

WESTERNONE EQUITY

WESTERNONE EQUITY INCOME FUND

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2009 and 2008

(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

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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 September 30, 2009 (Unaudited)	As at December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,349,999	\$ 2,014,494
Accounts receivable	4,077,278	8,234,528
Inventories	1,764,574	1,701,980
Deposits and prepaid expenses	378,434	352,654
	<u>11,570,285</u>	<u>12,303,656</u>
PROPERTY AND EQUIPMENT (Note 3)	30,358,176	35,495,003
INTANGIBLE ASSETS (Note 4)	25,321,522	28,224,196
GOODWILL	8,430,418	8,430,418
FUTURE INCOME TAXES (Note 7)	4,347,184	3,202,004
	<u>\$ 80,027,585</u>	<u>\$ 87,655,277</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Operating loans (Note 5)	\$ 1,369,728	\$ 1,978,657
Accounts payable and accrued liabilities	3,146,989	4,189,305
Distributions payable	691,932	660,843
Current portion of equipment financing payable	79,983	92,031
Current portion of capital leases obligation (Note 11)	173,253	169,483
Current portion of term mortgage payable (Note 6)	16,546	15,760
Unearned revenue	76,574	119,645
Capital and acquisition loans (Note 5)	33,433,269	35,747,115
	<u>38,988,274</u>	<u>42,972,839</u>
EQUIPMENT FINANCING PAYABLE	42,492	95,429
CAPITAL LEASES OBLIGATION (Note 11)	224,575	84,775
TERM MORTGAGE (Note 6)	325,309	335,929
FINANCIAL DERIVATIVES (Note 5)	357,332	525,079
SERIES A DEBENTURES (Note 8)	8,683,097	8,343,855
	<u>48,621,079</u>	<u>52,357,906</u>
UNITHOLDERS' EQUITY	<u>31,406,506</u>	<u>35,297,371</u>
	<u>\$ 80,027,585</u>	<u>\$ 87,655,277</u>

COMMITMENTS (Note 10)

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
BALANCE, December 31, 2007	34,768,888	-	1,116,250	86,634	35,971,772
Issuance of Units (net of issuance costs)	8,750				8,750
Issuance of Exchangeable LP Units	500,000				500,000
Net and comprehensive 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	(945,161)	35,448,727
Issuance of units upon exercise of agent options	2,624				2,624
Issuance of units upon conversion of Series A Debentures	20,740		(2,235)		18,505
Net and comprehensive income for the period				655,336	655,336
Distributions declared				(1,781,245)	(1,781,245)
BALANCE, June 30, 2008	35,301,002	-	1,114,015	(2,071,070)	34,343,947
Issuance of Units (net of issuance costs)	195,551		(3,908)		191,643
Equity portion relating to issuance of Series A Debentures			22,533		22,533
Employee unit-based compensation for the period		11,822			11,822
Net and comprehensive income for the period				622,688	622,688
Distributions declared				(1,789,659)	(1,789,659)
BALANCE, September 30, 2008	35,496,553	11,822	1,132,640	(3,238,041)	33,402,974
BALANCE, December 31, 2008	39,822,704	24,926	1,092,570	(5,642,829)	35,297,371
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)
BALANCE, March 31, 2009	41,747,509	37,570	1,092,570	(5,520,492)	37,357,157
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)
BALANCE, June 30, 2009	41,747,509	50,354	1,092,570	(7,977,174)	34,913,259
Issuance of units upon exercise of agent options	220,885				220,885
Employee unit-based compensation for the period		12,925			12,925
Net and comprehensive loss for the period				(1,648,939)	(1,648,939)
Distributions declared				(2,091,624)	(2,091,624)
BALANCE, September 30, 2009	41,968,394	63,279	1,092,570	(11,717,737)	31,406,506

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENTS OF INCOME/(LOSS) AND COMPREHENSIVE INCOME/(LOSS)

(Unaudited)

