation		3,647,793	2,671,588
Depreciation of rental equipment		2,132,168	1,631,073
Equipment sold		869,410	684,917
Parts, fuel, service and others		4,398,826	3,778,166
		<b>11,048,197</b>	<b>8,765,744</b>
<b>GROSS PROFIT</b>		<b>6,402,531</b>	<b>4,279,468</b>
<b>OPERATING EXPENSES</b>			
General and administration (including depreciation and amortization of operating and intangible assets)		4,404,267	3,180,621
Business acquisitions		190,840	280,000
		<b>4,595,107</b>	<b>3,460,621</b>
<b>OTHER EXPENSES</b>			
Finance costs	<i>7, 13</i>	5,876,619	3,479,810
Distributions to Unitholders		2,195,374	2,095,574
		<b>8,071,993</b>	<b>5,575,384</b>
<b>LOSS BEFORE INCOME TAXES</b>		<b>(6,264,569)</b>	<b>(4,756,537)</b>
DEFERRED INCOME TAX RECOVERIES	<i>8</i>	(358,037)	(434,915)
<b>NET AND COMPREHENSIVE LOSS</b>		<b>\$ (5,906,532)</b>	<b>\$ (4,321,622)</b>
Basic and diluted weighted average loss per unit		\$ (0.41)	\$ (0.31)
Basic and diluted weighted average number of units outstanding		14,409,991	13,970,066

*See accompanying Notes to the Interim Consolidated Financial Statements*

# WesternOne Equity Income Fund

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' DEFICIENCY

(Unaudited)

(Canadian Dollars)		Retained deficit
<b>BALANCE, January 1, 2010</b>	\$	(16,911,069)
Net and comprehensive loss for the period		(4,321,622)
<b>BALANCE, March 31, 2010</b>	\$	(21,232,691)
<b>BALANCE, December 31, 2010</b>	\$	(31,978,069)
Net and comprehensive loss for the period		(5,906,532)
<b>BALANCE, March 31, 2011</b>	\$	(37,884,601)

*See accompanying Notes to the Interim Consolidated Financial Statements*

# WesternOne Equity Income Fund

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(Canadian Dollars)	<i>Note</i>	<b>Three-month period ended March 31, 2011</b>	<b>Three-month period ended March 31, 2010</b>
<b>OPERATING ACTIVITIES</b>			
Loss for the period		\$ (5,906,532)	\$ (4,321,622)
Items not affecting cash -			
Amortization of rental equipment	4	2,132,168	1,631,073
Amortization of operating and intangible assets	4, 5	1,337,422	1,136,772
Interest expense relating to amortization of transaction cost and conversion of convertible debentures		94,637	472
Deferred tax recoveries	8	(358,037)	(434,915)
Gain on derivatives		(39,297)	(67,021)
Unit-based compensation	10	305,214	45,328
Increase in fair value of convertible debentures		4,615,568	2,733,294
Increase in fair value of Exchangeable Units		126,000	27,000
Gain on sale of property and equipment		(106,639)	(55,894)
Finance costs		1,109,485	719,517
Distributions		2,195,374	2,095,574
		5,505,363	3,509,578
Changes in non-cash working capital balances -			
Accounts receivable		(1,576,815)	(622,548)
Inventories		(125,291)	(188,083)
Deposits and prepaid expenses		118	22,995
Accounts payable and accrued liabilities		1,843,429	1,118,676
Unearned revenue		4,681	(19,146)
		5,651,485	3,821,472
<b>INVESTING ACTIVITIES</b>			
Cash held in trust		-	(13,500,000)
Purchase of property and equipment		(1,739,986)	(679,493)
Proceeds from the sale of property and equipment		493,254	170,524
		(1,246,732)	(14,008,969)
<b>FINANCING ACTIVITIES</b>			
Debentures issued for cash (net of expenses)	13	-	25,929,510
Finance costs		(1,109,485)	(719,517)
Distributions paid		(2,138,625)	(2,094,997)
Repayment of term mortgage		(4,448)	(4,177)
Repayment of loans payable		(2,267,513)	(2,212,451)
		(5,520,071)	20,898,368
<b>NET CHANGE IN CASH AND EQUIVALENTS DURING THE PERIOD</b>		<b>(1,115,318)</b>	<b>10,710,871</b>
<b>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</b>		<b>3,991,637</b>	<b>2,069,887</b>
<b>CASH AND EQUIVALENTS, END OF PERIOD</b>		<b>\$ 2,876,319</b>	<b>\$ 12,780,758</b>
Supplemental cash flow information:			
Interest received		4,389	7,378
Interest paid		1,079,661	786,537
Assets under capital lease acquired		192,881	-

See accompanying Notes to the Interim Consolidated Financial Statements

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

March 31, 2011

(Unaudited)

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### 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 rental, sale and service, and fuel wholesale and distribution businesses in British Columbia and Alberta.

