

WESTERNO ONE EQUITY

WESTERNO ONE EQUITY INCOME FUND

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

(Unaudited)

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

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 SHEETS

(Unaudited)

	As at March 31, 2008	As at December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,858,901	\$ 5,514,594
Cash in trust	-	2,015,000
Short term investments	190,100	2,173,062
Accounts receivable	5,192,531	3,112,105
Inventories	2,027,530	1,340,213
Deposits and prepaid expenses	236,713	247,480
	11,505,775	14,402,454
PROPERTY AND EQUIPMENT (Note 4)	27,530,003	19,758,705
INTANGIBLE ASSETS (Note 5)	18,264,974	13,510,782
GOODWILL (Note 6)	5,471,511	2,725,261
FUTURE INCOME TAXES (Note 9)	1,207,489	1,452,238
	\$ 63,979,752	\$ 51,849,440
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Operating loans (Note 7)	\$ 1,463,556	\$ 1,515,432
Accounts payable and accrued liabilities	4,154,339	996,144
Distributions payable	587,309	587,184
Current portion of equipment financing payable (Note 8)	92,870	95,770
Capital and acquisition loans (Note 7)	13,778,130	4,338,128
	20,076,204	7,532,658
EQUIPMENT FINANCING PAYABLE - NON-CURRENT (Note 8)	127,109	106,652
SERIES A DEBENTURES (Note 10)	8,327,712	8,238,358
	28,531,025	15,877,668
UNITHOLDERS' EQUITY	35,448,727	35,971,772
	\$ 63,979,752	\$ 51,849,440

COMMITMENTS (Note 13)

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

"Darren Latoski"

Trustee

"Douglas Scott"

Trustee

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

(Unaudited)

For the period ended March 31, 2008

	Fund Units (Note 11)	Equity component of convertible debentures (Note 10)	Cumulative earnings	Cumulative distributions	Total
BALANCE, March 31, 2007	\$ 15,355,678	\$ 1,116,250	\$ 1,681,150	\$ (2,129,418)	\$ 16,023,660
Issuance of units on June 1, 2007 public offering	18,000,000				18,000,000
Issuance costs of units on June 1, 2007 public offering	(1,536,502)				(1,536,502)
Issuance of units to Old Country Rentals Ltd. on June 1, 2007	450,000				450,000
Issuance of units on over-allotment on June 14, 2007	2,700,000				2,700,000
Issuance costs of units on over-allotment on June 14, 2007	(230,475)				(230,475)
Issuance of units upon exercise of agent options on July 4, 2007	30,187				30,187
Net income for the period			5,221,661		5,221,661
Distributions declared				(4,686,759)	(4,686,759)
BALANCE, December 31, 2007	\$ 34,768,888	\$ 1,116,250	\$ 6,902,811	\$ (6,816,177)	\$ 35,971,772
Issuance of units upon exercise of agent options on January 16, 2008	8,750				8,750
Issuance of Exchangeable LP Units on February 15, 2008 (note 11)	500,000				500,000
Net income for the period			739,614		739,614
Distributions declared				(1,771,409)	(1,771,409)
BALANCE, March 31, 2008	\$ 35,277,638	\$ 1,116,250	\$ 7,642,425	\$ (8,587,586)	\$ 35,448,727

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
REVENUE		
Equipment rental	\$ 4,591,455	\$ 2,365,393
Equipment sales	1,290,459	839,461
Logistical support	366,759	258,234
Parts and service	1,058,254	282,527
Interest and other income	60,226	2,428
	<u>7,367,153</u>	<u>3,748,044</u>
COST OF SALES		
Equipment sold	1,087,442	673,825
Commission	202,520	182,441
Re-rental	197,079	80,031
Other	707,502	59,907
	<u>2,194,543</u>	<u>996,204</u>
GROSS INCOME	<u>5,172,610</u>	<u>2,751,840</u>
OPERATING EXPENSES		
General and administrative	1,002,066	507,026
Freight	622,779	408,640
Service	610,955	567,648
Sales	527,658	119,900
Interest on Series A Debentures	225,000	225,000
Interest on operating loans	15,390	-
Interest on capital and acquisition loans	137,125	99,951
Interest relating to amortization of transaction costs	38,380	63,776
Amortization of property and equipment	509,417	275,789
Amortization of intangible assets	445,574	330,218
Accretion of Series A Debentures	53,903	53,639
	<u>4,188,247</u>	<u>2,651,587</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>984,363</u>	<u>100,253</u>
FUTURE INCOME TAXES/(RECOVERIES)	<u>244,749</u>	<u>-</u>
NET INCOME	<u>\$ 739,614</u>	<u>\$ 100,253</u>
OTHER COMPREHENSIVE INCOME	<u>\$ -</u>	<u>\$ -</u>
Basic and diluted weighted average income per unit	\$ 0.06	\$ 0.02
Basic weighted average number of units outstanding	11,808,258	6,410,050
Diluted weighted average number of units outstanding	14,296,354	8,898,145