	Three-month period ended September 30, 2009	Three-month period ended September 30, 2008	Nine-month period ended September 30, 2009	Nine-month period ended September 30, 2008
REVENUE				
Equipment rental	\$ 4,314,948	\$ 5,865,919	\$ 14,729,886	\$ 15,460,612
Equipment sales	800,238	1,626,893	3,176,634	4,401,589
Parts, fuel, service and others	2,626,235	1,320,637	13,419,741	4,269,974
	<u>7,741,421</u>	<u>8,813,449</u>	<u>31,326,261</u>	<u>24,132,175</u>
COST OF SALES				
Equipment sold	783,132	1,332,490	2,966,374	3,661,330
Parts, fuel, service and others	1,464,060	1,204,805	7,279,707	3,328,528
	<u>2,247,192</u>	<u>2,537,295</u>	<u>10,246,081</u>	<u>6,989,858</u>
GROSS PROFIT	<u>5,494,229</u>	<u>6,276,154</u>	<u>21,080,180</u>	<u>17,142,317</u>
OPERATING EXPENSES				
General and administrative	1,854,080	1,360,112	5,435,322	3,648,593
Freight	685,815	783,791	2,011,992	2,126,721
Service	753,247	820,644	2,671,698	2,113,157
Sales	598,521	526,465	1,737,719	1,705,647
Interest	636,005	539,049	1,951,520	1,459,707
Amortization and depreciation	2,650,325	1,189,206	8,051,206	3,276,725
Accretion of Series A Debentures	57,033	55,641	168,219	163,765
	<u>7,235,026</u>	<u>5,274,908</u>	<u>22,027,676</u>	<u>14,494,315</u>
OTHER EXPENSES				
Loss on derivatives (Note 5)	32,157	159,706	38,743	159,706
INCOME/(LOSS) BEFORE PROVISION FOR INCOME TAXES	(1,772,954)	841,540	(986,239)	2,488,296
FUTURE INCOME TAXES/(RECOVERIES)	(124,015)	218,852	(1,145,180)	470,658
NET AND COMPREHENSIVE INCOME/(LOSS)	<u>\$ (1,648,939)</u>	<u>\$ 622,688</u>	<u>\$ 158,941</u>	<u>\$ 2,017,638</u>
Basic and diluted weighted average income/(loss) per unit	\$ (0.12)	\$ 0.05	\$ 0.01	\$ 0.17
Basic weighted average number of units outstanding	13,931,873	11,911,696	13,812,425	11,865,716
Diluted weighted average number of units outstanding	13,931,873	11,953,311	13,812,425	11,903,291