At March 31, 2011, the Fund has a working capital deficiency of \$27,983,131 and incurred a loss for the three months ended March 31, 2011 of \$5,906,532 (2010 – net loss of \$4,321,622). Included in the working capital deficiency are capital and acquisition loans of \$29,580,750, current portion of Units of \$600,000 and the Series A Debentures of \$6,282,629. Excluding these items and including the current portion of the capital and acquisition loans repayable in twelve months ending March 31, 2012 of \$5,710,933, the Fund has a working capital balance of \$2,769,315.

The Series A 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 in order to fund the acquisition of the assets of On\*Site Equipment (Note 15). As at March 31, 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 (Note 7), 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 Interim Consolidated Financial Statements

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(Unaudited)

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These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting”. These are the Fund’s first IFRS condensed interim consolidated financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1, “First-time Adoption of International Reporting Standards” has been applied. 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 and of equity at the date of transition reported under previous Canadian GAAP to those reported for those periods and at the date of transition 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 June 10, 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 year ended December 31, 2010 that is material to an understanding of these interim consolidated financial statements.

The interim consolidated financial statements were authorized for issue by the directors of the Fund on June 10, 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 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.

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

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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 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 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 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., and WEQ Heat & Propane 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 .....	1-8 years
Building.....	25 years
Tractors and trailers.....	7 years
Furniture, fixtures and equipment .....	5 years
Computer equipment .....	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) Intangible assets

*Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill is not amortized and 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.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. Impairment losses recognized in respect of a CGU are first

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allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is charged to income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

### *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.

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 years
Software .....	5 years
Brand name .....	indefinite

### (e) Impairment

The carrying amounts of the Fund's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the same time each year.

Impairment is recognized if the recoverable amount determined as the higher of the estimated fair value less cost to sell or the discounted future cash-flows generated from use and eventual disposal from an asset or CGU is less than their carrying value. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying value of goodwill allocated to the CGU and any excess is allocated to the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### (f) Inventories

New and used equipment inventories are recorded at the lower of cost and net realizable value, with cost determined on a specific item basis. New and used equipment inventory write-downs are included in cost of sales.

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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.

(g) 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.

(h) 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 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.

(i) Income tax

In 2007, the Federal Government of Canada amended the Income Tax Act to impose an entity level specified investment flow-through tax (the "SIFT Tax") on Canadian publicly listed income trusts effective January 1, 2011. As a result of the SIFT tax, starting from January 1, 2011, the Fund is subject to income taxes at a rate approximately equal to the rate applicable to income earned by a Canadian public corporation, and is prevented from deducting trust distributions when calculating taxable income. Unitholders will be treated as if they have received an eligible dividend from a Canadian public corporation equal to the taxable portion of their distributions and will be taxed accordingly.

Deferred income tax assets and liabilities are determined based on the temporary differences between the tax basis of the Fund's assets and liabilities and the amounts reported in the financial statements, to the extent that it is probable that such temporary differences can be recovered. Future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be

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settled. Currently the enacted or substantively enacted tax rate is 26.5% for 2011 and 25.0% thereafter. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

(j) Unit based payment and long-term incentive plan

The fund issues unit based awards to certain employees, directors and trustees including Unit options and a long term incentive plan ("LTIP"). Under the terms of the LTIP, 15% to 20% of distributable cash in excess of an established threshold may be set aside, subject to approval of the Fund's compensation committee (the "Compensation Committee"), to purchase units of the Fund, as required, in the market for certain employees.

Since the Units are classified as liabilities, the unit based awards are liability awards and the expense of the unit based awards is determined based on the fair value of the liability at the end of the reporting period until the awards are settled.

For the three month period ended March 31, 2011, the Compensation Committee approved \$Nil under the LTIP (2010 - \$Nil).

(k) Finance costs

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets and liabilities at fair value through profit or loss.

(l) Employee benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(m) Provisions

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(n) 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

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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 and Exchangeable Units.

### *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, term mortgage and Units.

### *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.

### (o) 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.

# WesternOne Equity Income Fund

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### 4. PROPERTY AND EQUIPMENT

	Rental fleet	Building	Land	Tractor & trailer	Furniture, Fixtures and equipment	Computer equipment	Leasehold improvement	Total
<b>Cost</b>								
January 1, 2010	\$ 35,912,836	\$ 128,017	\$ 481,133	\$ 1,972,295	\$ 1,156,727	\$ 146,627	\$ 401,407	\$ 40,199,042
Additions	559,560	-	-	2,416	16,748	8,555	15,091	602,370
Disposals	(117,572)	-	-	(46,873)	-	-	-	(164,445)
March 31, 2010	\$ 36,354,824	\$ 128,017	\$ 481,133	\$ 1,927,838	\$ 1,173,475	\$ 155,182	\$ 416,498	\$ 40,636,967
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
<b>Accumulated Depreciation</b>								
January 1, 2010	\$ 9,859,443	\$ 12,785	\$ -	\$ 418,860	\$ 327,771	\$ 58,643	\$ 138,552	\$ 10,816,054
Depreciation for the period	1,631,073	1,675	-	69,862	58,275	7,493	20,723	1,789,101
Disposals	(31,440)	-	-	(18,375)	-	-	-	(49,815)
March 31, 2010	\$ 11,459,076	\$ 14,460	\$ -	\$ 470,347	\$ 386,046	\$ 66,136	\$ 159,275	\$ 12,555,340
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
<b>Carrying Amount</b>								
January 1, 2010	\$ 26,053,393	\$ 115,232	\$ 481,133	\$ 1,553,435	\$ 828,956	\$ 87,984	\$ 262,855	\$ 29,382,988
March 31, 2010	24,895,748	113,557	481,133	1,457,491	787,429	89,046	257,223	28,081,627
December 31, 2010	31,082,448	108,625	481,133	2,902,982	838,822	22,014	235,839	35,671,863
March 31, 2011	30,225,807	106,999	481,133	2,972,590	611,517	13,903	327,875	34,739,824