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2007
OPERATING ACTIVITIES		
Income	\$ 739,614	\$ 100,253
Items not affecting cash -		
Amortization of property and equipment	509,417	275,789
Amortization of intangible assets	445,574	330,218
Interest expense relating to amortization of transaction costs	38,380	63,776
Accretion of Series A Debentures	53,903	53,639
Future Income Taxes/(Recoveries)	244,749	-
Gain on sale of property and equipment	(43,396)	(84,311)
	<u>1,988,241</u>	<u>739,364</u>
Changes in non-cash working capital balances -		
Accounts receivable	72,480	155,065
Inventories	(455,607)	(177,773)
Deposits and prepaid expenses	41,262	18,971
Cash held in trust	2,015,000	-
Accounts payable and accrued liabilities	1,806,942	719,218
	<u>5,468,318</u>	<u>1,454,845</u>
INVESTING ACTIVITIES		
Purchase of short term investments	1,982,962	(35,984)
Purchase of property and equipment	(2,299,071)	(1,376,497)
Proceeds from the sale of property and equipment	584,143	373,700
Acquisition (Note 14)	(15,514,706)	-
	<u>(15,246,672)</u>	<u>(1,038,781)</u>
FINANCING ACTIVITIES		
Distributions paid	(1,771,284)	(912,791)
Units issued for cash (net of expenses)	508,750	-
Floor plan financing payable	-	433,789
Loans payable	9,437,071	(219,600)
	<u>8,174,537</u>	<u>(698,602)</u>
NET CHANGE IN CASH DURING THE PERIOD	<u>(1,603,817)</u>	<u>(282,538)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD (NET)	<u>3,999,162</u>	<u>325,801</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD (NET)	<u>\$ 2,395,345</u>	<u>\$ 43,263</u>
Cash	\$ 3,858,901	\$ 43,263
Operating Loan	(1,463,556)	-
Cash and cash equivalents, end of period (net)	<u>\$ 2,395,345</u>	<u>\$ 43,263</u>
Supplemental cash flow information:		
Interest received	\$ 60,226	\$ 2,428
Interest paid	377,515	324,951

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

1. ORGANIZATION AND NATURE OF OPERATIONS

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 (“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 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 businesses and provides logistical support to its customers in British Columbia and Alberta.

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 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., and WEQ Deerfoot Rentals LP.

These unaudited interim consolidated financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles for annual financial statements and, accordingly, should be read in conjunction with the Fund’s audited consolidated financial statements and notes for the year ended December 31, 2007. These unaudited interim consolidated financial statements follow the same accounting policies and methods of computation as used in the 2007 audited consolidated financial statements, except as noted below.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants’ new Handbook Sections; 1535 “Capital Disclosures”, 3031, “Inventories” 3862 “Financial Instruments – Disclosures” and 3863 “Financial Instruments – Presentation”. Handbook sections 3862 and 3863 replace section 3861 “Financial Instruments – Disclosure and Presentation”. These recommendations have been incorporated into these unaudited interim consolidated financial statements.

a) *Section 1535 – Capital Disclosures*

This section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Fund is required to disclose information that enables users of the financial statements to evaluate the Fund’s objectives, policies and processes for managing capital (see note 15).

