

WESTERNONE EQUITY

WESTERNONE EQUITY INCOME FUND

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 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 June 30, 2007	As at December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 391,277	\$ 387,397
Short term investments	9,677,870	1,224,942
Accounts receivable	3,033,365	2,417,748
Inventories	1,710,778	708,419
Deposits and prepaid expenses	160,991	285,798
	<u>14,974,281</u>	<u>5,024,304</u>
PROPERTY AND EQUIPMENT (Note 4)	17,797,012	13,520,808
DEFERRED FINANCING COSTS (Note 5)	1,068,008	1,207,906
INTANGIBLE ASSETS (Note 6)	13,772,998	13,451,499
GOODWILL (Note 7)	3,216,178	-
	<u>\$ 50,828,477</u>	<u>\$ 33,204,517</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Operating loan (Note 8)	\$ 1,434,964	\$ 61,596
Accounts payable and accrued liabilities	697,555	550,359
Distributions payable	586,745	389,731
Equipment financing payable (Note 9)	159,503	-
Floor plan payable (Note 10)	603,339	-
Loans payable (Note 8)	3,111,000	6,427,117
	<u>6,593,106</u>	<u>7,428,803</u>
SERIES A DEBENTURES (Note 11)	9,071,487	8,964,209
	<u>15,664,593</u>	<u>16,393,012</u>
UNITHOLDERS' EQUITY	35,163,884	16,811,505
	<u>\$ 50,828,477</u>	<u>\$ 33,204,517</u>

COMMITMENTS (Note 14)

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 six months ended June 30, 2007

	Fund Units (note 12)	Series A Debentures (note 11)	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 (note 13)	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
Issuance of units on June 1, 2007 public offering	18,000,000				18,000,000	4,500,000
Issuance costs of units on June 1, 2007 public offering	(1,536,502)				(1,536,502)	
Issuance of units to Old Country Rentals Ltd.	450,000				450,000	150,000
Issuance of units on June 14, 2007 over-allotment	2,700,000				2,700,000	675,000
Issuance costs of units on June 14, 2007 over-allotment	(230,475)				(230,475)	
Net income for the period			944,525		944,525	
Distributions declared				(1,975,169)	(1,975,169)	
BALANCE, June 30, 2007	\$ 34,867,812	\$ 1,116,250	\$ 2,472,897	\$ (3,293,075)	\$ 35,163,884	11,735,050

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Three-month period ended June 30, 2007	Six-month period ended June 30, 2007
REVENUE		
Equipment rental	\$ 2,909,984	\$ 5,275,377
Equipment sales	2,336,634	3,176,095
Logistical support	329,294	587,528
Parts and service	421,980	704,507
Interest	48,400	50,828
	<u>6,046,292</u>	<u>9,794,335</u>
COST OF SALES		
Equipment sold	2,045,869	2,719,694
Commission	216,817	399,258
Re-rental	52,489	132,519
Other	134,790	194,697
	<u>2,449,965</u>	<u>3,446,168</u>
GROSS INCOME	<u>3,596,327</u>	<u>6,348,167</u>
OPERATING EXPENSES		
General and administrative	586,798	1,093,825
Freight	375,066	783,707
Service	533,139	1,100,786
Sales	176,161	296,061
Interest on Series A Debentures	225,000	450,000
Interest on long term debt	91,120	191,071
Amortization of property and equipment	311,373	587,162
Amortization of intangible assets and deferred financing costs	399,758	793,752
Accretion of Series A Debentures	53,639	107,278
	<u>2,752,054</u>	<u>5,403,642</u>
NET INCOME	<u>\$ 844,273</u>	<u>\$ 944,525</u>
Basic and diluted weighted average income per unit	\$ 0.07	\$ 0.08
Basic weighted average number of units outstanding	11,735,050	11,735,050
Diluted weighted average number of units outstanding	14,223,145	14,223,145

