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INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
*For the Three and Six Months ended June 30, 2010 and 2009*

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WESTERNONE EQUITY INCOME FUND

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



**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.

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## WesternOne Equity Income Fund

### INTERIM CONSOLIDATED BALANCE SHEETS

	As at June 30, 2010 (Unaudited)	As at December 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,689,593	\$ 2,069,887
Accounts receivable	5,381,172	6,139,001
Inventories	1,805,399	1,454,686
Deposits and prepaid expenses	473,549	511,944
	<u>16,349,713</u>	<u>10,175,518</u>
PROPERTY AND EQUIPMENT (Note 3)	35,436,405	29,536,303
INTANGIBLE ASSETS (Note 4)	25,092,141	24,353,964
GOODWILL	9,923,709	8,430,418
FUTURE INCOME TAXES (Note 7)	6,766,868	6,332,903
	<u>\$ 93,568,836</u>	<u>\$ 78,829,106</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Operating loans (Note 5)	\$ 852,972	\$ 1,740,870
Accounts payable and accrued liabilities	3,902,766	3,293,896
Distributions payable	693,589	691,932
Current portion of equipment financing payable	46,967	70,487
Current portion of capital leases obligation (Note 11)	73,642	146,306
Current portion of term mortgage (Note 6)	17,368	16,815
Unearned revenue	48,183	73,876
Capital and acquisition loans (Note 5)	27,573,884	32,767,926
	<u>33,209,371</u>	<u>38,802,108</u>
EQUIPMENT FINANCING PAYABLE	15,113	31,860
CAPITAL LEASES OBLIGATION (Note 11)	290,356	267,767
TERM MORTGAGE (Note 6)	314,035	321,626
FINANCIAL DERIVATIVES (Note 5)	194,483	302,686
DEBENTURES (Note 8)	32,400,053	8,805,704
	<u>66,423,411</u>	<u>48,531,751</u>
UNITHOLDERS' EQUITY	<u>27,145,425</u>	<u>30,297,355</u>
	<u>\$ 93,568,836</u>	<u>\$ 78,829,106</u>

COMMITMENTS (Note 10)

SUBSEQUENT EVENTS (Note 17)

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 STATEMENTS OF UNITHOLDERS' EQUITY (Unaudited)

	Fund Units (Note 9)	Contributed Surplus	Equity component of convertible debentures (Note 8)	Retained earnings/(deficit)	Total Unitholders' Equity
<b>BALANCE, December 31, 2008</b>	<b>39,822,704</b>	<b>24,926</b>	<b>1,092,570</b>	<b>(5,642,829)</b>	<b>35,297,371</b>
Issuance of Units (net of issuance costs)	1,924,805				1,924,805
Employee unit-based compensation for the period		12,644			12,644
Net and comprehensive income for the period				2,179,483	2,179,483
Distributions declared				(2,057,146)	(2,057,146)
<b>BALANCE, March 31, 2009</b>	<b>41,747,509</b>	<b>37,570</b>	<b>1,092,570</b>	<b>(5,520,492)</b>	<b>37,357,157</b>
Employee unit-based compensation for the period		12,784			12,784
Net and comprehensive loss for the period				(371,603)	(371,603)
Distributions declared				(2,085,079)	(2,085,079)
<b>BALANCE, June 30, 2009</b>	<b>41,747,509</b>	<b>50,354</b>	<b>1,092,570</b>	<b>(7,977,174)</b>	<b>34,913,259</b>
<b>BALANCE, December 31, 2009</b>	<b>41,968,394</b>	<b>76,203</b>	<b>1,092,570</b>	<b>(12,839,812)</b>	<b>30,297,355</b>
Issuance of units upon conversion of Series A Debentures	48,472		(5,358)		43,114
Equity component of 2010 Debentures			2,587,932		2,587,932
Employee unit-based compensation for the period		17,177			17,177
Net and comprehensive income for the period				179,975	179,975
Distributions declared				(2,095,574)	(2,095,574)
<b>BALANCE, March 31, 2010</b>	<b>42,016,866</b>	<b>93,380</b>	<b>3,675,144</b>	<b>(14,755,411)</b>	<b>31,029,979</b>
Issuance of units upon conversion of Series A Debentures	90,737		(9,823)		80,914
Employee unit-based compensation for the period		21,204			21,204
Net and comprehensive loss for the period				(1,887,643)	(1,887,643)
Distributions declared				(2,099,029)	(2,099,029)
<b>BALANCE, June 30, 2010</b>	<b>42,107,603</b>	<b>114,584</b>	<b>3,665,321</b>	<b>(18,742,083)</b>	<b>27,145,425</b>

