

WESTERNONE EQUITY

WESTERNONE EQUITY INCOME FUND

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2007

(Unaudited)

WESTERNONE EQUITY INCOME FUND

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

WESTERNO ONE EQUITY

WESTERNO ONE EQUITY INCOME FUND

MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF 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 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 interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada 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.

WESTERNO ONE 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 BALANCE SHEET

(Unaudited)

	As at March 31, 2007	As at December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 43,263	\$ 387,397
Short term investments	1,260,926	1,224,942
Accounts receivable	2,262,682	2,417,748
Inventories	886,192	708,419
Deposits and prepaid expenses	266,827	285,798
	<u>4,719,890</u>	<u>5,024,304</u>
PROPERTY AND EQUIPMENT (Note 4)	14,332,128	13,520,808
DEFERRED FINANCING COSTS (Note 5)	1,137,957	1,207,906
INTANGIBLE ASSETS (Note 6)	13,127,454	13,451,499
	<u>\$ 33,317,429</u>	<u>\$ 33,204,517</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Operating loan (Note 7)	\$ -	\$ 61,596
Accounts payable and accrued liabilities	1,269,577	550,359
Distributions payable	288,452	389,731
Floor plan payable (Note 8)	433,789	-
Loans payable (Note 7)	6,207,517	6,427,117
	<u>8,199,335</u>	<u>7,428,803</u>
SERIES A DEBENTURES (Note 9)	9,017,848	8,964,209
	<u>17,217,183</u>	<u>16,393,012</u>
UNITHOLDERS' EQUITY	16,100,246	16,811,505
	<u>\$ 33,317,429</u>	<u>\$ 33,204,517</u>

COMMITMENTS (Note 12)

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

(Signed) "Darren T. Latoski"
Trustee

(Signed) "Douglas R. Scott"
Trustee

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

(Unaudited)

For the three months ended March 31, 2007

	Fund Units (Note 10)	Series A Debentures (Note 9)	Cumulative earnings	Cumulative distributions	Total	Units Outstanding
Balance, August 15, 2006	320,000	-	-	-	320,000	1,600,000
Issuance of units on initial public offering	16,000,000				16,000,000	4,571,429
Issuance costs of units on initial public offering	(1,696,531)				(1,696,531)	
Issuance of units on over-allotment	835,174				835,174	238,621
Issuance costs of units on over-allotment	(102,965)				(102,965)	
Fair value of Agents' Option	129,111				129,111	
Equity component of Series A Debentures		1,116,250			1,116,250	
Net income for the period			1,528,372		1,528,372	
Distributions declared				(1,317,906)	(1,317,906)	
BALANCE, December 31, 2006	15,484,789	1,116,250	1,528,372	(1,317,906)	16,811,505	6,410,050
Net income for the period			100,253		100,253	
Distributions declared				(811,512)	(811,512)	
BALANCE, March 31, 2007	\$ 15,484,789	\$ 1,116,250	\$ 1,628,626	\$ (2,129,419)	\$ 16,100,246	6,410,050

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

For the three months ended March 31, 2007

REVENUE		
Equipment rental	\$	2,365,393
Equipment sales		839,461
Logistical support		258,234
Parts and service		282,527
Interest		2,428
		<hr/>
		3,748,044
		<hr/>
COST OF SALES		
Equipment sold		673,825
Commission		182,441
Re-rental		80,031
Other		59,907
		<hr/>
		996,204
		<hr/>
GROSS INCOME		2,751,840
		<hr/>
OPERATING EXPENSES		
General and administrative		507,026
Freight		408,640
Service		567,648
Sales		119,900
Interest on Series A Debentures		225,000
Interest on long term debt		99,951
Amortization of property and equipment		275,789
Amortization of intangible assets and deferred financing costs		393,994
Accretion of Series A Debentures		53,639
		<hr/>
		2,651,587
		<hr/>
NET INCOME	\$	100,253
		<hr/>
Basic and diluted weighted average income per unit	\$	0.02
		<hr/>
Basic weighted average number of units outstanding		6,410,050
Diluted weighted average number of units outstanding		8,898,145