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Three-month period ended June 30, 2007	Six-month period ended June 30, 2007
OPERATING ACTIVITIES		
Income	\$ 844,273	\$ 944,525
Items not affecting cash -		
Amortization of property and equipment	311,373	587,162
Amortization of intangible assets and deferred financing costs	399,758	793,752
Accretion of Series A Debentures	53,639	107,278
Gain on sale of property and equipment	(121,568)	(205,880)
	<u>1,487,475</u>	<u>2,226,837</u>
Changes in non-cash working capital balances -		
Accounts receivable	(30,794)	124,274
Inventories	(386,231)	(564,004)
Deposits and prepaid expenses	129,622	148,593
Accounts payable and accrued liabilities	(789,114)	(69,896)
	<u>410,958</u>	<u>1,865,804</u>
INVESTING ACTIVITIES		
Purchase of short term investments	(8,416,944)	(8,452,928)
Purchase of property and equipment	(1,627,562)	(3,004,060)
Proceeds from the sale of property and equipment	1,206,991	1,580,691
Acquisition (Note 15)	(8,410,588)	(8,410,588)
	<u>(17,248,103)</u>	<u>(18,286,885)</u>
FINANCING ACTIVITIES		
Distributions paid	(865,364)	(1,778,155)
Units issued for cash (net of expenses)	19,383,023	19,383,023
Equipment financing payable	159,503	159,503
Floor plan	169,550	603,339
Loans payable	(3,096,517)	(3,316,117)
	<u>15,750,195</u>	<u>15,051,593</u>
NET CHANGE IN CASH DURING THE PERIOD	<u>(1,086,950)</u>	<u>(1,369,488)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD (NET)	<u>43,263</u>	<u>325,801</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD (NET)	<u>\$ (1,043,687)</u>	<u>\$ (1,043,687)</u>
Supplemental cash flow information:		
Interest received	\$ 48,400	\$ 50,828
Interest paid	316,120	641,071

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 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.

(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 (a limited partnership established under the laws of Manitoba on June 15, 2006), acquired the assets of Production Equipment Rentals Company; specializing in renting, selling and servicing quality high reach and material handling equipment and providing logistical support to its customers in British Columbia.

On June 1, 2007, the Fund completed a new issue of units (see note 12), and its indirect subsidiary WEQ Old Country Rentals LP (a limited partnership established under the laws of Manitoba on April 20, 2007) acquired the assets of Old Country Rentals Ltd., an equipment rental company with two locations on Vancouver Island (see note 15).

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 LP, WEQ Production Equipment GP Inc., WEQ Production Equipment LP, WEQ Old Country Rentals GP Inc., and WEQ Old Country Rentals LP.

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

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

include the valuation, impairment and useful life of intangible assets and property and equipment. 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.

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 3031 – "Inventories", which replaces Section 3030 of the same title. The new section has been developed based on International Financial Reporting Standards ("IFRS"). The standard was revised to provide more extensive guidance than Section 3030, to facilitate CICA's move towards IFRS, and to reduce the number of alternatives for the measurement of inventories.

Section 3031 applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The Fund will apply this section to opening inventory for fiscal 2008. Opening retained earnings as at January 1, 2008 will be adjusted for the difference on adoption of the new standard. Prior periods will not be restated.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

The Fund is currently evaluating the impact of this change in methodology. The impact of this change is not reasonably estimable at this time.

(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.

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) or 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 to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds their estimated fair value. Any impairment is included in income for the period in which the impairment is recognized.

(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

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

amount of the assets exceed their estimated fair value. Any impairment is included in income for the period in which the impairment is recognized.

(h) Goodwill

Goodwill is recorded at cost and is not amortized. Goodwill is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may be impaired. If goodwill is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the goodwill exceeds its estimated fair value.

(i) 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, 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.

(j) 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.

(k) Income taxes and future income taxes

As the Fund will allocate all of its taxable income and taxable capital gains to the Unitholders, the Fund itself will not be subject to income taxes.

In June 2007, the Government of Canada substantially enacted new legislation to tax distributions of publicly traded income trusts, commencing in 2011. As a result, the Fund is now required to recognize the future income tax assets and liabilities expected to arise when the tax on distributions becomes applicable.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

Future income tax assets and liabilities are determined based on the difference between the tax basis of the Fund's assets and liabilities and the amounts reported in the financial statements. Future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

(l) 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 11) and/or the exercise of the Agents' Option (note 13). 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.

(m) 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 in the vesting period of the applicable employee award.

The Fund has not amortized any LTIP cost amounts to general and administrative expenses or accrued any additional amounts to the LTIP for the six month period ended June 30, 2007.

(n) Financial Instruments

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 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.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

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

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 has not designated any non-derivative financial liabilities as FVO.

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.

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

Loans and receivables are accounted for at amortized cost.

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

(o) Cash Flows Statements - Disclosure for Handbook Section 1540.55

Amendments to CICA Handbook Section 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 month and six month periods ended June 30, 2007, \$0.8 million and \$2.0 million in cash

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

distributions, respectively, were declared payable by the Board of Trustees of the Fund, and were subsequently paid to the Unitholders.