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three-month period ended September 30, 2009	Three-month period ended September 30, 2008	Nine-month period ended September 30, 2009	Nine-month period ended September 30, 2008
OPERATING ACTIVITIES				
Net income/(loss)	\$ (1,648,939)	\$ 622,688	\$ 158,941	\$ 2,017,638
Items not affecting cash -				
Amortization of property and equipment	1,682,767	637,144	5,148,532	1,781,249
Amortization of intangible assets	967,558	552,062	2,902,674	1,495,476
Interest expense relating to amortization of transaction costs	95,475	57,780	266,082	144,592
Accretion of Series A Debentures	57,033	55,641	168,219	163,765
Future income taxes/(recoveries)	(124,015)	218,852	(1,145,180)	470,658
Loss/(gain) on derivatives	(41,046)	159,706	(167,747)	159,706
Unit-based compensation	12,925	11,822	38,353	11,822
Loss/(gain) on sale of property and equipment	62,283	(77,802)	81,151	(206,293)
	1,064,041	2,237,893	7,451,025	6,038,613
Changes in non-cash working capital balances -				
Accounts receivable	(181,162)	(1,261,927)	4,157,250	(216,467)
Inventories	(22,359)	352,001	(62,594)	174,886
Deposits and prepaid expenses	(125,571)	(210,068)	(25,780)	(232,534)
Cash held in trust	-	-	-	2,015,000
Accounts payable and accrued liabilities	259,757	1,007,761	(1,042,316)	1,537,742
Unearned revenue	30,979	-	(43,071)	-
	1,025,685	2,125,660	10,434,514	9,317,240
INVESTING ACTIVITIES				
Sale/(purchase) of short term investments	-	(2,310)	-	1,803,149
Purchase of property and equipment	(330,929)	(2,618,614)	(948,153)	(7,972,132)
Proceeds from the sale of property and equipment	373,191	517,660	933,882	1,445,657
Acquisitions	-	(414,839)	-	(16,004,211)
	42,262	(2,518,103)	(14,271)	(20,727,537)
FINANCING ACTIVITIES				
Distributions paid	(2,088,468)	(1,786,948)	(6,202,760)	(5,339,194)
Units issued for cash (net of expenses)	220,885	160,551	2,145,690	672,665
Debentures issued for cash (net of expenses)	-	115,900	-	115,900
Proceeds from/ (repayment of) term mortgage	(3,925)	(3,674)	(11,709)	353,700
Proceeds from/(repayment of) loans payable	(176,160)	3,125,091	(3,015,959)	13,865,122
	(2,047,668)	1,610,920	(7,084,738)	9,668,193
NET CHANGE IN CASH AND EQUIVALENTS DURING THE PERIOD	(979,721)	1,218,477	3,335,505	(1,742,104)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	6,329,720	2,554,013	2,014,494	5,514,594
CASH AND EQUIVALENTS, END OF PERIOD	\$ 5,349,999	\$ 3,772,490	\$ 5,349,999	\$ 3,772,490
Supplemental cash flow information:				
Interest received	4,397	\$ 21,438	\$ 18,277	\$ 100,430
Interest paid	613,733	481,269	1,891,928	1,315,114
Conversion of convertible debentures into fund units	-	35,000	-	55,000
Assets under capital lease acquired	65,363	-	551,912	-

See accompanying Notes to the Interim Consolidated Financial Statements

WesternOne Equity Income Fund

Notes to the Consolidated Financial Statements

September 30, 2009

(Unaudited)

1. BASIS OF PRESENTATION

These 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, 2008.

Certain comparative figures have been reclassified to conform with presentation adopted in the current year.

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 2008 audited consolidated financial statements.

a) *CICA HB Section 3064 – Goodwill and Intangible Assets*

Effective January 1, 2009, the Fund adopted the recommendation of Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, "Goodwill and Intangible Assets," which replaced the previous standards. This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The adoption of this standard did not have any impact on the Fund's consolidated financial statements or notes.

b) *CICA HB Section 1582 – Business Combinations*

In January 2009, the CICA issued Section 1582, “Business Combinations”, replacing Section 1581, “Business Combinations”. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Fund is currently assessing the future impact of this new standard on its financial statements.

c) *CICA HB Section 1601 – Consolidated Financial Statements*

In January 2009, the CICA issued Section 1601, “Consolidated Financial Statements”, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is

WesternOne Equity Income Fund

Notes to the Consolidated Financial Statements

September 30, 2009

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permitted. The Fund is currently assessing the future impact of this new standard on its financial statements.

d) *Future Accounting Changes*

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.

e) *Change in Accounting Estimates*

Effective January 1, 2009, the Fund prospectively changed its estimates of the useful life of its rental fleet. Previously the Fund had amortized the rental fleet based on straight-line amortization over ten years less the estimated salvage value. Using the previous estimates, the rental fleet depreciation for the three and nine months ended September 30, 2009 would have been \$658,058 and \$1,984,650 respectively. The Fund now amortizes its rental fleet based on the estimated remaining useful life of each item in the fleet on a straight-line basis less the estimated salvage value.

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

Rental fleet *	3-7 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 estimated 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 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.