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

For the three months ended March 31, 2007

OPERATING ACTIVITIES

Income	\$	100,253
Items not affecting cash -		
Amortization of property and equipment		275,789
Amortization of intangible assets and deferred financing costs		393,994
Accretion of Series A Debentures		53,639
Gain on sale of property and equipment		(84,311)
		739,364
Changes in non-cash working capital balances -		
Accounts receivable		155,065
Inventories		(177,773)
Deposits and prepaid expenses		18,971
Accounts payable and accrued liabilities		719,218
		1,454,845

INVESTING ACTIVITIES

Purchase of short term investments		(35,984)
Purchase of property and equipment		(1,376,497)
Proceeds from the sale of property and equipment		373,700
		(1,038,781)

FINANCING ACTIVITIES

Distributions paid		(912,791)
Floor plan		433,789
Loans payable		(219,600)
		(698,602)

NET CHANGE IN CASH DURING THE PERIOD (282,538)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD 325,801

CASH AND CASH EQUIVALENTS, END OF PERIOD (NET) \$ 43,263

Supplemental cash flow information:

Interest received	\$	2,428
Interest paid		324,951

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

1. ORGANIZATION, NATURE OF OPERATIONS

(a) Organization

WesternOne Equity Income Fund (the “Fund”) is an unincorporated, open-ended, limited purpose trust created on June 14, 2006 and governed by the declaration of trust governed by the laws of British Columbia. The Fund is authorized to issue an unlimited number of 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 initially established to indirectly acquire the assets of Production Equipment Rentals Company and such other investments as the trustees of the Fund (the “Trustees”) may determine. The Fund holds a 100% indirect interest in WEQ Production Equipment LP, a limited partnership established under the laws of Manitoba on June 15, 2006.

(b) Nature of operations

The Fund commenced operations on August 15, 2006, when it completed its initial public offering (the “Offering”) and its indirect subsidiary, WEQ Production Equipment LP, acquired the assets of Production Equipment Rentals Company.

WEQ Production Equipment LP specializes in renting, selling and servicing quality high reach and material handling equipment and providing logistical support to its customers in British Columbia.

2. BASIS OF PRESENTATION

The Fund has consolidated the assets, liabilities and equity of all subsidiaries after the elimination of inter-entity transactions and balances. The 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 own wholly owned subsidiaries, WesternOne Equity Limited Partnership, WEQ Production Equipment GP Inc., and WEQ Production Equipment Limited Partnership. All of the above wholly owned subsidiaries were acquired during June 2006 upon their incorporation, registration or settlement.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and accompanying notes (“Financial Statements”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

(a) Measurement uncertainty

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring significant management estimates include the valuation, impairment and useful life of intangible assets and property and equipment.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

These estimates are reviewed periodically (at least annually), and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Other areas requiring the use of management estimates include the allocation of accounts receivable for the calculation of the period end accruals, and the valuation of accounts receivable and service parts inventory.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on any provision recognized.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and guaranteed investment certificates with a stated maturity date of 90 days or less at the period end, less the operating loan.

(c) Short term investments

Short term investments consist of guaranteed investment certificates with a stated maturity date of greater than 90 days and less than one year at the period end. These amounts may be converted to cash at any time prior to maturity, but if they are converted within 30 days of their initiation, any accrued interest will be forfeited. These short term investments are valued at the lower of their cost and market value, which are substantially the same at the period end.

(d) 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.

Parts inventories are valued at the lower of cost and net realizable value, with cost generally being determined on a "first-in, first-out" basis. Parts inventory write-downs are included in service expense.

(e) Property and equipment

Property and equipment is recorded at cost. The Fund amortizes its property and equipment over their estimated useful lives on a straight-line basis as follows:

Rental fleet*	10 years
Tractors and trailers	7 years
Furniture, fixtures and equipment	5 years
Computer equipment and software	5 years
Leasehold improvements	lesser of 5 years and the initial term of the lease

**net of 25% salvage value.*

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

Amortization commences in the month in which the related assets are acquired, and therefore there is no reduction in the rate for the year of acquisition.