4. PROPERTY AND EQUIPMENT

	June 30, 2007		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	\$ 18,125,869	\$ 882,354	\$ 17,243,515
Tractors and trailers	401,157	18,862	382,295
Furniture, fixtures and equipment	58,173	6,449	51,724
Computer equipment and software	41,855	4,813	37,042
Leasehold improvements	94,624	12,188	82,436
	\$ 18,721,678	\$ 924,666	\$ 17,797,012

	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

	June 30, 2007		
	Cost	Accumulated Amortization	Net Book Value
Costs for issuance of Series A Debentures	\$ 1,060,332	\$ 185,558	\$ 874,774
Fair value of Agents' Option	129,111	37,657	91,454
Costs to obtain new credit facilities	123,469	21,689	101,780
	\$ 1,312,912	\$ 244,904	\$ 1,068,008

	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

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

6. INTANGIBLE ASSETS

	June 30, 2007		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 13,653,531	\$ 1,145,148	\$ 12,508,383
Brand name	950,185	n/a	950,185
Supplier agreements	314,430	n/a	314,430
	\$ 14,918,146	\$ 1,145,148	\$ 13,772,998

	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. GOODWILL

December 31, 2006			June 30, 2007		
Cost	Write down	Net Book Value	Cost	Write down	Net Book Value
n/a	n/a	n/a	\$ 3,216,178	nil	\$ 3,216,178

These assets have no basis for tax purposes.

8. OPERATING LOAN AND CAPITAL LOANS

	Approved	June 30, 2007	December 31, 2006
Operating loan	\$ 2,000,000	\$ 1,434,964	\$ 61,596
Capital loans:			
Non-revolving	3,500,000	3,111,000 *	3,456,790 *
Revolving	4,000,000	nil	2,970,327
	7,500,000	3,111,000	6,427,117
	\$ 9,500,000	\$ 4,545,964	\$ 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, payable upon demand, on an interest only basis. The operating loan is at the Bank's prime rate plus 1.00% per annum and, in addition to covenant requirements, is secured

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

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.

On June 1, 2007, the Fund repaid the revolving capital loan, using a portion of the proceeds from the June 1, 2007 new issue (see note 12).

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 (excluding interest) are as follows:

July 1 to December 31, 2007	\$ 259,250
2008	518,500
2009	518,500
2010	518,500
2011	1,296,250

9. EQUIPMENT FINANCING PAYABLE

Upon acquisition of the assets of Old Country Rentals Ltd. (see note 15), the Fund, through its wholly-owned indirect subsidiary WEQ Old Country Rentals LP, assumed six capital leases relating to rental equipment and operating assets, for a total of \$166,548 of equipment financing payable (\$159,503 is outstanding as at June 30, 2007). The equipment financing payable amounts require monthly payments ranging from \$474 to \$1,696 (exclusive of taxes, insurance and surcharges), at interest rates ranging from 0% to 3.9% per annum, and have maturity dates ranging to August 1, 2011. The minimum equipment financing payable amounts are as follows:

July 1 to December 31, 2007	\$84,159
2008	44,440
2009	20,953
2010	5,686
2011	4,265

10. FLOOR PLAN

In January 2007, the Fund, indirectly through WEQ Production Equipment LP, completed and began utilizing an agreement with a third party financing company to provide finance for the purchase of new

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

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 June 30, 2007 the Fund had \$603,339 outstanding under the floor plan.

11. 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 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

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

13, 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, 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 and June 30, 2007:

	Liability Component		Equity Component
	Face Value	Fair 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, six-month period ended June 30, 2007		107,278	
Balance as at June 30, 2007	\$ 10,000,000	\$ 9,071,487	\$ 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.

12. 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.

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.

(a) Founders Units and August 15, 2006 Initial Public Offering

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

June 30, 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 related expenses 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 \$732,209, after deducting related expenses of \$102,965.

The fair value of the Agents’ Option to purchase units was estimated as being \$129,111 (see note 13).

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 13).

(b) *June 1, 2007 New Issue*

On May 25, 2007, the Fund filed a short form prospectus, and on June 1, 2007, the Fund closed a new issue of units under this short-form prospectus, whereby the Fund issued 4,500,000 units at \$4.00 per Unit for net proceeds of \$16,463,498, after deducting related expenses of \$1,536,502.

In addition, the Fund granted the agents of this new issue the option to purchase additional units, exercisable for a period of 30 days from closing (the “New Issue Over-Allotment”). Prior to the expiry of the New Issue Over-Allotment, the agents of the new issue purchased 675,000 additional units on June 14, 2007, for net proceeds of \$2,469,525, after deducting related expenses of \$230,475.

(c) *June 1, 2007 Private Issue*

On June 1, 2007, pursuant to the acquisition of the assets of Old Country Rentals Ltd. (see note 15), the Fund issued 150,000 units at \$3.00 per Unit for net proceeds of \$450,000.

During the period from the creation of the Fund on June 14, 2006 to June 30, 2007, a total of 11,735,050 units were issued for \$38,305,174 excluding offering costs and Agents’ Option (see note 13).

13. 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%

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

- Expected life of 3 years
- Expected volatility of 100%
- Expected distribution of \$0.49.