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

b) Section 3031 - Inventories

This section requires inventory to be measured at the lower of cost and net realizable value. This standard provides additional guidance on the types of costs that can be capitalized and requires the reversal and disclosure of previous inventory write-downs if economic circumstances have changed to support higher inventory values. The adoption of this standard did not have any impact on the Fund's interim consolidated financial statements.

c) Section 3862 – Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks (see note 16).

d) Section 3863 – Financial Instruments – Presentation

This Section establishes standards for presentation of financial instruments and non-financial derivatives.

e) Future accounting changes

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and intangible assets," which replaces the existing standards. This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. This standard is effective for 2009. The Fund is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In February 2008, the Accounting Standards Board confirmed the date of changeover from GAAP to International Financial Reporting Standards (IFRS). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund is currently developing its IFRS conversion plan and evaluating the effect of the new standards on its consolidated financial statements.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

4. PROPERTY AND EQUIPMENT

	March 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	\$ 27,782,623	\$ 2,002,155	\$ 25,780,468
Building	116,106	773	115,333
Land	481,133	n/a	481,133
Tractors and trailers	684,906	76,165	608,741
Furniture, fixtures and equipment	174,863	20,946	153,917
Computer equipment and software	212,882	24,979	187,903
Leasehold improvements	233,515	31,007	202,508
	<u>\$ 29,686,028</u>	<u>\$ 2,156,025</u>	<u>\$ 27,530,003</u>

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	\$ 20,657,958	\$ 1,589,737	\$ 19,068,221
Tractors and trailers	497,457	53,248	444,209
Furniture, fixtures and equipment	79,403	13,767	65,636
Computer equipment and software	120,759	15,419	105,340
Leasehold improvements	97,071	21,772	75,299
	<u>\$ 21,452,648</u>	<u>\$ 1,693,943</u>	<u>\$ 19,758,705</u>

5. INTANGIBLE ASSETS

	March 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 17,619,081	\$ 2,246,204	\$ 15,372,877
Brand name	2,075,673	n/a	2,075,673
Non-competition agreements	617,653	97,652	520,001
Supplier agreements	296,423	n/a	296,423
	<u>\$ 20,608,830</u>	<u>\$ 2,343,856</u>	<u>\$ 18,264,974</u>

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 13,994,697	\$ 1,847,726	\$ 12,146,971
Brand name	999,348	n/a	999,348
Non-competition agreements	118,595	50,555	68,040
Supplier agreements	296,423	n/a	296,423
	<u>\$ 15,409,063</u>	<u>\$ 1,898,281</u>	<u>\$ 13,510,782</u>

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

6. GOODWILL

March 31, 2008			December 31, 2007		
Cost	Write down	Net Book Value	Cost	Write down	Net Book Value
\$ 5,471,511	n/a	\$ 5,471,511	\$ 2,725,261	n/a	\$ 2,725,261

7. CREDIT FACILITIES

The Fund's credit facilities consist of the following:

	Approved	March 31, 2008	December 31, 2007
Operating loans	\$ 3,000,000	\$ 1,463,556	\$ 1,515,432
Capital loans:			
Non-revolving	2,938,000	2,854,191 ¹	2,937,554
Revolving	6,000,000	1,565,980	1,400,574
	8,938,000	4,420,171	4,338,128
Acquisition loan	14,000,000	9,357,959	-
Capital and Acquisition loans	22,938,000	13,778,130	4,338,128
Total Credit Facilities	\$ 25,938,000	\$ 15,241,686	\$ 5,853,560

Note:

(1) Inclusive of banker's acceptance of \$2,635,000 maturing on July 14, 2008.

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 future acquisitions.

The Bank has provided the operating loans payable upon demand, on an interest only basis. The operating loans are at the Bank's prime rate plus 1.00% per annum and are secured by 50% of inventory and 75% of acceptable accounts receivable, minus priority claims. The operating loan has no stated maturity date.

The capital loans and acquisition loan 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% and 1.70% above banker's acceptance rate for the capital loans and acquisition loan, respectively. The non-revolving capital loan, unless repaid on demand to the Bank, shall be repaid in full by August 31, 2011. The revolving capital loan and acquisition loan, unless repaid on demand to the Bank, shall be repaid in full on the fifth anniversary of the date of such advance made. The costs of obtaining the capital loans and acquisition loan are being amortized over the terms of the respective loan, resulting in an effective interest rate of 6.33% (2006 – 6.71%) for the capital loans and 6.40% (2006 - n/a) for the acquisition loan. The lending requirements include definitions of the eligibility for assets subject to financing.