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 June 30, 2010	Three-month period ended June 30, 2009	Six-month period ended June 30, 2010	Six-month period ended June 30, 2009
<b>REVENUE</b>				
Equipment rental	\$ 5,947,063	\$ 5,124,734	\$ 10,939,058	\$ 10,414,940
Equipment sales	1,724,228	1,257,377	2,557,578	2,376,395
Parts, fuel, service and others	3,488,651	3,102,738	10,708,518	10,793,506
	<u>11,159,942</u>	<u>9,484,849</u>	<u>24,205,154</u>	<u>23,584,841</u>
<b>COST OF SALES</b>				
Equipment sold	1,504,199	1,168,796	2,189,116	2,183,243
Parts, fuel, service and others	1,903,713	1,821,944	5,970,829	5,815,647
	<u>3,407,912</u>	<u>2,990,740</u>	<u>8,159,945</u>	<u>7,998,890</u>
<b>GROSS PROFIT</b>	<u>7,752,030</u>	<u>6,494,109</u>	<u>16,045,209</u>	<u>15,585,951</u>
<b>OPERATING EXPENSES</b>				
General and administrative	2,383,852	1,695,138	4,327,099	3,581,242
Freight	1,074,606	692,952	1,858,268	1,326,177
Service	1,185,808	920,395	2,257,537	1,918,451
Sales	755,065	576,867	1,354,762	1,139,198
Interest	1,211,426	627,377	2,035,128	1,315,515
Amortization and depreciation	3,310,134	2,725,597	6,077,979	5,400,881
Accretion of debentures	160,616	56,069	255,889	111,186
	<u>10,081,507</u>	<u>7,294,395</u>	<u>18,166,662</u>	<u>14,792,650</u>
<b>OTHER EXPENSES</b>				
(Gain)/loss on derivatives (Note 5)	20,977	(42,388)	20,180	6,586
<b>INCOME/(LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	<u>(2,350,454)</u>	<u>(757,898)</u>	<u>(2,141,633)</u>	<u>786,715</u>
<b>FUTURE INCOME TAX RECOVERIES (Note 7)</b>	<u>(462,811)</u>	<u>(386,295)</u>	<u>(433,965)</u>	<u>(1,021,165)</u>
<b>NET AND COMPREHENSIVE INCOME/(LOSS)</b>	<u>\$ (1,887,643)</u>	<u>\$ (371,603)</u>	<u>\$ (1,707,668)</u>	<u>\$ 1,807,880</u>
Basic and diluted weighted average income/(loss) per unit	\$ (0.13)	\$ (0.03)	\$ (0.12)	\$ 0.13
Basic and diluted weighted average number of units outstanding	13,987,729	13,900,524	13,978,926	13,900,524