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

# WesternOne Equity Income Fund

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### 5. GOODWILL & INTANGIBLES

	Goodwill	Customer relationships	Brand name	Franchise agreement	Non-compete agreement	Software	Total
<b>Cost</b>							
<b>January 1, 2010</b>	\$ 8,430,418	\$ 27,517,223	\$ 782,017	\$ 1,164,448	\$ 3,064,417	\$ 223,721	\$ 41,182,244
<b>March 31, 2010</b>	\$ 8,430,418	\$ 27,517,223	\$ 782,017	\$ 1,164,448	\$ 3,064,417	\$ 223,721	\$ 41,182,244
<b>December 31, 2010</b>	\$ 9,492,731	\$ 30,154,050	\$ 782,017	\$ -	\$ 3,151,265	\$ 332,749	\$ 43,912,812
<b>Fully amortized intangible assets</b>	-	-	-	-	(661,300)	-	(661,300)
<b>March 31, 2011</b>	\$ 9,492,731	\$ 30,154,050	\$ 782,017	\$ -	\$ 2,489,965	\$ 332,749	\$ 43,251,512
<b>Accumulated Amortization</b>							
<b>January 1, 2010</b>	\$ -	\$ 6,580,216	\$ -	\$ 181,945	\$ 1,411,980	\$ 70,406	\$ 8,244,547
<b>Amortization for the period</b>	-	687,931	-	24,259	255,368	11,186	978,744
<b>March 31, 2010</b>	\$ -	\$ 7,268,147	\$ -	\$ 206,204	\$ 1,667,348	\$ 81,592	\$ 9,223,291
<b>December 31, 2010</b>	\$ -	\$ 9,529,700	\$ -	\$ -	\$ 2,477,302	\$ 81,308	\$ 12,088,310
<b>Amortization for the period</b>	-	753,889	-	-	258,931	16,637	1,029,457
<b>Fully amortized intangible assets</b>	-	-	-	-	(661,300)	-	(661,300)
<b>March 31, 2011</b>	\$ -	\$ 10,283,589	\$ -	\$ -	\$ 2,074,933	\$ 97,945	\$ 12,456,467
<b>Carrying Amount</b>							
<b>January 1, 2010</b>	\$ 8,430,418	\$ 20,937,007	\$ 782,017	\$ 982,503	\$ 1,652,437	\$ 153,315	\$ 32,937,697
<b>March 31, 2010</b>	8,430,418	20,249,076	782,017	958,244	1,397,069	142,129	31,958,953
<b>December 31, 2010</b>	9,492,731	20,624,350	782,017	-	673,963	251,441	31,824,502
<b>March 31, 2011</b>	9,492,731	19,870,461	782,017	-	415,032	234,804	30,795,045

As at March 31, 2011, all goodwill and intangible assets held by the Fund have been acquired as part of business combinations.

The customer relationship, non-compete agreement and software have a remaining useful life of 5 to 8 years, 1 year and 1 to 5 years, respectively.

The useful life of brand name is indefinite and it is related to the previous business acquisition of the Alberta – fuel distribution division. Based on the expected future use of the brand name, it has 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.

# WesternOne Equity Income Fund

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The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
WEQ Old Country Rentals LP	\$ 2,165,692	\$ 2,165,692	\$ 2,165,692
WEQ C&N Rentals LP	560,922	560,922	560,922
WEQ Deerfoot Rentals LP	1,827,191	1,827,191	764,878
WEQ Heat & Propane LP	4,938,926	4,938,926	4,938,926
	\$ 9,492,731	\$ 9,492,731	\$ 8,430,418

The recoverable value of each CGU was based on fair value less cost to sell, using the predicted future earnings before finance costs, taxes, depreciation, amortization, write down of assets, foreign exchange gains/(losses), business acquisition costs and unit based compensation expense. This approach requires assumptions about future earnings and earnings based purchase price multiple for merger and acquisition transactions. The future earnings are predicted based on historical information and the Fund's projected growth from operations. The earnings based purchase price multiple is determined based on historical information and comparable merger and acquisition transactions in similar industries.