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Notes to the Consolidated Financial Statements

September 30, 2009

(Unaudited)

3. PROPERTY AND EQUIPMENT

	September 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	\$ 34,923,172	\$ 8,054,543	\$ 26,868,629
Building	128,017	11,107	116,910
Land	481,133	-	481,133
Tractors and trailers	1,893,217	350,224	1,542,993
Furniture, fixtures and equipment	1,130,901	266,505	864,396
Computer equipment and software	344,765	111,427	233,338
Leasehold improvements	369,832	119,055	250,777
	<u>\$ 39,271,037</u>	<u>\$ 8,912,861</u>	<u>\$ 30,358,176</u>

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Rental fleet	\$ 35,501,921	\$ 3,618,163	\$ 31,883,758
Building	126,888	6,149	120,739
Land	481,133	-	481,133
Tractors and trailers	1,707,350	181,306	1,526,044
Furniture, fixtures and equipment	1,093,185	99,146	994,039
Computer equipment and software	311,871	63,491	248,380
Leasehold improvements	311,167	70,257	240,910
	<u>\$ 39,533,515</u>	<u>\$ 4,038,512</u>	<u>\$ 35,495,003</u>

4. INTANGIBLE ASSETS

	September 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 27,517,223	\$ 5,892,285	\$ 21,624,938
Brand name	782,017	-	782,017
Franchise Agreements	1,164,448	157,686	1,006,762
Non-competition agreements	3,064,416	1,156,611	1,907,805
	<u>\$ 32,528,104</u>	<u>\$ 7,206,582</u>	<u>\$ 25,321,522</u>

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 27,517,223	\$ 3,828,494	\$ 23,688,729
Brand name	782,017	-	782,017
Non-competition agreements	1,164,448	84,908	1,079,540
Supplier agreements	3,064,417	390,507	2,673,910
	<u>\$ 32,528,105</u>	<u>\$ 4,303,909</u>	<u>\$ 28,224,196</u>

WesternOne Equity Income Fund

Notes to the Consolidated Financial Statements

September 30, 2009

(Unaudited)

5. CREDIT FACILITIES

The Fund's credit facilities consist of the following:

	September 30, 2009		December 31, 2008
	Approved	Outstanding	Outstanding
Operating loans	\$ 5,750,000	\$ 1,369,728	\$ 1,978,657
Capital loans:			
Non-revolving	2,198,950	2,198,950	2,519,830
Revolving:	9,000,000		
Loan #1		1,129,213	1,244,185
Loan #2		451,202	510,144
Loan #3		696,464	766,327
Loan #4		1,303,225	1,440,668
Loan #5		672,293	740,794
Loan #6		1,704,612	1,880,233
Loan #7		556,378	-
Loan #8		593,631	-
Other Loans		785,466	878,411
	11,198,950	10,091,434	9,980,592
Acquisition loans:	23,341,835		
Loan #1		7,769,253	8,614,683
Loan #2		11,344,535	12,551,840
Loan #3		4,228,047	4,600,000
	23,341,835	23,341,835	25,766,523
Capital and Acquisition loans	34,540,785	33,433,269	35,747,115
Total Credit Facilities	\$ 40,290,785	\$ 34,802,997	\$ 37,725,772

The following table illustrates the funding dates, maturity dates and interest rates as at September 30, 2009 for the Capital and Acquisition Loans described above:

Loan	Funding Date	Maturity Date	Interest Rate at Sept 30, 2009
Non-Revolving	August 14, 2006	August 13, 2011	3.45%
Revolving:			
Loan #1	August 14, 2006	August 13, 2011	3.45%
Loan #2	April 9, 2008	April 8, 2013	3.45%
Loan #3	May 27, 2008	May 26, 2013	3.45%
Loan #4	July 18, 2008	July 17, 2013	3.45%
Loan #5	September 26, 2008	September 25, 2013	3.45%
Loan #6	October 22, 2008	October 21, 2013	3.45%
Loan #7	January 30, 2009	January 29, 2014	3.45%
Loan #8	July 21, 2009	July 20, 2014	3.95%
Acquisition Loans:			
Loan #1	February 15, 2008	February 14, 2013	3.75%
Loan #2	October 1, 2008	September 30, 2013	3.75%
Loan #3	December 31, 2008	December 30, 2010	3.75%

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.