See accompanying Notes to the Interim Consolidated Financial Statements

**WesternOne Equity Income Fund**

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three-month period ended June 30, 2010	Three-month period ended June 30, 2009	Six-month period ended June 30, 2010	Six-month period ended June 30, 2009
<b>OPERATING ACTIVITIES</b>				
Net income/(loss)	\$ (1,887,643)	\$ (371,603)	\$ (1,707,668)	\$ 1,807,880
Items not affecting cash -				
Amortization of property and equipment	2,244,339	1,758,039	4,044,626	3,465,765
Amortization of intangible assets	1,065,795	967,558	2,033,353	1,935,116
Interest expense relating to amortization of transaction costs	133,275	88,816	237,140	170,607
Accretion of debentures	160,616	56,069	255,889	111,186
Future income tax recoveries	(462,811)	(386,295)	(433,965)	(1,021,165)
Gain on derivatives	(41,182)	(114,779)	(108,203)	(126,701)
Unit-based compensation	21,204	12,784	38,381	25,428
Loss/(gain) on sale of property and equipment	(8,811)	65,583	(64,705)	18,868
	<u>1,224,782</u>	<u>2,076,172</u>	<u>4,294,848</u>	<u>6,386,984</u>
Changes in non-cash working capital balances -				
Accounts receivable	2,177,407	4,129,118	1,554,859	4,338,412
Inventories	144,443	302,750	(43,640)	(40,236)
Deposits and prepaid expenses	357,049	88,275	100,044	99,792
Accounts payable and accrued liabilities	(625,795)	(1,038,641)	492,881	(1,302,072)
Unearned revenue	(6,549)	(3,765)	(25,693)	(74,050)
	<u>3,271,337</u>	<u>5,553,909</u>	<u>6,373,299</u>	<u>9,408,830</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(1,575,556)	(357,410)	(2,255,050)	(617,223)
Proceeds from the sale of property and equipment	558,892	370,393	729,416	560,688
Acquisitions	(259,353)	-	(13,759,353)	-
	<u>(1,276,017)</u>	<u>12,983</u>	<u>(15,284,987)</u>	<u>(56,535)</u>
<b>FINANCING ACTIVITIES</b>				
Distributions paid	(2,097,942)	(2,085,079)	(4,192,946)	(4,114,291)
Units issued for cash (net of expenses)	-	-	-	1,924,805
Debentures issued for cash (net of expenses)	(62,669)	-	25,866,841	-
Repayment of term mortgage	(4,125)	(3,860)	(8,301)	(7,784)
Repayment of loans payable	(3,921,749)	(2,035,383)	(6,134,200)	(2,839,799)
	<u>(6,086,485)</u>	<u>(4,124,322)</u>	<u>15,531,394</u>	<u>(5,037,069)</u>
<b>NET CHANGE IN CASH AND EQUIVALENTS DURING THE PERIOD</b>	<u>(4,091,165)</u>	<u>1,442,570</u>	<u>6,619,706</u>	<u>4,315,226</u>
<b>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>12,780,758</u>	<u>4,887,150</u>	<u>2,069,887</u>	<u>2,014,494</u>
<b>CASH AND EQUIVALENTS, END OF PERIOD</b>	<u>\$ 8,689,593</u>	<u>\$ 6,329,720</u>	<u>8,689,593</u>	<u>6,329,720</u>
<b>Supplemental cash flow information:</b>				
Interest received	13,747	9,978	\$ 21,124	13,880
Interest paid	1,143,080	610,952	1,929,617	1,278,195
Conversion of convertible debentures into fund units	90,737	-	139,209	-
Assets under capital lease acquired	66,153	141,468	66,153	238,274

See accompanying Notes to the Interim Consolidated Financial Statements

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

June 30, 2010 and 2009

(Unaudited)

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### 1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements are prepared under Canadian generally accepted accounting principles and are stated in Canadian dollars. 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., WEQ Deerfoot Rentals LP, WEQ Heat & Propane GP Inc., and WEQ Heat & Propane 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, 2009.

### 2. NEW ACCOUNTING POLICIES AND ESTIMATES

Except as outlined below, these unaudited interim consolidated financial statements follow the same accounting policies and methods of computation as used in the 2009 audited consolidated financial statements.

#### *International Financial Reporting Standards*

In February 2008, the Accounting Standards Board confirmed the date of changeover from generally acceptable accounting principles ("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 has developed a three-phase IFRS transition work plan, and after having completed the preliminary impact assessment, has identified four key potential areas of impact. These areas are: election of options and application of exceptions under IFRS 1, classification of Fund units, impairment of assets, and financial instruments.

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

June 30, 2010 and 2009

(Unaudited)

### 3. PROPERTY AND EQUIPMENT

	June 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	\$ 44,315,755	\$ 13,150,026	\$ 31,165,729
Building	128,017	16,109	111,908
Land	481,133	-	481,133
Tractors and trailers	2,894,178	567,654	2,326,524
Furniture, fixtures and equipment	1,334,577	452,565	882,012
Computer equipment	389,646	166,982	222,664
Leasehold improvements	426,908	180,473	246,435
	\$ 49,970,214	\$ 14,533,809	\$ 35,436,405

  

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	\$ 35,912,836	\$ 9,859,443	\$ 26,053,393
Building	128,017	12,785	115,232
Land	481,133	-	481,133
Tractors and trailers	1,972,295	418,860	1,553,435
Furniture, fixtures and equipment	1,156,727	327,771	828,956
Computer equipment	370,348	129,049	241,299
Leasehold improvements	401,407	138,552	262,855
	\$ 40,422,763	\$ 10,886,460	\$ 29,536,303

### 4. INTANGIBLE ASSETS

	June 30, 2010		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 30,154,050	\$ 8,021,998	\$ 22,132,052
Brand name	782,017	-	782,017
Franchise Agreements	1,164,448	230,464	933,984
Non-competition agreements	3,151,265	1,907,177	1,244,088
	\$ 35,251,780	\$ 10,159,639	\$ 25,092,141