Management reviews these assets for impairment periodically (at least annually) and whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected undiscounted future cash flows from their expected use and eventual disposition. If such assets are considered impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceed their estimated fair value. Any impairment is included in income for the year.

(f) Deferred financing costs

Financing costs incurred to obtain new credit facilities and costs incurred to issue Series A Debentures are deferred on the balance sheet and amortized on a straight line basis over the life of the related debt.

The fair value of the Agents' Option is amortized on a straight line basis over the option period.

(g) Intangible assets

Identifiable intangible assets are recorded at cost, less any provision for permanent impairment. The Fund does not amortize its assets with indeterminable lives. The Fund amortizes its intangible assets with determinable lives over their estimated useful lives on a straight-line basis:

Customer relationships	10 years
Brand name	Nil
Supplier agreements	Nil

Management reviews these assets for impairment periodically (at least annually) and whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected undiscounted future cash flows from their expected use and eventual disposition. If such assets are considered impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceed their estimated fair value. Any impairment is included in income for the year.

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

Revenue from equipment held for resale 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.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

(i) *Foreign Currency Translation*

Assets bought and sold during the period and transactions relating to income in foreign currencies are translated into Canadian dollars at the rate in effect at the time of the related transaction. Monetary assets and liabilities in foreign currencies at the close of the period are translated into Canadian dollars at the rate prevailing at the period-end.

Foreign exchange gains or losses arise from recording the difference between foreign currency balances translated at rates prevailing at period-end and balances translated at rates prevailing on transaction dates. Foreign currency gains and losses are included in the results of operations in the period in which they occur.

(j) *Income per Unit*

Basic income per Unit of the Fund is calculated by dividing income by the weighted average number of Units outstanding during the reporting period. Diluted income per Unit is calculated by dividing income by the sum of the weighted average number of Units outstanding used in the basic income per Unit calculation and the number of Units that would be issued assuming a dilutive effect of the conversion of the Series A Debentures (note 9) and/or the exercise of the Agents' Option (note 11). The impact of the conversion feature is calculated using the if-converted method, and the impact of the Agents' Option is calculated using the treasury stock method.

(k) *Long-term incentive plan*

Under the terms of a long-term incentive plan ("LTIP"), 15% to 20% of distributable cash in excess of an established threshold may be set aside, subject to approval of the Compensation Committee of the Fund, to purchase Units of the Fund, as required, in the market for certain employees. The cost is accrued in the period when distributable cash exceeds the thresholds established by the LTIP and amortized to general and administrative expenses over the vesting period of the applicable employee award.

The Fund has not accrued any additional amounts to the LTIP for the period ended March 31, 2007.

(l) *Section 3855, Financial Instruments - Recognition and Measurement*
Section 3861, Financial Instruments - Disclosure and Presentation

Financial Assets and Financial Liabilities

Under the new standards, financial assets and financial liabilities are initially recognized at their fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments. The standards require that all financial assets be classified either as held-for-trading ("HFT"), available-for-sale ("AFS"), held-to-maturity ("HTM"), or loans and receivables. The standards require that all financial assets, including all

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as HTM, and AFS financial assets that do not have quoted market prices in an active market. Settlement date accounting continues to be used for all financial assets, except changes in fair value between the trade date and settlement date are reflected in interest and other expenses, net for HFT financial assets, while changes in fair value between trade date and settlement date are reflected in other comprehensive income (“OCI”) for AFS financial assets.

The Fund has reviewed the impact of these new standards and determined that they do not have a significant impact on the consolidated financial statements in the current or prior quarters.

Classification of Financial Instruments

The following is a summary of the accounting model the Fund has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Cash and equivalents	Designated as held-for-trading
Accounts Receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Bank indebtedness	Other liabilities
Long-term debt	Other liabilities

Held-for-Trading

HFT financial assets are financial assets typically acquired for resale prior to maturity. They are measured at fair value at the balance sheet date. Interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included in interest and other expenses, net.