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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 1.2% to 1.7%, or a stamping fee with a range of 2.7% to 3.2% above the Bank's banker's acceptance rate. 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, except for \$4,600,000 to be repaid in full by December 30, 2010. The costs of obtaining the capital and acquisition loans are being amortized over the terms of the respective loan, resulting in an effective interest rate at September 30, 2009 of 3.69% (2008 – 5.45%) for the capital loans and 4.00% (2008 – 6.19%) 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 3.0% as at September 30, 2009. The Fund has not applied hedge accounting to this swap, and as a result recorded a financial derivative liability of \$357,332 at September 30, 2009. 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 debt was determined using the discounted cash flow forecast ("DCF"), at an appropriate market discount rate as at September 30, 2009. 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 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 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 September 30, 2009 the Fund was in compliance with all bank covenants.

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

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

October 1 to December 31, 2009	\$ 1,307,976
2010	8,900,529
2011	6,906,413
2012	4,603,981
2013	11,439,589
2014	<u>439,785</u>
	33,598,273
Balance of transaction costs to amortize	<u>(165,004)</u>
	<u>\$ 33,433,269</u>

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Notes to the Consolidated Financial Statements

September 30, 2009

(Unaudited)

6. TERM MORTGAGE

During 2008, the Fund obtained a term mortgage through a wholly-owned indirect subsidiary. 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 6.5%, 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 follows:

October 1 to December 31, 2009	\$	4,051
2010		16,815
2011		17,941
2012		<u>309,574</u>
		348,381
Balance of transaction costs to amortize		<u>(6,526)</u>
		341,855
Less current portion		<u>(16,546)</u>
	\$	<u>325,309</u>

The fair value of the term mortgage is not materially different from its carrying value.

7. FUTURE INCOME TAXES

The reconciliation to statutory tax rate is as follows:

	September 30, 2009	September 30, 2008
Income/(loss) before taxes	\$ (986,239)	\$ 2,488,296
Statutory tax rate	29.5%	30.7%
Expected tax expense/(recovery)	\$ (290,941)	\$ 763,907
Current period's (income)/loss not deductible/taxable for tax purposes	290,941	(763,907)
Increase/(decrease) in future income tax recovery resulting from a change during the period in temporary differences expected to reverse after 2010	(1,145,180)	470,658
Future income tax expense/(recovery)	\$ (1,145,180)	\$ 470,658

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

	September 30, 2009	December 31, 2008
Future income tax asset/(liability):		
Issue costs	\$ (1,829)	\$ (1,845)
Intangible assets	1,942,623	2,156,169
Property, plant and equipment	2,377,620	1,065,778
Others	28,770	(18,098)
	\$ 4,347,184	\$ 3,202,004

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8. SERIES A DEBENTURES

The following summarizes the face and carrying value of the liability and equity component of the Series A Debentures at September 30, 2009:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2008	\$ 9,701,900	\$ 8,343,855	\$ 1,092,570
Amortization and Accretion		339,242	
Balance as at September 30, 2009	\$ 9,701,900	\$ 8,683,097	\$ 1,092,570

The fair value of Series A Debentures, which was determined using the closing price at the Toronto Stock Exchange as at September 30, 2009, was \$9,604,881 (2008 – \$7,955,558 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 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 nine months ended September 30, 2009:

	Fund Units*	Fund Units Outstanding	Exchangeable Units Outstanding†
Balance as at December 31, 2008	\$ 39,822,704	13,216,865	125,000
Issuance of Units from offering	1,924,805	558,659	-
Issuance of Units from exercise of agent options	220,885	63,110	-
Balance as at September 30, 2009	\$ 41,968,394	13,838,634	125,000

* Amounts are net of transaction costs where applicable.