  

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 27,517,223	\$ 6,580,216	\$ 20,937,007
Brand name	782,017	-	782,017
Franchise Agreements	1,164,448	181,945	982,503
Non-competition agreements	3,064,417	1,411,980	1,652,437
	\$ 32,528,105	\$ 8,174,141	\$ 24,353,964

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

June 30, 2010 and 2009

(Unaudited)

### 5. CREDIT FACILITIES

The Fund's credit facilities consist of the following:

	June 30, 2010		December 31, 2009
	Approved	Carrying Value	Carrying Value
Operating loans	\$ 5,750,000	\$ 852,972	\$ 1,740,870
Capital loans:			
Non-revolving	1,862,873	1,862,873	2,087,881
Revolving:	9,000,000		
Loan #1		1,006,168	1,089,783
Loan #2		389,424	430,785
Loan #3		615,745	669,868
Loan #4		1,159,952	1,256,107
Loan #5		601,043	648,763
Loan #6		1,522,212	1,644,514
Loan #7		498,746	537,368
Loan #8		542,000	576,867
Loan #9		519,062	553,565
Loan #10		593,436	
Other		1,232,155	752,335
	10,862,873	10,542,816	10,247,836
Acquisition loans:	17,031,069		
Loan #1		6,877,140	7,478,034
Loan #2		10,153,928	10,956,950
Loan #3		-	4,085,106
	17,031,069	17,031,068	22,520,090
Capital and Acquisition loans	27,893,942	27,573,884	32,767,926
Total Credit Facilities	\$ 33,643,942	\$ 28,426,856	\$ 34,508,796

The following table illustrates the funding dates, maturity dates and interest rates as at June 30, 2010 for the Capital and Acquisition Loans described above:

Loan	Funding Date	Maturity Date	Interest Rate at Jun 30, 2010
Non-Revolving	August 14, 2006	August 13, 2011	3.70%
Revolving:			
Loan #1	August 14, 2006	August 13, 2011	3.70%
Loan #2	April 9, 2008	April 8, 2013	3.70%
Loan #3	May 27, 2008	May 26, 2013	3.70%
Loan #4	July 18, 2008	July 17, 2013	3.70%
Loan #5	September 26, 2008	September 25, 2013	3.70%
Loan #6	October 22, 2008	October 21, 2013	3.70%
Loan #7	January 30, 2009	January 29, 2014	3.70%
Loan #8	July 21, 2009	July 20, 2014	4.20%
Loan #9	November 13, 2009	November 12, 2014	4.20%
Loan #10	May 7, 2010	May 6, 2015	4.20%
Acquisition Loans:			
Loan #1	February 15, 2008	February 14, 2013	4.00%
Loan #2	October 1, 2008	September 30, 2013	4.00%

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

June 30, 2010 and 2009

(Unaudited)

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

The Bank has provided the operating loans payable upon demand. The operating loans are at the Bank’s prime rate plus 1.25% and are secured by 50% of inventory and 75% of acceptable (as defined in the operating loan agreement) accounts receivable, minus priority claims. The operating loan has no stated maturity date.

The capital and acquisition loans are repayable on demand, and unless and until demanded in monthly installments with interest, at the Fund’s option, at the Bank’s prime rate plus a range of 1.20% to 1.70%, or the Bank’s banker’s acceptance rate plus a stamping fee with a range of 2.70% to 3.20%. Unless repaid on demand to the Bank, the non-revolving capital loan shall be repaid in full by August 13, 2011. Unless repaid on demand to the Bank, the revolving capital and acquisition loans shall be repaid in full on the fifth anniversary of the date of such advance made. The costs of obtaining the capital and acquisition loans are being amortized over the terms of the respective loans, resulting in an effective interest rate at June 30, 2010 of 3.97% (2009 – 3.68%) for the capital loans and 4.19% (2009 – 4.03%) for the acquisition loans.

On July 2, 2008, the Fund entered into an interest rate swap with the Bank. The swap has a three-year term, a notional value of \$9,312,000 at the commencement of the swap, and a fixed rate of 4.08% plus a stamping fee of 3.00% as at June 30, 2010. The Fund has not applied hedge accounting to this swap, and as a result recorded a financial derivative liability of \$194,483 at June 30, 2010 (2009 - \$302,686). The Fund marks the value of this derivative to market every quarter, and any resulting gains/losses are recorded in net income. The fair value of the interest rate swap is determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Fund has categorized this swap contract as Level 2.