The Fund performed its annual test for goodwill impairment in the fourth quarter of 2010 in accordance with its policy described in Note 1. The estimated fair value less cost to sell of all units exceeded their carrying values. As a result, no goodwill impairment was recorded.

## 6. INVENTORIES

For the three months period ended March 31, 2011, changes in inventory recognized as cost of sales amounted to \$4,060,640 (2010: \$3,988,975) and the write-down of inventories to net realizable value amounted to \$nil (2010: \$nil).

As at March 31, 2011, the Fund's operating loan is secured by 50% of the Fund's inventory balance.

# WesternOne Equity Income Fund

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### 7. CREDIT FACILITIES

The Fund's credit facilities consist of the following:

	March 31, 2011		December 31, 2010	
	Approved	Carrying Value	Carrying Value	
Operating loans	\$ 5,750,000	\$ 1,229,569	\$ 2,608,318	
Capital loans:				
Non-revolving	1,525,864	1,525,864	1,638,920	
Revolving:	14,500,000			
Loan #1		5,844,091	6,089,445	
Loan #2		2,018,825	2,088,437	
Loan #3		690,120	720,000	
Loan #4		1,598,177	1,691,000	
Loan #5		911,212	972,000	
Loan #6		671,382	692,813	
Loan #7		535,204	-	
Other		937,188	969,001	
	16,025,864	14,732,063	14,861,616	
Acquisition loans:	14,848,687			
Loan #1		5,949,169	6,254,533	
Loan #2		8,899,518	9,328,436	
	14,848,687	14,848,687	15,582,969	
Capital and Acquisition loans	30,874,551	29,580,750	30,444,585	
Total Credit Facilities	\$ 36,624,551	\$ 30,810,319	\$ 33,052,903	

The following amounts were outstanding as at January 1, 2010: operating loans of \$1,740,870; capital loans of \$10,247,836; acquisition loans of \$22,520,090 for total credit facilities of \$34,508,796.

The following table illustrates the funding dates, maturity dates and interest rates as at March 31, 2011 for the Capital and Acquisition Loans described above:

Loan	Funding Date	Maturity Date	Interest Rate at March 31, 2011
Non-Revolving	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 #6	November 16, 2010	November 15, 2015	4.70%
Loan #7	March 30, 2011	March 29, 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%

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 1.25% and are secured by 50% of inventory and 75% of acceptable (as defined in the operating loan agreement) accounts receivable, minus priority claims. The operating loan has no stated maturity date and is due on demand.

# WesternOne Equity Income Fund

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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 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 March 31, 2011 of 4.53% (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 has 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 March 31, 2011. The Fund has not applied hedge accounting to this swap, and as a result recorded a financial derivative liability of \$49,667 at March 31, 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 fair value of debt not due on demand was determined using the discounted cash flow forecast, at an appropriate market discount rate as at March 31, 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, and the current portion of the Units is excluded from current liabilities. As at March 31, 2011 the Fund was in compliance with all bank covenants.

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:

April 1 to December 31, 2011 .....	\$ 4,253,931
2012 .....	5,921,490
2013 .....	12,014,081
2014 .....	4,235,504
2015 .....	2,963,927
Thereafter .....	<u>191,817</u>
	\$ 29,580,750

## 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.

# WesternOne Equity Income Fund

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

	March 31, 2011	December 31, 2010	January 1, 2010
Deferred income tax asset/(liability):			
Issue costs	\$ 316,250	\$ 598,382	\$ 235,971
Intangible assets	3,349,758	3,236,581	2,689,562
Property and equipment	4,556,611	4,034,137	3,575,559
Others	3,978	(539)	54,482
	\$ 8,226,597	\$ 7,868,561	\$ 6,555,574

## 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.

The Units are 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. The maximum allowable Unit redemption within 12 months from the date of the statement of financial position according to the Fund's declaration of trust is classified as current liabilities under IAS 32. The Fund has elected to measure the Units at amortized cost. The fair value of the Units, which was determined using the closing price at the Toronto Stock Exchange (the "Exchange") as at March 31, 2011 was \$82,932,579 (2010 - \$61,111,688) for all outstanding Units.

The following table summarizes changes to the Fund's Units for the three months ended March 31, 2011:

	Fund Units and Exchangeable Units <sup>(1)(2)(3)</sup>	Fund Units Outstanding	Exchangeable Units Outstanding <sup>(2)</sup>
<b>Issued capital</b>			
Balance as at January 1, 2010	\$ 46,340,892	13,838,634	125,000
Increase of fair value of Exchangeable Units	22,500		
Issuance of Units from conversion of Debentures	223,224	50,386	-
Balance as 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

<sup>(1)</sup> Amounts are net of transaction costs where applicable.

<sup>(2)</sup> 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.

<sup>(3)</sup> Amount includes the current portion of Fund Units of \$600,000 as well as Exchangeable Units of \$621,000 as at March 31, 2011.