The credit facilities have covenants specifying a minimum current ratio¹ of 1.2 to 1.0, a maximum funded debt to earnings ratio of 3.0 to 1.0, a minimum debt service coverage ratio of 1.25 to 1.0, a maximum debt to tangible net worth ratio of 4.0 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. As at March 31, 2008 the Fund was in compliance with all bank covenants. Excluding the effect from the accounting treatment adopted by the Fund described in note 3 (a)(i) of the Fund's consolidated financial statements for the year

¹ The calculation excludes the portion of the credit facilities that are due longer than one year, unless repaid on demand to the Bank, from the Fund's Current Liabilities.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

ended December 31, 2007, the actual capital and acquisition loan balance outstanding as at March 31, 2008 was \$13,962,026.

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 loans are met, and the demand feature is not exercised by the Bank, the minimum principal repayments required are as follows:

April 1 to December 31, 2008	\$ 1,346,954
2009	1,788,571
2010	1,896,997
2011	3,937,102
2012	1,439,501
2013	3,552,901

8. EQUIPMENT FINANCING PAYABLE

The Fund, through its wholly-owned indirect subsidiaries, assumed eight capital leases relating to rental equipment and operating assets, for a total of \$219,979 of equipment financing payable. The equipment financing payable amounts require monthly payments ranging from \$474 to \$2,267 (exclusive of taxes, insurance and surcharges), at interest rates ranging from 0% to 3.9% per annum, and have maturity dates ranging to October 1, 2011. The current and non-current portions of the total gross payments are as follows:

April 1 to December 31, 2008	\$ 71,413
2009	79,138
2010	55,003
2011	<u>15,567</u>
Total gross payment	\$ 221,121
Less: Imputed interest	<u>(1,142)</u>
	219,979
Less: Current portion	<u>(92,870)</u>
Non-current portion	<u>\$ 127,109</u>

A security agreement providing a charge over the equipment specifically relating to the financing above has been provided as collateral to the financing company.

As at March 31, 2007, the net book value of the rental equipment and operating assets under equipment financing was \$311,979.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

9. FUTURE INCOME TAXES

The temporary differences comprising the future income tax asset/(liability) are estimated as follows:

	March 31, 2008	December 31, 2007
Future income tax asset/(liability):		
Issue Costs	\$ 165,584	\$ 423,249
Intangible Assets	767,464	895,849
Property, Plant and Equipment	294,126	147,817
Others	(19,685)	(14,677)
	\$ 1,207,489	\$ 1,452,238

Based on a current estimate of the income tax liability at the beginning of 2011, the Fund recognized a future income tax asset and corresponding non-cash future tax recovery to net income in 2007. This non-cash recovery is based on temporary differences between the accounting and tax basis of the Fund's assets and liabilities expected to reverse after January 1, 2011.

For the three months ended March 31, 2008, the estimated future income tax asset was reduced by \$244,749 based on the temporary differences between the accounting and tax basis of the Fund's assets and liabilities as at March 31, 2008 expected to reverse after January 1, 2011.

10. 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 weighted average trading price of the units on the Exchange for the 20 consecutive trading days

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

ending on the fifth trading day 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 12, 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, were \$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 using the effective interest method, 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 financing costs were netted against the Series A Debentures and amortized using effective interest method. The effective interest rate for the three month period ended March 31, 2008 was 12.6% (2006 – 12.6%).

The following summarizes the face and carrying value of the liability and equity component of the Series A Debentures at December 31, 2007 and March 31, 2008:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2007	\$ 10,000,000	\$ 8,238,358	\$ 1,116,250
Amortization expense relating to transaction costs		35,450	
Accretion expense		53,904	
Balance as at March 31, 2008	\$ 10,000,000	\$ 8,327,712	\$ 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.

11. 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, 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. 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 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.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

Since the Fund's financial year ended December 31, 2007, the Fund and/or its subsidiaries have issued the following units:

(a) *January 16, 2008 new issue pursuant to exercise of agent's options*

On January 16, 2008, pursuant to the Agents' Option (described in note 12), the Agents performed a partial exercise of their Agents' Option, whereby 2,500 Units were issued at \$3.50 per Unit, for total net proceeds of \$8,750.

(b) *February 15, 2008 exchangeable unit issuance by Deerfoot LP*

On February 15, 2008, pursuant to the acquisition of the assets of Deerfoot (see note 14), Deerfoot LP, an indirect subsidiary of the Fund, issued 125,000 exchangeable units ("Exchangeable LP 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 LP Units are convertible to Units of the Fund on a one-for-one basis at the option of the holder. The Exchangeable LP Units do not have voting rights, but have economic rights equivalent to the Fund's Units.