The fair value of debt not due on demand was determined using the discounted cash flow forecast (“DCF”), at an appropriate market discount rate as at June 30, 2010. The fair value of the interest rate swap was determined by discounting the future expected net cash flows of the fixed and variable interest payments using observable market data. The Fund’s credit risk was considered in the fair value calculation of the interest rate swap.

The credit facilities have covenants specifying a minimum current ratio of 1.25 to 1.0, a maximum funded debt to earnings (as defined in the credit facilities agreement) ratio of 3.0 to 1.0, a minimum debt service coverage ratio of 1.25 to 1.0, and a restriction on increases in distributions to Unitholders and future acquisitions without the prior written consent of the Bank. For purposes of calculating the current ratio, 25% of the capital and acquisition loans that are due within one year are included in current liabilities. As at June 30, 2010 the Fund was in compliance with all bank covenants.

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

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

June 30, 2010 and 2009

(Unaudited)

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

July 1 to December 31, 2010 .....	\$ 2,506,567
2011 .....	7,107,494
2012 .....	4,787,953
2013 .....	11,929,420
2014 and thereafter .....	<u>1,318,928</u>
	27,650,362
Balance of transaction costs to amortize .....	<u>(76,478)</u>
	<u>\$ 27,573,884</u>

### 6. TERM MORTGAGE

The Fund obtained, through a wholly-owned indirect subsidiary, a term mortgage, during 2008. The initial term of this mortgage is 4 years, and is being amortized over a period of 15 years. The fixed nominal interest rate of the mortgage is 6.50%, and the effective interest rate, including the amortization of transaction costs is 7.37%. This mortgage consists of blended principal and interest payments. At the end of the initial four-year term (April 11, 2012), a principal amount of \$303,349 will remain outstanding. A general security agreement providing a charge over all assets of the Fund has been provided as collateral to the lending institution. The minimum principal payments of the initial term of this mortgage are as illustrated:

July 1 to December 31, 2010 .....	\$ 8,513
2011 .....	17,941
2012 .....	<u>309,574</u>
	336,028
Balance of transaction costs to amortize .....	<u>(4,625)</u>
	331,403
Less current portion .....	<u>(17,368)</u>
	<u>\$ 314,035</u>

As at June 30, 2010 the market rate of the mortgage payable was not materially different from the nominal rate. Therefore, the fair value of the mortgage payable is the same as the carrying value.

### 7. FUTURE INCOME TAXES

The reconciliation to statutory tax rate is as follows:

	June 30, 2010	June 30, 2009
Income/(loss) before taxes	\$ (2,141,633)	\$ 786,715
Statutory tax rate	28.2%	29.4%
Expected tax expense/(recovery)	\$ (603,941)	\$ 231,294
Current year's income/(loss) not taxable for tax purposes	603,941	(231,294)
Impact of rate changes on future income taxes	-	-
Increase in future income tax recovery resulting from a change during the period in temporary differences expected to reverse after 2010	(433,965)	(1,021,165)
Future income tax recovery	(433,965)	(1,021,165)

# WesternOne Equity Income Fund

## Notes to the Interim Consolidated Financial Statements

June 30, 2010 and 2009

(Unaudited)

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

	June 30, 2010	December 31, 2009
Future income tax asset/(liability):		
Issue costs	\$ (67,853)	\$ 13,300
Intangible assets	2,812,662	2,689,562
Property, plant and equipment	3,964,958	3,575,559
Others	57,101	54,482
	<u>\$ 6,766,868</u>	<u>\$ 6,332,903</u>

### 8. DEBENTURES

#### (a) 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, 2009 and June 30, 2010:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2009	\$ 9,701,900	\$ 8,805,704	\$ 1,092,570
Conversion to Units	(136,000)	(120,819)	(15,181)
Amortization and Accretion		255,722	
Balance as at June 30, 2010	<u>\$ 9,565,900</u>	<u>\$ 8,940,607</u>	<u>\$ 1,077,389</u>

At closing of the Series A Debentures on August 15, 2006, the Fund granted the agents an option to purchase a certain principal number of Series A Debentures equal to 5% of the principal amount of Series A Debentures under the offering. The price to purchase the Series A Debentures under the Agents' Options was equal to the price under the offering, which was \$100 per Series A Debenture. The Agents' Options were fully expired on August 14, 2009.

The Series A Debentures rank senior to the Units and 2010 Debentures (as defined under note 8(b) below), pari passu in all respects with any other Series A Debentures issued from time to time, and are subordinate to senior security and permitted encumbrances.