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### 10. UNIT BASED COMPENSATION

Since August 14, 2006, the Fund has had a unit-based compensation 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 options 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 February 11, 2010, the Fund's board of trustees granted options to senior executives, directors, trustees and certain employees to purchase, in aggregate, an additional 503,000 Units. Each option provides the holder with the right for up to ten years to purchase one Unit at an exercise price of \$4.30. Vesting of the options occurs equally over the next five years of employment with the Fund.

A summary of the details of the options granted is as follows:

	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
Weighted average fair value of options granted at March 31, 2011		\$ 0.82	

The following table summarizes additional information relating to the options outstanding at March 31, 2011:

Range of Exercise Prices:	Options Outstanding			Options Exercisable	
	Number Outstanding March 31, 2011	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable March 31, 2011	Weighted Average Exercise Price
\$ 4.90	459,000	7.3 years	\$ 4.90	184,200	\$ 4.90
\$ 4.30	498,000	8.9 years	\$ 4.30	99,600	\$ 4.30

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 March 31, 2011

Grant date of options	Unit Price	Annual Dividend Yield of Options	Volatility	Risk-Free Interest Rate	Expected Remaining life of the options
July 9, 2008	\$ 5.52	10.87%	44.04%	2.94%	7.3 years
February 10, 2010	\$ 5.52	10.87%	44.04%	3.35%	8.9 years

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At March 31, 2010

Grant date of options	Unit Price	Annual Dividend Yield of Options	Volatility	Risk-Free Interest Rate	Expected Remaining life of the options
July 9, 2008	\$ 4.44	13.51%	48.08%	3.56%	8.3 years
February 10, 2010	\$ 4.44	13.51%	48.08%	3.56%	9.9 years

For the three-month period ended March 31, 2011, the Fund recognized \$305,214 of compensation expense (2010 – \$45,328). At March 31, 2011, the Fund recorded a liability for cash-settled unit based options of \$512,267 (2010 – \$207,053). The intrinsic value of the vested awards for the period was \$235,716 (2010 - \$nil).

### 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:

	March 31, 2011	December 31, 2010	January 1, 2010
Less than one year	\$ 2,108,187	\$ 2,219,610	\$ 1,918,253
Between one and five years	4,461,544	4,776,431	4,629,917
More than five years	2,493,137	2,631,705	3,184,177

For the three-month period ended March 31, 2011, the Fund recognized an expense of \$583,301 in profit or loss in respect of operating leases (2010 - \$499,953).

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 March 31, 2011 had a net carrying value of \$930,526.

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

Finance lease liabilities are payable as follows:

	March 31, 2011		December 31, 2010		January 1, 2010	
	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
Less than one year	\$ 262,564	\$ 207,823	\$ 218,523	\$ 171,304	\$ 170,096	\$ 146,307
Between one and five years	748,560	679,128	622,606	560,974	305,107	267,768
	\$ 1,011,124	\$ 886,951	\$ 841,129	\$ 732,278	\$ 475,203	\$ 414,075

# WesternOne Equity Income Fund

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### 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 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 March 31, 2011:

	Face Value	Carrying Value
Balance as at December 31, 2010	\$ 9,493,900	\$ 9,778,717
Conversion to Units	(4,698,000)	(5,782,226)
Mark to market as at March 31, 2011		2,286,138
Balance as at March 31, 2011	\$ 4,795,900	\$ 6,282,629

The Series A Debentures rank senior to the Units and 2010 Debentures (as defined under Note 13(b)), 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 March 31, 2011, was \$6,282,629 (2010 – \$9,778,717) for all outstanding debentures.

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(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 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 March 31, 2011:

	Face Value		Carrying Value	
Balance as at December 31, 2010	\$	27,600,000	\$	27,876,000
Mark to market as at March 31, 2011				2,235,600
Balance as at March 31, 2011	\$	27,600,000	\$	30,111,600

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 March 31, 2011, was \$30,111,600 (2010 – \$27,876,000) for all outstanding debentures.

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

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### 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, Exchangeable Units and 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, Exchangeable Units and 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 and 2010 Debentures are also based on observable market price and are disclosed in Note 13.

(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 industry in British Columbia and Alberta due to Fund's concentration of business in that sector. The Fund mitigates the risk by means of a diverse customer base in the construction (industrial, commercial, infrastructure, and residential) industry as well as other sectors, in which there was no single account receivable balance in excess of 10% of the Fund's consolidated accounts receivable balance as at March 31, 2011. 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:

	March 31, 2011	December 31, 2010	January 1, 2010
Trade receivables, gross			
Outstanding 1-30 days	\$ 5,961,519	\$ 5,029,316	\$ 3,852,073
Outstanding 30 – 60 days (past due)	2,487,795	2,629,517	1,275,828
Outstanding over 60 days (past due)	1,299,811	824,460	697,376
	9,749,125	8,483,293	5,825,277
Allowance for doubtful accounts	(150,050)	(163,135)	(239,032)
Trade receivables, net	9,599,075	8,320,158	5,586,245
Sales tax and other receivables	1,453,819	1,155,921	552,756
Accounts Receivables	\$ 11,052,894	\$ 9,476,079	\$ 6,139,001

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

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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
Bad debt expenses	36,946	58,974
Wrote off against trade receivables	(50,031)	(65,994)
Balance as at March 31	\$ 150,050	\$ 232,012

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

(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 March 31, 2011, the Fund had available unused approved credit facilities of \$5,814,232. The Fund also has accounts receivable of \$11,052,894, and cash and cash equivalents totalling \$2,876,319.