† On February 15, 2008, pursuant to the acquisition of the assets of Deerfoot, 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 September 30, 2009, a total of 13,838,634 Units and 125,000 Exchangeable LP Units were issued for \$46,406,442 excluding offering costs.

On February 19, 2009, the Fund issued 558,659 Units in a private placement Units, for net proceeds of \$1,924,805 after deducting expenses of \$198,099.

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At closing of the Offering, the Fund granted the agents an option (“Agents’ Options”) to purchase a certain number of Units equal to 5% of the Units issued under the Offering. The price to purchase the Units was equal to the price under the Offering, which was \$3.50 per Unit.

During the period from July 1, 2009 to September 30, 2009, pursuant to the Agent’s Option, the Agents performed a partial exercise of their Agent’s Option, whereby 63,110 Units were issued at \$3.50 per Unit, for total proceeds of \$220,885. All remaining unexercised Agents’ Options were fully expired on August 14, 2009.

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 November, 2009 to August, 2014. The minimum operating lease commitments, over the next five years, are as follows:

October 1 to December 31, 2009	\$	159,523
2010		555,694
2011		361,102
2012		215,575
2013		76,113
Thereafter		25,751

(b) Minimum rental commitments

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

October 1 to December 31, 2009	\$	338,457
2010		1,351,133
2011		1,323,172
2012		1,141,755
2013		923,628
Thereafter		3,723,674

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

11. CAPITAL LEASES

The Fund, through one of its indirectly owned subsidiaries, has entered into capital lease agreements for assets that are part of the rental fleet. The leases have maturity dates ranging from June, 2010 to April, 2014, at imputed interest ranging from 4.7% 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 (see note 2), and at September 30, 2009 had a book value of \$551,912, with \$43,639 in accumulated amortization.

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The following table illustrates the lease commitments:

October 1 to December 31, 2009	\$ 59,849
2010	153,917
2011	68,439
2012	68,439
2013	78,904
Thereafter	<u>29,089</u>
	458,637
Less: Amount representing interest	<u>(60,809)</u>
	397,828
Less: Current portion	<u>(173,253)</u>
Non-current portion	<u>\$ 224,575</u>

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

12. 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 September 30, 2009. 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:

	September 30, 2009		December 31, 2008	
Trade receivables, gross				
Outstanding 1-30 days	\$	2,075,771	\$	4,841,772
Outstanding 30-60 days		995,440		1,907,026
Outstanding over 60 days		915,523		1,059,835
		<u>3,986,734</u>		<u>7,808,633</u>
Allowance for doubtful accounts		(324,012)		(239,552)
Trade receivables, net		<u>3,662,722</u>		<u>7,569,081</u>
Sales tax and other receivables		414,556		665,447
Accounts Receivable	\$	4,077,278	\$	8,234,528

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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 September 30, 2009, the Fund had available unused approved credit facilities of \$5,487,788. The Fund also has accounts receivable of \$4,077,278, and cash and cash equivalents totalling \$5,349,999.

As at September 30, 2009, the timing of 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, 2008:

	1 year	2-3 years	4-5 years	beyond 5 years	Total	Carrying Value
Accounts payable and accrued liabilities	\$ 3,146,989				\$ 3,146,989	\$ 3,146,989
Equipment financing payable	79,983	41,893	599		122,475	122,475
Capital leases	173,253	107,669	116,906		397,828	397,828
Interest rate swap	219,070	127,121			346,191	357,332

13. 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 \$108,220 (2008 - \$24,771) and \$284,130 (2008 - \$288,300) during the three and nine months ended September 30, 2009 respectively. 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 paid \$200,000 (2008 - \$31,523) and \$601,541 (2008 - \$57,733) in such rent during the three and nine months ended September 30, 2009 respectively. The rent between the parties is at fair market value.