The fair value of Series A Debentures, which was determined using the closing price at the Toronto Stock Exchange (the "Exchange") as at June 30, 2010, was \$9,948,536 (2009 – \$9,799,889) for all outstanding debentures.

The Series A Debentures will be matured on August 15, 2011.

#### (b) 2010 Debentures

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

The 2010 Debentures will be matured on December 31, 2015.

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

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

As required by Canadian GAAP, the Fund separated the liability and equity component of the 2010 Debentures. Proceeds from the issuance of the 2010 Debentures were allocated to the equity and liability components of the 2010 Debentures using the residual method. The fair value of the equity component was determined using the Black-Scholes pricing model. The difference between the proceeds received and the fair value of the equity component calculated at the date of issuance was allocated as the liability component. The liability component will be accreted through the term of the 2010 Debentures through the recording of an accretion expense using the effective interest method, until such date if or when all underlying 2010 Debentures are converted into units.

Cash financing costs in the amount of \$1,733,159 were incurred in the issuance of the 2010 Debentures. The financing costs were netted against the 2010 Debentures and amortized using the effective interest method. The effective interest rate as at June 30, 2010 was 12.18%.

The following summarizes the face and carrying value of the liability and equity component of the 2010 Debentures at June 30, 2010:

	<b>Liability Component</b>		<b>Equity Component</b>
	Face Value	Carrying Value	Carrying Value
Balance as at issuance on February 26, 2010	\$ 27,600,000	\$ 23,278,908	\$ 2,587,932
Amortization and Accretion		180,538	
Balance as at June 30, 2010	\$ 27,600,000	\$ 23,459,446	\$ 2,587,932

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

The fair value of 2010 Debentures, which was determined using the closing price at the Exchange as at June 30, 2010, was \$27,738,000 for all outstanding debentures.

## 9. FUND UNITS

An unlimited number of Units may be created and issued by the Fund pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the

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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 following summarizes changes to the Fund's Units for the six months ended June 30, 2010:

	Fund Units <sup>(1)</sup>	Fund Units Outstanding	Exchangeable Units Outstanding <sup>(2)</sup>
Balance as at December 31, 2009	\$ 41,968,394	13,838,634	125,000
Issuance of Units upon conversion of Series A Debentures	139,209	33,145	
Balance as at June 30, 2010	\$ 42,107,603	13,871,779	125,000

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

<sup>(2)</sup> On February 15, 2008, pursuant to the acquisition of the assets of Deerfoot, WEQ Deerfoot Rentals LP, an indirect subsidiary of the Fund, issued 125,000 exchangeable units ("Exchangeable 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 June 30, 2010, a total of 13,871,779 Units and 125,000 Exchangeable LP Units were issued for \$46,545,651 excluding offering costs.

## 10. 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, and have maturity dates ranging from July, 2010 to August, 2014. The minimum operating lease commitments, over the next five years, are as follows:

July 1 to December 31, 2010 .....	\$ 264,749
2011 .....	385,233
2012 .....	232,020
2013 .....	92,558
2014 .....	32,603

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### (b) Minimum rental commitments

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

July 1 to December 31, 2010 .....	\$ 915,120
2011 .....	1,808,739
2012 .....	1,564,735
2013 .....	1,288,397
2014 .....	898,703
Thereafter .....	3,280,760

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

## 11. CAPITAL LEASES

The Fund, through its indirectly owned subsidiaries, has entered into capital lease agreements for assets that are part of the property and equipment. The leases have maturity dates ranging from July, 2010 to June, 2014, at imputed interest ranging from 4.70% to 10.89%, and all capital lease agreements have the option or requirement to purchase the assets at the end of the lease. The assets are being amortized consistent with the fund's amortization policy, and at June 30, 2010 had a book value of \$688,543, with \$109,154 in accumulated amortization.

The following table illustrates the lease commitments:

July 1 to December 31, 2010 .....	\$ 49,071
2011 .....	99,873
2012 .....	99,873
2013 .....	122,040
2014 .....	<u>56,531</u>
	427,388
Less: Amount representing interest .....	<u>(63,390)</u>
	363,998
Less: Current portion .....	<u>(73,642)</u>
Non-current portion .....	<u>\$ 290,356</u>

The fair values of the capital leases are not materially different from their carrying values.