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 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 an interest rate swap (see Note 7).

The Fund's Series A Debentures and 2010 Debentures bear a fixed interest rate of 9% and 8.5% 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 capital leases payable bear fixed interest rates from 4.20% to 11.05% throughout the terms of the leases and thus are not exposed to any interest rate risk.

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

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

### *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 March 31, 2011, the Fund's consolidated balance sheet included \$123,647 of accounts payable (2010 - \$135,457), and \$371,726 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 March 31, 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 March 31, 2011, the Fund is in compliance with all such covenants.

## 15. BUSINESS COMBINATIONS

On April 1, 2010, pursuant to an acquisition agreement dated April 1, 2010, WEQ Deerfoot Rentals LP, an indirect subsidiary of the Fund, purchased the assets and business of On\*Site Equipment ("OnSite"), an equipment rental business, from the partners of On-Site ("the Acquisition").

With locations covering northern, central and southern Alberta, OnSite complements the Fund's existing construction heat and propane distribution businesses in that region, enhances the Fund's product offerings and expands its customer base.

# WesternOne Equity Income Fund

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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:

<b>Allocation of purchase price</b>	
Accounts receivable	\$ 797,030
Inventories	307,073
Prepays	61,649
Accounts payable	(115,989)
Property and equipment	8,444,730
Intangible assets:	
Customer relationships	2,636,827
Non-compete agreements	134,742
Goodwill	1,062,313
	<hr/>
	\$ 13,328,375
Consideration:	
Cash	\$ 13,328,375

The Goodwill is attributable mainly to the synergies expected to be achieved from integrating the operations of OnSite with the Fund.

### 16. OPERATING SEGMENTS

The Fund operates in two operating (and reportable) segments: British Columbia Platform and Alberta Platform, based on the way that management organizes its business for making operating decisions and assessing performance. Both platforms are engaged in the business of equipment rentals, sales and services and involve similar products, processes and marketing strategies. The Alberta platform is also involved in the business of fuel wholesale and distribution.

The Fund's business activity levels in the British Columbia Platform are 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 in the Alberta Platform compensate for the slow winter business cycle in British Columbia. From April through July, the rental demand for construction and general rental equipment grows gradually as rental activities accelerate into the summer months. 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.

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.

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

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For three- month period ended March 31	British Columbia		Alberta		Consolidated	
	2011	2010	2011	2010	2011	2010
<b>Total segment revenue</b>	5,222,020	4,343,608	12,228,708	8,701,604	<b>17,450,728</b>	<b>13,045,212</b>
<b>Revenue with other segment (eliminated in consolidation)</b>	48,278	22,444	939,616	462,771	<b>987,894</b>	<b>485,215</b>
<b>Depreciation &amp; amortization of:</b>						
<b>Property and equipment</b>	1,201,044	1,165,671	1,239,089	623,430	<b>2,440,133</b>	<b>1,789,101</b>
<b>Intangible and other assets</b>	356,505	368,764	672,952	609,980	<b>1,029,457</b>	<b>978,744</b>
<b>Finance cost</b>	1,758,284	1,158,776	4,118,335	2,321,034	<b>5,876,619</b>	<b>3,479,810</b>
<b>Income tax recoveries</b>	107,125	144,827	250,912	290,088	<b>358,037</b>	<b>434,915</b>
<b>Earnings before finance costs, taxes, depreciation, amortization, write down of assets, foreign exchanges gains/(losses), business acquisition costs and unit based compensation expense</b>	1,222,159	642,388	4,543,174	3,236,909	<b>5,765,333</b>	<b>3,879,297</b>
<b>Purchase of property and equipment (net of business acquisitions)</b>	690,684	486,445	1,049,302	193,048	<b>1,739,986</b>	<b>679,493</b>
<b>Total identifiable assets<sup>(1)</sup></b>	35,984,402	36,769,085	54,466,959	54,699,066	<b>90,451,361</b>	<b>91,468,151</b>

<sup>(1)</sup>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 \$97,962 (2010 - \$137,282) during the three months period ended March 31, 2011. These transactions arose during the normal course of business and have been 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 has paid \$206,164 (2010 - \$200,209) in such rent during the three months period ended March 31, 2011 and a rental deposit of \$36,858 (2010 - \$36,858) for such premises at March 31, 2011. The rent between the parties is at fair market value.