14. COMMITMENTS

(a) Minimum operating lease commitments

WEQ Production Equipment LP

The Fund has entered into 15 operating lease agreements for vehicles and trailers. The leases require monthly payments ranging from \$510 to \$2,657 (exclusive of taxes, insurance and surcharges) and have maturity dates ranging to July 27, 2012. The minimum operating lease commitments are as follows:

July 1 to December 31, 2007	\$134,715
2008	210,364
2009	183,685
2010	156,847
2011	86,578

WEQ Old Country Rentals LP

The Fund does not currently have any operating lease agreements under WEQ Old Country Rentals LP.

(b) Minimum rental commitments

WEQ Production Equipment LP

The current lease agreement was renegotiated on November 30, 2006 and covers the five year period commencing December 1, 2006 and ending November 30, 2011. The lease requires annual rental payments of \$168,000, payable in monthly instalments of \$14,000. The minimum rental commitments are as follows:

July 1 to December 31, 2007	\$ 84,000
2008	168,000
2009	168,000
2010	168,000
2011	154,000

WEQ Old Country Rentals LP

The current lease agreement covers the two operating locations of the business, and is for the ten year period commencing June 1, 2007 and ending May 30, 2017, with two five year renewal options. The lease requires annual rental payments of \$188,008, payable in monthly instalments of \$15,667, with a 2% increase per annum in each year following the first year of the lease. The minimum rental commitments are as follows:

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

2007	\$ 94,004
2008	190,202
2009	194,006
2010	197,886
2011 and after.....	1,500,562

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

15. 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.

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.

On June 1, 2007, pursuant to an acquisition agreement dated April 25, 2007, WEQ Old Country Rentals LP, a limited partnership established under the laws of Manitoba on April 20, 2007, and an indirect subsidiary of the Fund, purchased the assets of Old Country Rentals Ltd. from the shareholders of Old Country Rentals Ltd. (the "Shareholders").

The purchase price was paid in cash and units, 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	\$ 739,890
Inventories	438,355
Prepays	23,786
Accounts payable	(217,091)
Property and equipment	3,234,117
Intangible assets	975,353
Goodwill	3,216,178
	<hr/>
	\$ 8,410,588
Cash position at acquisition	1,200
	<hr/>
	\$ 8,411,788

Note - For the purposes of the Consolidated Statement of Cash Flows, the investment has been recorded as the net of the consideration of \$8,411,788 less the cash position at acquisition of \$1,200.

Consideration:	
Cash	\$ 7,795,240
Issuance of units (150,000 units @ \$3.00/Unit)	450,000
Assumption of equipment financing payable	166,548
	<hr/>
	\$ 8,411,788

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

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.

At closing, the Shareholders entered into confidentiality, non-solicitation and non-competition agreements with WesternOne Equity. Under the non-competition agreements, the Shareholders 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 was subject to all necessary consents and approvals of third parties being obtained and there being no adverse material change in the underlying assets or the business of Old Country Rentals Ltd. before closing, among other customary closing conditions.

16. 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 June 30, 2007 was \$10.0 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 bankers' acceptances to reduce its exposure to interest rate risk.

(c) Foreign exchange risk

As at June 30, 2007, the Fund's balance sheet included \$35,472 of accounts payable which were U.S. currency denominated and converted at the exchange rate of 1.0513.

As at June 30, 2007, the Fund's balance sheet included \$151,976 of U.S. cash, which was converted at the exchange rate of 1.0622.

The Fund does not use hold or issue financial instruments for trading or speculative purposes. At June 30, 2007 there were no foreign exchange contracts outstanding.

(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.

WesternOne Equity Income Fund

Notes to the Interim Consolidated Financial Statements

June 30, 2007

(Unaudited)

The Fund maintains provisions for potential credit losses, and historical losses have been within management's expectations.

17. SEGMENTED INFORMATION

Through its indirect ownership of WEQ Production Equipment LP and WEQ Old Country Rentals LP, 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 British Columbia.

18. RELATED PARTY TRANSACTIONS

The Fund has not entered into any related party transactions.

19. SUBSEQUENT EVENTS

(a) Collective Agreements

WEQ Production Equipment LP

Through its indirect subsidiary, WEQ Production Equipment LP, 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. On June 30, 2007 the previous collective agreement expired. On August 1, 2007 the union member employees of WEQ Production Equipment LP voted to accept the renegotiated collective agreement. The current collective agreement commenced retroactively on July 1, 2007 and expires June 30, 2010.

WEQ Old Country Rentals LP

Through its indirect subsidiary, WEQ Old Country Rentals LP, 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 collective agreement commenced on March 1, 2006 and expires February 28, 2009.

(b) Agents' Options

Pursuant to the Agents' Option (described in note 13), on July 4, 2007, the Agents performed a partial exercise of their Agents' Option, whereby 8,625 trust units were issued at \$3.50 per trust unit, for total net proceeds of \$30,187.50.