During the period from the creation of the Fund on June 14, 2006 to March 31, 2008, a total of 11,746,175 Units and 125,000 Exchangeable LP Units were issued for \$38,844,111 excluding offering costs and Agents' Option (see note 12).

12. AGENTS' OPTION

At closing of the initial public offering, 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. Prior to the changes in accounting policy adopted by the Fund as described in Note 3(a)(i) of the Fund's consolidated financial statements of the year ended December 31, 2007, the fair value of the option to purchase Series A Debentures was included in deferred financing costs. Effective January 1, 2007, the fair value of the option was charged to opening Fund Units. The fair value of the option to purchase Units of \$510,695 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.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

13. COMMITMENTS

(a) Minimum operating lease commitments

The Fund, through its indirectly owned subsidiaries, has entered into operating lease agreements for its operating assets. The leases require monthly payments ranging from \$397 to \$2,657 (exclusive of taxes, insurance and surcharges) and have maturity dates ranging to December, 2012. The minimum operating lease commitments are as follows:

April 1 to December 31, 2008	\$ 360,906
2009	450,961
2010	363,316
2011	176,348
2012	81,282

(b) Minimum rental commitments

The Fund, through its indirectly owned subsidiaries, has the following minimum rental commitments for premises over the next five years:

April 1 to December 31, 2008	\$ 459,980
2009	662,464
2010	657,205
2011	629,603
2012	503,536

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

14. ACQUISITION

On January 1, 2008, pursuant to an acquisition agreement dated December 21, 2007, WEQ C&N Rentals LP ("C&N LP"), a limited partnership established under the laws of Manitoba on August 27, 2007, and an indirect subsidiary of the Fund, purchased the assets of C&N Motors Ltd. ("C&N") from the shareholders of C&N.

The purchase price was paid in cash, and the allocation of the purchase price to the estimated fair value of the net assets acquired is as follows:

Allocation of purchase price:	
Accounts receivable, net	\$ 219,403
Inventories	203,284
Prepays	16,941
Accounts payable	(125,401)
Property and equipment	1,097,002
Intangible assets	375,692
Goodwill	535,590
	<hr/>
	\$ 2,322,511
Cash position at acquisition	600
	<hr/>
	\$ 2,323,111

Note - For the purposes of the Consolidated Statements of Cash Flows, the investment has been recorded as the net of the consideration of \$2,323,111 less the cash position at acquisition of \$600.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

Pursuant to the acquisition agreement dated December 21, 2007, an additional \$300,000 (the "Earnout Provision") may be paid out to the shareholders of C&N, subject to completion of financial statements for C&N LP for the years ended December 31, 2008 and December 31, 2009 with earnings achieved above a certain threshold that was agreed upon by both parties. Given the contingent nature of the consideration, the Earnout Provision has not been recognized in the purchase price above, or in the Fund's interim consolidated financial statements for the three months ended March 31, 2008.

On February 15, 2008, pursuant to the acquisition agreement dated February 14, 2008, WEQ Deerfoot Rentals LP ("Deerfoot LP"), a limited partnership established under the laws of Manitoba on January 25, 2008, and an indirect subsidiary of the Fund, purchased the assets of Deerfoot Equipment Rental Inc. ("Deerfoot") from the shareholders of Deerfoot.

The purchase price was paid in a combination of cash, debt, and 125,000 Exchangeable LP Units (see note 11 above). The allocation of the purchase price to the estimated fair value of the net assets acquired is as follows:

Allocation of purchase price:	
Accounts receivable, net	\$ 1,933,503
Inventories	28,424
Prepays	13,554
Accounts payable	(1,225,852)
Property and equipment	5,407,830
Intangible assets	4,824,075
Goodwill	2,210,661
	<hr/>
	\$ 13,192,195
Consideration:	
Cash and debt	\$ 12,692,195
Issuance of Exchangeable LP Units (125,000 units @ \$4.00/unit)	500,000
	<hr/>
	\$ 13,192,195

15. CAPITAL DISCLOSURES

The Fund's capital currently consists of cash, short-term investments, credit facilities, debentures and issued unit capital. The Fund's capital management objectives are to (i) safeguard its ability to continue as a going concern; and (ii) ensure liquidity for working capital or other investments required to grow the business, and to pay distributions to its Unitholders, after satisfaction of its debt service and provisions for administration expenses of the Fund. The Fund manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