14. UNIT BASED COMPENSATION

At September 30, 2009, 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. The plan was initiated on August 14, 2006. For the three and nine months ended September 30, 2009, the Fund recognized \$12,925 (2008-\$11,822) and \$38,353 (2008-\$11,822) of compensation expense respectively.

On July 9, 2008, the Fund granted options to acquire 463,000 units to directors, trustees and other employees. Under this plan, the exercise price of each option is equal to the market value of the unit at the date of grant. These options vest evenly over five years. The expiry of the options is ten years from the date of initial grant.

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A summary of the details of the options granted follows:

	Number of Options	Exercise Price	Weighted Average Exercise Price
Outstanding, at January 1, 2008	-	-	-
Granted	463,000	\$ 4.90	\$ 4.90
Exercised	-	-	-
Forfeited	-	-	-
Outstanding, at December 31, 2008	463,000	\$ 4.90	\$ 4.90
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding, at September 30, 2009	463,000	\$ 4.90	\$ 4.90
Exercisable at September 30, 2009	-		
Weighted average fair value of options granted at September 30, 2009		\$ 0.55	

The following table illustrates the fixed unit options outstanding, as of September 30, 2009:

Range of Exercise Prices:	Outstanding Options			Options Exercisable	
	Number Outstanding September 30, 2009	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable September 30, 2009	Weighted Average Exercise Price
\$ 4.90	463,000	8.7years	\$ 4.90	92,600	\$4.90

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

15. 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 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.

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For the three months ended September 30	British Columbia		Alberta		Consolidated	
	2009	2008	2009	2008	2009	2008
Total segment revenue	4,856,807	7,403,573	2,884,614	1,409,876	7,741,421	8,813,449
Earnings before interest, tax, depreciation, amortization, write-down of assets, and foreign exchanges gains/(losses)	1,445,360	2,652,531	138,495	205,600	1,583,855	2,858,131
Depreciation and amortization						
Property and equipment	1,143,765	502,146	539,002	134,998	1,682,767	637,144
Intangible and other assets	368,764	379,689	598,794	172,373	967,558	552,062
Identifiable assets excl goodwill*	37,450,809	41,715,128	34,146,358	37,509,731	71,597,167	79,224,859
Goodwill*	2,726,614	2,726,614	5,703,804	5,703,804	8,430,418	8,430,418
Total identifiable assets	40,177,423	44,441,742	39,850,162	43,213,535	80,027,585	87,655,277
Net purchases of property and equipment during the period (net of business acquisitions)	215,281	1,225,683	115,648	1,392,931	330,929	2,618,614

* Balances for 2008 are balances as of December 31, 2008

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For the nine months ended September 30	British Columbia		Alberta		Consolidated	
	2009	2008	2009	2008	2009	2008
Total segment revenue	15,240,518	19,645,291	16,085,743	4,486,884	31,326,261	24,132,175
Earnings before interest, tax, depreciation, amortization, write-down of assets, and foreign exchanges gains/(losses)	3,975,305	6,317,897	5,204,824	1,224,299	9,180,129	7,542,196
Depreciation and amortization						
Property and equipment	3,453,702	1,439,440	1,694,830	341,809	5,148,532	1,781,249
Intangible and other assets	1,106,292	1,148,631	1,796,382	346,845	2,902,674	1,495,476
Identifiable assets excl goodwill*	37,450,809	41,715,128	34,146,358	37,509,731	71,597,167	79,224,859
Goodwill*	2,726,614	2,726,614	5,703,804	5,703,804	8,430,418	8,430,418
Total identifiable assets	40,177,423	44,441,742	39,850,162	43,213,535	80,027,585	87,655,277
Net purchases of property and equipment during the period (net of business acquisitions)	571,860	5,196,805	376,293	2,775,327	948,153	7,972,132

* Balances for 2008 are balances as of December 31, 2008