### (c) Key Management Personal Compensation

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

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

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(Unaudited)

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	The three months period ended March 31, 2011	The three months period ended March 31, 2010
Short term employee benefits	\$ 117,666	\$ 117,482
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
Share based payments	\$ 119,513	\$ 13,613

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### 18. SUBSEQUENT EVENTS

On April 8, 2011, the Fund and the Bank entered into a commitment letter to establish a \$35,000,000 senior secured credit facility (the "New Credit Facility"). The New Credit Facility bears interest at the Bank's prime rate plus 1.5% or the Bank's banker's acceptance rate plus a stamping fee of 3.0%. Unless repaid on demand to the Bank, the New Credit Facility shall be repaid in full by the fifth anniversary of the date of such advance made.

On June 1, 2011, the Fund announced that one of its indirect subsidiaries completed the purchase of the assets and the business of Britco Structures LLP and Britco Leasing Ltd. (together, "Britco") for \$93,000,000 (the "Acquisition"), pursuant to the definitive acquisition agreement dated May 16, 2011. The Acquisition is subject to an earn-out provision whereby the former owners of Britco will receive a portion of any earnings above a prescribed threshold for the 12-month period immediately following the closing of the Acquisition. The Acquisition is also subject to post-closing adjustments relating to working capital and capital expenditures and disposals. The Acquisition was financed through the net proceeds from the 2011 Debentures (defined below) and a portion of the New Credit Facility.

On June 1, 2011, the Fund announced the completion of the Extendible Convertible Unsecured Subordinated Debentures ("2011 Debentures") offering. The 2011 Debentures each have a face value of \$1,000 per debenture, a coupon of 8.0%, a maturity date of June 30, 2018 and will be convertible into the Units at the option of the holder at a conversion price of \$7.50 per Unit.

On June 6, 2011, the Fund announced that the over-allotment option granted to the underwriting syndicate of its 2011 Debentures had been fully exercised, resulting in the issuance by the Fund of 11,250 additional 2011 Debentures for gross proceeds of \$11,250,000. The net proceeds from the exercise of the over-allotment option will be used for general corporate purposes, including acquisitions.

From April 1, 2011 to June 9, 2011, 649,542 Units were issued as a result of the conversion of \$1,687,600 and \$1,200,000 of Series A Debentures and 2010 Debentures, respectively, thereby reducing the balance of Debentures and increasing the balance of Units.

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

March 31, 2011

(Unaudited)

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### 19. TRANSITION TO IFRS

These interim consolidated financial statements represent the first financial statements of the Fund and its subsidiaries prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”). 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.

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

March 31, 2011

(Unaudited)

### (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	Previous Canadian GAAP	Effect of transition to IFRS	IFRS	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
	January 1, 2010			March 31, 2010			December 31, 2010		
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash & cash equivalents	2,069,887		2,069,887	12,780,758		12,780,758	3,991,637		3,991,637
Cash in trust	-		-	13,500,000		13,500,000	-		-
Accounts receivable	6,139,001		6,139,001	6,761,549		6,761,549	9,476,079		9,476,079
Inventories	1,454,686		1,454,686	1,642,769		1,642,769	2,058,753		2,058,753
Deposits & prepaid	II 511,944		511,944	768,949	(280,000)	488,949	576,756		576,756
	10,175,518		10,175,518	35,454,025		35,174,025	16,103,225		16,103,225
<b>PROPERTY &amp; EQUIPMENT</b>	I 29,536,303	(153,315)	29,382,988	28,223,756	(142,129)	28,081,627	35,923,304	(251,441)	35,671,863
<b>INTANGIBLE ASSETS</b>	I 24,353,964	153,315	24,507,279	23,386,406	142,129	23,528,535	22,080,330	251,441	22,331,771
<b>GOODWILL</b>	II 8,430,418		8,430,418	8,430,418		8,430,418	9,923,709	(430,978)	9,492,731
<b>DEFERRED INCOME TAX ASSETS</b>	II, IV 6,332,903	222,671	6,555,574	6,304,057	686,432	6,990,489	7,131,017	737,544	7,868,561
<b>TOTAL ASSETS</b>	78,829,106		79,051,777	101,798,662		102,205,094	91,161,585		91,468,151
<b>LIABILITIES AND UNITHOLDERS' DEFICIENCY</b>									
<b>CURRENT LIABILITIES</b>									
Operating loans	1,740,870		1,740,870	823,124		823,124	2,608,318		2,608,318
Accounts payable and accrued liabilities	3,293,896		3,293,896	4,412,572		4,412,572	4,008,467		4,008,467
Distributions payable	691,932		691,932	692,509		692,509	694,452		694,452
Series A Debentures	IV -		-	-		-	9,144,260	634,457	9,778,717
Current portion of Units	V -	600,000	600,000	-	600,000	600,000	-	600,000	600,000
Capital and acquisition loans	32,767,926		32,767,926	31,498,690		31,498,690	30,444,585		30,444,585
Other liabilities	339,344		339,344	259,566		259,566	365,844		365,844
	38,833,968		39,433,968	37,686,461		38,286,461	47,265,926		48,500,383
<b>FINANCE LEASE OBLIGATION</b>	267,767		267,767	251,546		251,546	569,924		569,924
<b>TERM MORTGAGE</b>	321,626		321,626	317,805		317,805	306,244		306,244
<b>FINANCIAL DERIVATIVES</b>	302,686		302,686	235,666		235,666	-		-
<b>SERIES A DEBENTURES</b>	IV 8,805,704	994,185	9,799,889	8,887,830	1,345,304	10,233,134	-		-
<b>2010 DEBENTURES</b>	IV -		-	23,389,374	4,762,626	28,152,000	23,738,987	4,137,013	27,876,000
<b>EXCHANGEABLE UNITS</b>	V -	472,500	472,500	-	499,500	499,500	-	495,000	495,000
<b>FUND UNITS</b>	V -	45,268,392	45,268,392	-	45,320,327	45,320,327	-	45,491,616	45,491,616
<b>UNIT BASED COMPENSATION</b>	III -	96,018	96,018	-	141,346	141,346	-	207,053	207,053
	48,531,751		49,562,846	70,768,682		72,437,785	71,881,081		72,446,220
<b>UNITS</b>	V 41,968,394	(41,968,394)	-	42,016,866	(42,016,866)	-	42,180,015	(42,180,015)	-
<b>RETAINED DEFICIT</b>	II-V (12,839,812)	(4,071,257)	(16,911,069)	(14,755,410)	(6,477,281)	(21,232,691)	(26,714,254)	(5,263,815)	(31,978,069)
<b>CONTRIBUTED SURPLUS</b>	III 76,203	(76,203)	-	93,380	(93,380)	-	157,457	(157,457)	-
<b>EQUITY COMPONENT OF CONVERTIBLE DEBENTURES</b>	IV 1,092,570	(1,092,570)	-	3,675,144	(3,675,144)	-	3,657,286	(3,657,286)	-
	30,297,355		(16,911,069)	31,029,980		(21,232,691)	19,280,504		(31,978,069)
<b>TOTAL LIABILITIES &amp; UNITHOLDERS' DEFICIENCY</b>	78,829,106		79,051,777	101,798,662		102,205,094	91,161,585		91,468,151