Financial liabilities designated at fair value (“FVO”) are those non-derivative financial liabilities that the Fund elects to designate on initial recognition as instruments that it will measure at fair value through interest and other expenses, net. These are accounted for in the same manner as HFT financial assets. The Fund is not designated any non-derivative financial liabilities as FVO.

Held-to-Maturity

HTM financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost.

Available-for-Sale

AFS financial assets of those non-derivative financial assets that are designated as AFS, or that are not classified as loans and receivables, HTM investments or HFT. AFS financial assets are carried at fair value with unrealized gains and losses included in OCI until realized when the cumulative gain or loss

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

is transferred to interest and other expenses, net. The Fund has not designated any financial assets as AFS.

Loans and Receivables

Loans and receivables are accounted for at amortized cost.

Other Liabilities

Other liabilities ("OL") are recorded at amortized cost and include all liabilities, other than derivatives or liabilities to which the FVO has been applied.

(m) Cash Flows Statements - Disclosure for HB 1540.55

Amendments to CICA 1540, Cash Flows Statements, require entities to disclose total cash distributions on financial instruments classified as equity in accordance with a contractual agreement and the extent to which total cash distributions are non-discretionary. This disclosure requirement is effective for interim and annual financial statements for fiscal periods ending on or after March 31, 2007. The determination to declare and make payable distributions from the Fund are at the discretion of the Board of Trustees of the Fund and, until declared payable by the Board of Trustees of the Fund, the Fund has no contractual requirement to pay cash distributions to Unitholders. During the three months ended March 31, 2007, \$0.8 million in cash distributions were declared payable by the Board of Trustees of the Fund, and were subsequently paid to the Unitholders.

4. PROPERTY AND EQUIPMENT

	March 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	\$ 14,690,377	\$ 637,426	\$ 14,052,951
Tractors and trailers	125,837	11,024	114,813
Furniture, fixtures and equipment	36,502	4,136	32,366
Computer equipment and software	73,207	2,933	70,274
Leasehold improvements	70,001	8,277	61,724
	<u>\$ 14,995,924</u>	<u>\$ 663,796</u>	<u>\$ 14,332,128</u>

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

	December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	\$ 13,667,235	\$ 383,061	\$ 13,284,174
Tractors and trailers	119,535	6,530	113,005
Furniture, fixtures and equipment	30,681	2,311	28,370
Computer equipment and software	32,894	1,159	31,735
Leasehold improvements	68,301	4,777	63,524
	\$ 13,918,646	\$ 397,838	\$ 13,520,808

5. DEFERRED FINANCING COSTS

	March 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Costs for issuance of Series A Debentures	\$ 1,060,332	\$ 132,541	\$ 927,791
Fair value of Agents' Option	129,111	26,898	102,213
Costs to obtain new credit facilities	123,469	15,516	107,953
	\$ 1,312,912	\$ 174,955	\$ 1,137,957

	December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value
Costs for issuance of Series A Debentures	\$ 1,060,332	\$ 79,525	\$ 980,807
Fair value of Agents' Option	129,111	16,139	112,972
Costs to obtain new credit facilities	123,469	9,342	114,127
	\$ 1,312,912	\$ 105,006	\$ 1,207,906

6. INTANGIBLE ASSETS

	March 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 12,961,793	\$ 815,339	\$ 12,146,454
Brand name	713,000	n/a	713,000
Supplier agreements	268,000	n/a	268,000
	\$ 13,942,793	\$ 815,339	\$ 13,127,454

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

	December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 12,961,793	\$ 491,294	\$ 12,470,499
Brand name	713,000	n/a	713,000
Supplier agreements	268,000	n/a	268,000
	\$ 13,942,793	\$ 491,294	\$ 13,451,499

These assets have no basis for tax purposes.