## 12. ACQUISITION

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

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

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Allocation of purchase price		
Accounts receivable, net	\$	797,030
Inventory		307,073
Prepaid expenses		61,649
Accounts payable and accrued liabilities		(115,989)
Property and equipment		8,444,730
Intangible assets:		
Customer relationships		2,636,827
Non-compete agreements		134,742
Goodwill		1,493,291
	\$	13,759,353
Consideration:		
Cash	\$	13,328,375
Direct acquisition costs		430,978
	\$	13,759,353

### 13. FINANCIAL INSTRUMENTS

#### (a) 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 (industrial, commercial, infrastructure, and residential) 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 June 30, 2010. 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.

Aging of receivables is as follows:

	June 30, 2010	December 31, 2009
Trade receivables, gross		
Outstanding 1-30 days	\$ 2,806,238	\$ 3,852,073
Outstanding 30-60 days (past due)	1,280,056	1,275,828
Outstanding over 60 days (past due)	764,778	697,376
	4,851,072	5,825,277
Allowance for doubtful accounts	(183,482)	(239,032)
Trade receivables, net	4,667,590	5,586,245
Sales tax and other receivables	713,582	552,756
<b>Accounts Receivable</b>	<b>\$ 5,381,172</b>	<b>\$ 6,139,001</b>

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### (b) 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 June 30, 2010, the Fund had available unused approved credit facilities of \$5,217,086. The Fund also has accounts receivable of \$5,381,172, and cash and cash equivalents totalling \$8,689,593.

The timing of estimated cash outflows relating to financial liabilities and capital lease obligations are outlined in the table below, for those items that have changed significantly from the notes to the consolidated financial statements as at December 31, 2009:

	1 year	2-3 years	4-5 years	beyond 5 years	Total	Carrying Value
Accounts payable and accrued liabilities \$	3,902,766				\$ 3,902,766	\$ 3,902,766
Equipment financing payable	46,967	15,113			62,080	62,080
Capital leases	73,642	178,026	112,330		363,998	363,998
Interest rate swap	165,582	6,976			172,558	194,483
Capital and acquisition loans*	5,080,789	14,910,130	7,659,442		27,650,361	27,573,884
Debentures		9,565,900		27,600,000	37,165,900	32,400,053

\* The capital and acquisition loans are repayable on demand.

## 14. RELATED PARTY TRANSACTIONS

### (a) Purchase of equipment

The Fund purchased equipment from a company in which a board member of the Fund has a controlling interest, for \$117,335 (2009 - \$44,513) and \$254,617 (2009 - 175,910) during the three and six months period ended June 30, 2010. These transactions arose during the normal course of business and have been recorded at fair market value.

### (b) Rental obligations

The Fund currently rents premises in various locations from companies in which employees of the Fund hold certain interests. The Fund has paid \$203,777 (2009 - \$198,730) and \$403,986 (2009 - \$401,541) in such rent during the three and six months period ended June 30, 2010. The rent between the parties is at fair market value.

## 15. UNIT BASED COMPENSATION

Since August 14, 2006, the Fund had a unit-based compensation plan in place, as described below. Grants under this plan are accounted for according to the fair value based method of accounting for unit-based compensation.

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

A summary of the details of the options granted follows:

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	Number of Options	Exercise Price	Weighted Average Exercise Price
Outstanding, at January 1, 2009	463,000	\$ 4.90	\$ 4.90
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding, at December 31, 2009	463,000	\$ 4.90	\$ 4.90
Granted	503,000	\$ 4.30	\$ 4.30
Exercised	-	-	-
Forfeited	9,000	\$ 4.30 – \$ 4.90	\$ 4.57
Outstanding, at June 30, 2010	957,000	\$ 4.30 – \$ 4.90	\$ 4.59
<hr/>			
Weighted average fair value of options granted at June 30, 2010	\$ 0.44		

The following table illustrates the fixed unit options outstanding, as of June 30, 2010:

Range of Exercise Prices:	Outstanding Options			Options Exercisable	
	Number Outstanding June 30, 2010	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable June 30, 2010	Weighted Average Exercise Price
\$ 4.90	459,000	8.1 years	\$ 4.90	92,600	\$ 4.90
\$ 4.30	498,000	9.6 years	\$ 4.30	-	\$ 4.30

The fair value of each option granted was estimated on the date of grant using the Black-Scholes options pricing model. The following table illustrates the assumptions of the model:

Grant date of options:	Annual Dividend Yield of Options	Volatility	Risk-Free Interest Rate	Expected life of the options
July 9, 2008	13.00%	52.25%	4.07%	10 years
February 10, 2010	13.95%	49.13%	2.09%	10 years

For the three and six months ended June 30, 2010, the Fund recognized \$21,204 (2009 – \$12,784) and \$38,381 (2009 – \$25,428) of compensation expense.