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 bases for the Fund to monitor its capital on an ongoing basis. The Fund closely monitors the business performance to evaluate compliance with the covenants. In managing the capital structure, the Fund may take such action as adjusting capital spending, adjusting distributions to Unitholders, purchasing Units for cancellation pursuant to normal course issuer bids, issuing new Units, issuing new debt or repaying existing debt. As at March 31, 2008, the Fund is in compliance with the covenants.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

16. FINANCIAL INSTRUMENTS

(a) *Comparison of fair value to carrying value*

Financial instruments consist of cash, short term investments, accounts receivable, operating loan, accounts payable and accrued liabilities, distributions payable, capital and acquisition loans, and Series A Debentures. The carrying values of the financial instruments, except for the capital and acquisition loans and Series A Debentures, are considered to approximate their fair values due to their short term nature. The carrying values of the capital and acquisition loans are considered to approximate their fair values as the interest rates flow with the prime rate. The fair value of Series A Debenture, as at March 31, 2008, was \$10,150,000 (2007 - \$9,700,000).

(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 accounts receivable, particularly from customers in the construction industry in British Columbia and Alberta due to its concentration of business in that sector. The Fund mitigates the risk by means of a diverse customer base in the construction (residential, commercial, and infrastructure) 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, 2008. 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 Fund maintains provisions for potential credit losses, and historical losses, while minimal, have been within management's expectations.

Aging of receivables is as follows:

	March 31, 2008	December 31, 2007
Trade receivables, gross		
Outstanding 1 - 30 days	\$ 2,583,910	\$ 1,481,236
Outstanding 31 - 60 days	1,275,184	812,877
Outstanding over 60 days	661,356	486,207
	4,520,450	2,780,320
Allowance for doubtful accounts	(41,128)	(81,648)
Trade receivables, net	4,479,322	2,698,672
Sales tax and other receivables	713,209	413,433
Accounts Receivable	\$ 5,192,531	\$ 3,112,105

The Fund is also exposed to credit risk with respect to its short-term investments. The Fund mitigates the risk by only investing in money market securities (GICs and bankers' acceptances) with major financial institutions.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

(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. As at March 31, 2008, the Fund had available unused approved credit facilities of \$10,696,314, accounts receivable of \$5,192,531, and cash reserve and short-term investments totalled \$4,049,001. The Fund believes it has sufficient funding to meet foreseeable obligations.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

	1 year	2-3 years	4-5 years	beyond 5 years	Total
Accounts payable and accrued liabilities	\$ 4,154,339				\$ 4,154,339
Distributions payable	587,309				587,309
Equipment financing payable	92,870	112,683	14,426		219,979
Capital and acquisition loans	1,784,277	3,248,245	5,376,603	3,552,901	13,962,026

(d) *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 has the option to enter into fixed rate interest arrangements in order to reduce its exposure to interest rate risk.

At March 31, 2008, the increase or decrease in net earnings for each one percent change in interest rates on floating rate debt amounts to \$17,331.

The Fund's Series A Debentures bear a fixed interest rate of 9% throughout the five-year term and thus are not exposed to any interest rate risk.

(e) *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, 2008, the Fund's consolidated balance sheet included \$435,278 of accounts payable (2007 - \$279,414) and \$327,662 of operating loan (2007 - \$6,009) which were U.S. currency denominated. The Fund believes the foreign exchange risks are minimal.

The Fund does not use hold or issue financial instruments for trading or speculative purposes. At March 31, 2008 there were no foreign exchange contracts outstanding.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

March 31, 2008

(Unaudited)

17. RISK MANAGEMENT

As part of the Fund's risk management practices, the risks that are significant to the business are identified, monitored and controlled. The most significant risks include credit risk, foreign exchange risk and interest rate risk. The nature of these risks and how they are managed is described in detail in note 16.

18. SEGMENTED INFORMATION

The Fund currently operates in one industry segment: the renting, selling and servicing of quality equipment and the provision of logistical support to its customers in western Canada.

19. RELATED PARTY TRANSACTIONS

The Fund purchased equipment from a company in which a board member has a controlling interest, for \$156,005 during three month period ended March 31, 2008. These transactions arose during the normal course of business and have been recorded at exchange amount agreed upon by the two parties.