7. OPERATING LOAN AND CAPITAL LOANS

	Approved	March 31, 2007	December 31, 2006
Operating loan	\$ 2,000,000	\$ nil	\$ 61,596
Capital loans:			
Non-revolving	3,500,000	3,327,160 *	3,456,790 *
Revolving	4,000,000	2,880,357	2,970,327
	7,500,000	6,207,517	6,427,117
	\$ 9,500,000	\$ 6,207,517	\$ 6,488,713

* Inclusive of banker's acceptance of \$3,111,000 established at Closing and maturing on August 14, 2007

A single Canadian chartered bank (the "Bank") has made the above operating loan and capital loans available to WEQ Production Equipment LP, which is indirectly owned by the Fund.

The Bank has provided the operating loan on an interest only basis, and is payable upon demand. The operating loan is at the Bank's prime rate plus 1.00% per annum and, in addition to covenant requirements, is secured by 50% of inventory up to a limit of \$0.75 million and 75% of acceptable accounts receivable, minus priority claims. The covenant requirements include a minimum level of tangible net worth of \$3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the Bank.

The above capital loans are repayable on demand and unless and until demanded in monthly installments, with interest at the Bank's prime rate plus 0.65% per annum or 1.60% above banker's acceptance rates, secured by a general security agreement and a personal guarantee. The lending requirements include definitions of the eligibility for assets subject to financing, and covenants specifying a minimum level of tangible net worth of \$3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the Bank.

Interest only is payable on the above capital loans for the first three monthly installments following Closing.

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

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

2007	\$944,448
2008	944,448
2009	944,448
2010	944,448
2011	2,649,325

8. FLOOR PLAN

In January 2007, the Fund completed and began utilizing an agreement with a third party financing company to provide finance for the purchase of new equipment held for resale on a revolving line of credit, to a maximum of \$1 million, with interest at the Royal Bank of Canada prime rate plus 1.0% to prime plus 4.0%, depending upon the timing of the repayment of the floor plan amount. Items financed under this floor plan are on a “Pay as Sold” basis, with payment for any sold items of the inventory to be remitted within 24 hours from the date of sale to the third-party and users. The floor plan agreement includes priority agreements and waivers where necessary, Personal Property Security Act (PPSA) registration, a general security agreement over the financed assets and periodic audits to ensure compliance with all of the terms of the agreement. At March 31, 2007 the Fund had \$433,789 outstanding under the floor plan.

9. 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 maturity 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 during the prior 20 consecutive days that the Units traded on the TSX Venture Exchange or Toronto Stock Exchange (collectively the “Exchange”).

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 except in respect of the 15 days before an interest payment date or the maturity date, subject to anti-dilution provisions which provide for adjustment to the conversion price in certain circumstances, including a subdivision, redivision, reduction, combination or consolidation of Units. In order to convert the Series A Debentures, a holder of Series A Debentures must present the Series A Debentures to Computershare Trust Company of Canada in accordance with the terms of the Series A Debentures.

The Fund may not redeem the Series A Debentures at any time before August 16, 2008. At any time after August 15, 2008, providing not less than 30 days’ notice and not more than 60 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

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

weighted average trading price of the Units on the Exchange for the 20 consecutive trading days ending on the fifth trading preceding such date, of the Units of the day preceding the date”) on which notice of redemption is given is at least 125% of the conversion price.

As required by Canadian GAAP, the Fund separated the liability and equity component of the Series A Debentures. The Fund determined the fair value of the liability component of the Series A Debentures by calculating the present value of the associated cash flows, using a discount rate that reflects the Fund’s underlying rate of borrowing. The Fund determined the fair value of the conversion feature at the issue date of the Series A debentures using the Black-Scholes pricing model, using the assumptions disclosed in Note 10, except that the expected life is five years. The resulting pro-rata fair values of the liability component of the Series A Debentures and the conversion feature of the Series A Debentures, was \$8,883,750 and \$1,116,250 respectively. The liability component will be accreted to \$10,000,000 over the term of the Series A Debentures through the recording of an accretion expense, until such date when the underlying Series A Debentures are converted into Units.