## 16. SEGMENTED REPORTING

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

The Fund's business activity levels in the British Columbia Platform are generally lower from January through March as the winter weather hampers construction activity. Construction heater rentals and related

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fuel supply and wholesale during the winter months in the Alberta Platform compensate for the slow winter business cycle in British Columbia. From April through July, the rental demand for construction and general rental equipment grows gradually as rental activities accelerate into the summer months. From August through November the demand for rental equipment continues as construction companies strive to meet construction targets prior the start of the holiday season in December. The construction heater rentals and fuel wholesale business in Alberta starts in November and continues through to the spring of the following year.

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

For the three months ended June 30	British Columbia		Alberta		Consolidated	
	2010	2009	2010	2009	2010	2009
Total segment revenue	5,219,124	5,558,722	5,940,818	3,926,127	<b>11,159,942</b>	<b>9,484,849</b>
Earnings before interest, tax, depreciation, amortization, write-down of assets, and foreign exchanges gains/(losses)	750,854	1,427,728	1,584,940	1,156,201	<b>2,335,794</b>	<b>2,583,929</b>
Depreciation and amortization						
Property and equipment	1,160,769	1,153,998	1,083,570	604,041	<b>2,244,339</b>	<b>1,758,039</b>
Intangible and other assets	367,434	368,764	698,361	598,794	<b>1,065,795</b>	<b>967,558</b>
Identifiable assets excl goodwill <sup>(1)</sup>	36,159,637	36,832,679	47,485,490	33,566,009	<b>83,645,127</b>	<b>70,398,688</b>
Goodwill <sup>(1)</sup>	2,726,613	2,726,613	7,197,096	5,703,805	<b>9,923,709</b>	<b>8,430,418</b>
Total identifiable assets <sup>(1)</sup>	38,886,250	39,559,292	54,682,586	39,269,814	<b>93,568,836</b>	<b>78,829,106</b>
Net purchases of property and equipment during the period (net of business acquisitions)	808,168	212,043	767,388	145,367	<b>1,575,556</b>	<b>357,410</b>

(1) Balances for 2009 are balances as of December 31, 2009.

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For the six months ended June 30	British Columbia		Alberta		Consolidated	
	2010	2009	2010	2009	2010	2009
Total segment revenue	9,562,732	10,383,712	14,642,422	13,201,129	24,205,154	23,584,841
Earnings before interest, tax, depreciation, amortization, write-down of assets, and foreign exchanges gains/(losses)	1,393,242	2,529,945	4,821,849	5,066,329	6,215,091	7,596,274
Depreciation and amortization						
Property and equipment	2,326,440	2,309,937	1,718,186	1,155,828	4,044,626	3,465,765
Intangible and other assets	736,198	737,528	1,297,155	1,197,588	2,033,353	1,935,116
Identifiable assets excl goodwill <sup>(2)</sup>	36,159,637	36,832,679	47,485,490	33,566,009	83,645,127	70,398,688
Goodwill <sup>(2)</sup>	2,726,613	2,726,613	7,197,096	5,703,805	9,923,709	8,430,418
Total identifiable assets <sup>(2)</sup>	38,886,250	39,559,292	54,682,586	39,269,814	93,568,836	78,829,106
Net purchases of property and equipment during the period (net of business acquisitions)	1,294,614	454,300	960,436	162,923	2,255,050	617,223

(2) Balances for 2009 are balances as of December 31, 2009.

### 17. SUBSEQUENT EVENTS

On July 1, 2010, the Fund completed the refinancing of its existing senior credit facilities with the Bank. The refinancing extends the maturity of the Fund's existing credit facilities. Specifically, loans that were scheduled to mature in 2011 are extended to 2013 and 2014. The interest rate terms for the loans remain unchanged. As part of the refinancing, the Bank has also increased the maximum of a demand revolving loan from \$9.0 million to \$14.5 million, which will be used towards future capital expenditures on the Fund's rental fleet at its operating locations.

On August 3, 2010, the Fund signed a letter of intent for the purchase of the assets of an engineered scaffold business that specializes in the rental, sales, installation and servicing scaffold equipment (the "Business"). The Business is independently owned, and operates from a base in Calgary with operations covering Northern and Southern Alberta.