# WesternOne Equity Income Fund

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(Unaudited)

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

	Note	Three-month period ended March 31, 2010		Year ended December 31, 2010		IFRS
		Canadian GAAP	Effect of transition to IFRS	Canadian GAAP	Effect of transition to IFRS	
<b>REVENUE</b>						
Equipment rental		4,976,371		24,917,820		24,917,820
Equipment sales		788,466		5,000,892		5,000,892
Parts, fuel, service and others		7,280,375		20,333,638		20,333,638
		13,045,212		50,252,350		50,252,350
<b>COST OF SALES</b>						
Cost of equipment rentals, excluding depreciation		2,671,588		12,868,052		12,868,052
Depreciation of rental equipment		1,631,073		7,922,401		7,922,401
Equipment sold		684,917		4,397,095		4,397,095
Parts, fuel, service and others		3,778,166		9,797,315		9,797,315
		8,765,744		34,984,863		34,984,863
<b>GROSS PROFIT</b>		4,279,468		15,267,487		15,267,487
<b>OPERATING EXPENSES</b>						
General and administration	III	3,152,470	28,151	14,648,159	29,781	14,677,940
Business acquisitions	II	-	280,000	-	430,978	430,978
		3,152,470		14,648,159		15,108,918
<b>RESULTS FROM OPERATING ACTIVITIES</b>		1,126,998		619,328		158,569
Finance costs	IV, V	918,177	2,561,633	5,167,328	1,246,672	6,414,000
Distributions to Unitholders	V	-	2,095,574	-	8,398,855	8,398,855
Franchise termination fee		-	-	815,976	-	815,976
Impairment of intangible assets		-	-	909,725	-	909,725
<b>PROFIT/LOSS BEFORE INCOME TAX</b>		208,821		(6,273,701)		(16,379,987)
<b>DEFERRED INCOME TAX EXPENSE/(RECOVERY)</b>	II, IV	28,846	(463,761)	(798,114)	(514,873)	(1,312,987)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		179,975		(5,475,587)		(15,067,000)

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

	Note	Three-month period ended March 31, 2010		Year ended December 31, 2010		IFRS
		Canadian GAAP	Effect of transition to IFRS	Canadian GAAP	Effect of transition to IFRS	
Cash flows from operating activities	IV, V	3,101,955	719,517	5,892,189	4,077,544	9,969,733
Cash flows from investing activities		(14,008,969)		(19,864,428)		(19,864,428)
Cash flows from financing activities	IV, V	21,617,885	(719,517)	15,893,989	(4,077,544)	11,816,445
		10,710,871		1,921,750		1,921,750
Cash and cash equivalents, beginning of period		2,069,887		2,069,887		2,069,887
Cash and cash equivalents, end of period		12,780,758		3,991,637		3,991,637

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- (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.

### *Unit based compensation*

- III. The Fund has 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, "Financial Instruments: Presentation", 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

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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.