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

The following summarizes the face and carrying value of the liability and equity component of the Series A Debentures at December 31, 2006:

	Liability Component		Equity Component
	Face Value	Carrying Value	Fair Value
Issuance of Series A Debentures	\$ 10,000,000	\$ 8,883,750	\$ 1,116,250
Accretion expense, period ended December 31, 2006		80,459	
Balance as at December 31, 2006	\$ 10,000,000	\$ 8,964,209	\$ 1,116,250
Accretion expense, period ended March 31, 2007		53,639	
Balance as at March 31, 2007	\$ 10,000,000	\$ 9,017,848	\$ 1,116,250

The Series A Debentures rank senior to the Units, 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.

10. FUND UNITS

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts and in the net assets of the Fund in the event of termination or winding up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the Unitholders thereof to one vote at all meetings of voting Unitholders.

Following the creation of the Fund, 1,600,000 Units were issued to the founders of the Fund on June 23, 2006 at \$0.20 per Unit, for cash proceeds of \$320,000.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

As part of the Offering, the Fund issued 4,571,429 Units at \$3.50 per Unit for net proceeds of \$14,303,469, after deducting expenses of the Offering of \$1,696,531.

The Fund granted the agents of the Offering (the "Agents") the option to purchase additional Units, exercisable for a period of 30 days from Closing (the "Over-Allotment"). Prior to the expiry of the Over-Allotment, the Agents purchased 238,621 additional Units on August 31, 2006, for net proceeds of \$732,208, after deducting expenses of the Over-Allotment of \$102,965.

The fair value of the Agents' Option to purchase Units was estimated as being \$129,111 (see Note 11).

During the period from the creation of the Fund on June 14, 2006 to December 31, 2006, a total of 6,410,050 Units were issued for \$17,155,174, excluding offering costs and Agents' Option (see Note 11).

The Units are redeemable at any time on demand by the holders thereof, subject to certain terms and conditions. The total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that the Trustees of the Fund may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month.

11. AGENTS' OPTION

At Closing, the Agents were granted an option to purchase, for additional consideration, that number of Units and principal amount of Series A Debentures equal to 5% of the Units and principal amount of Series A Debentures issued under the Offering at a price equal to the price under the Offering (\$3.50 per Unit and \$100.00 per Series A Debenture) (the "Agents' Option"). The Agents' Option will expire on August 14, 2009.

As required by Canadian GAAP, the Fund determined the fair value of the Agents' Option using the Black-Scholes pricing model. The fair value of the option to purchase Series A Debentures is included in deferred financing costs and Unitholders' Equity. The fair value of the option to purchase Units was not recorded as it would have had no impact on assets, liabilities, unitholders' equity or income. The following assumptions were used to estimate the fair value:

- Risk free interest rate of 4.3%
- Expected life of 3 years
- Expected volatility of 100%
- Expected distribution of \$0.49.

12. COMMITMENTS

(a) *Minimum operating lease commitments*

The Fund has entered into 17 operating lease agreements for vehicles and trailers. The leases require monthly payments ranging from \$510 to \$2,687 (exclusive of taxes and insurance) and have maturity dates ranging to January 12, 2012. The minimum operating lease commitments are as follows:

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

2007	\$232,950
2008	185,402
2009	157,108
2010	122,556
2011	34,897

(b) *Minimum rental commitments*

The current lease agreement was renegotiated on November 30, 2006 and has been renewed for a further period of five years, commencing December 1, 2006 and ending November 30, 2011. The new lease requires annual rental payments of \$168,000, payable in monthly instalments of \$14,000. The minimum rental commitments are as follows:

2007	\$168,000
2008	168,000
2009	168,000
2010	168,000
2011	154,000

The Fund periodically rents temporary space on an as required basis.

12. FINANCIAL INSTRUMENTS

(a) *Fair value*

Financial instruments consist of cash, short term investments, operating loan, accounts receivable, accounts payable and accrued liabilities, distributions payable, loans payable and Series A Debentures. The carrying values of the financial instruments, except for the loans payable and Series A Debentures, are considered to approximate their fair values due to their short term nature. The fair values of the loans payable are considered to approximate their carrying values as the instruments bear interest at floating rates. The fair value of the Series A Debentures at March 31, 2007 was \$9.7 million.

(b) *Interest rate risk*

The Fund's operating loan and capital loans payable bear interest at variable rates. The Fund uses short-term instruments in the form of a bankers' acceptance to reduce its exposure to interest rate risk.

(c) *Foreign exchange risk*

As at March 31, 2007, the Fund's balance sheet included \$239,145 of accounts payable which were U.S. currency denominated and converted at the March 31, 2007 Bank average exchange rate of 1.1684.

The Fund does not use hold or issue financial instruments for trading or speculative purposes. At March 31, 2007 there were no foreign exchange contracts outstanding.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

(d) Credit risk

The Fund is exposed to credit risk with respect to its accounts receivable. The Fund follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund maintains provisions for potential credit losses, and historical losses have been within management's expectations.

13. SEGMENTED INFORMATION

Through its indirect ownership of WEQ Production Equipment LP, the Fund currently operates in one industry segment: the renting, selling and servicing of quality high reach and material handling equipment and the provision of logistical support to its customers in British Columbia.

14. RELATED PARTY TRANSACTIONS

The Fund has not entered into any related party transactions.

15. SUBSEQUENT EVENTS

(a) Information systems

On January 29, 2007, the Fund installed new rental management software and infrastructure for WEQ Production Equipment LP, using a parallel implementation with its legacy system. On April 26, 2007 Management determined that the system was not suitable for the requirements of WEQ Production Equipment LP, at which time it discontinued using the system. The system purchase included a 90 day money back guarantee, and Management is currently in discussions with the vendor with the goal of recovering the costs associated with this system purchase.

WEQ Production Equipment LP has recommenced its evaluation of alternative information systems, including an upgraded version of the information system currently used by Old Country Rentals Ltd. (see section (c) below).

(b) Collective Agreement

The Fund has a collective agreement with the International Union of Operating Engineers, Local 115, which stipulates the hours, wages and benefits for certain of the Fund's employees. The current agreement expires June 30, 2007.

(c) Recently announced acquisition

On January 29, 2007, the Fund announced that it had signed a letter of intent to purchase the assets of an equipment rental company with two locations on Vancouver Island.

WEQ Old Country Rentals LP, an indirect subsidiary of the Fund, entered into an acquisition agreement dated April 25, 2007 (the "Acquisition Agreement") with Old Country Rentals Ltd. (the

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2007

(Unaudited)

“Vendor”) and its shareholders (the “Shareholders”) to purchase the assets and the business of Old Country Rentals. The Acquisition Agreement contemplates that WEQ Old Country Rentals LP will acquire Old Country Rentals in return for a purchase price of \$7.85 million that is subject to certain working capital, capital expenditure and other adjustments. The Vendor and the Shareholders made customary representations and warranties under the Acquisition Agreement including with respect to the status of assets and business operations, financial statements, insurance coverage, tax matters, employee matters, litigation and claims, contracts and commitments, environmental and other matters.

The Acquisition Agreement contemplates that at closing, the Vendor and the Shareholders will each enter into confidentiality, non-solicitation and non-competition agreements with WesternOne Equity. Under the non-competition agreements, each of the Vendor and the Shareholders will agree not to be involved in, or interested in, any business that competes with WEQ Old Country Rentals LP for the period of the agreements.

The completion of the transactions contemplated by the Acquisition Agreement is subject to all necessary consents and approvals of third parties being obtained and there being no adverse material change in Old Country Rentals before closing, among other customary closing conditions.

On May 2, 2007 the Fund filed a Material Change Report with its regulatory authorities relating to the proposed acquisition. This document is available for review on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

(d) Short Form Prospectus

On May 25, 2007 the Fund filed a Short Form Prospectus with its regulatory authorities relating to additional financing being raised by the Fund, comprising 4.5 million Units priced at \$4.00 per Unit for proceeds of \$18 million, plus an over-allotment option provided to the selling agents of 675,000 Units priced at \$4.00 per Unit for additional proceeds of \$2.7 million. This document is available for review on SEDAR at www.sedar.com.