

Consolidated interim financial statements of

# **Vicwest Income Fund**

March 31, 2008

(unaudited)

# Vicwest Income Fund

March 31, 2008

## Table of contents

Consolidated interim statements of income and comprehensive income and retained earnings and accumulated other comprehensive income.....	1
Consolidated balance sheets .....	2
Consolidated interim statements of cash flows .....	3
Notes to the consolidated interim financial statements .....	4-13

# Vicwest Income Fund

## Consolidated interim statements of income and comprehensive income and retained earnings and accumulated other comprehensive income for the three month periods ended March 31, 2008 and 2007

(unaudited)

(stated in thousands of Canadian dollars, except unit and per unit amounts)

	2008	2007
	\$	\$
<b>Revenues</b>	<b>70,028</b>	63,169
Cost of goods sold	<b>58,552</b>	53,169
Gross profit	<b>11,476</b>	10,000
Selling, general and administrative	<b>8,649</b>	8,223
Foreign exchange (gain) loss	<b>(4)</b>	32
Amortization of property, plant and equipment	<b>1,003</b>	996
Amortization of intangible assets	<b>257</b>	301
Interest expense	<b>677</b>	393
Interest income	<b>(22)</b>	(15)
Income before income taxes	<b>916</b>	70
Recovery of income taxes	<b>(306)</b>	(28)
<b>Net income and comprehensive income for the period</b>	<b>1,222</b>	98
<b>Retained earnings and accumulated other comprehensive income, beginning of period</b>	<b>24,782</b>	32,443
Units purchased and cancelled (Note 9)	-	(1,288)
Distributions (Note 8)	<b>(7,283)</b>	(7,584)
<b>Retained earnings and accumulated other comprehensive income, end of period</b>	<b>18,721</b>	23,669
Weighted average units outstanding – basic	<b>18,687,530</b>	19,423,238
Weighted average units outstanding – diluted (Note 14)	<b>18,697,556</b>	19,423,238
Net income per unit – basic and diluted	<b>\$ 0.07</b>	\$ 0.01

*The accompanying notes are an integral part of these consolidated financial statements.*

Approved by the Board:

(Signed) Bryan Held, Chairman

(Signed) Wayne Mang, Trustee

# Vicwest Income Fund

## Consolidated balance sheets

as at March 31, 2008 and December 31, 2007

(stated in thousands of Canadian dollars)

	2008	2007
	(unaudited)	
	\$	\$
<b>Assets</b>		
Current		
Cash and cash equivalents	-	2,516
Accounts receivable	48,041	53,883
Inventories (Note 5)	48,149	43,989
Prepaid expenses and other current assets	1,576	1,785
	<b>97,766</b>	102,173
Property, plant and equipment	31,953	32,314
Goodwill	737	737
Intangible assets	10,365	10,622
Future income tax assets	1,344	1,443
Other assets	2,534	2,579
	<b>144,699</b>	149,868
<b>Liabilities</b>		
Current		
Revolver debt (Note 6)	3,617	5,743
Accounts payable and accrued liabilities	46,483	43,233
Distribution payable (Note 8)	2,428	2,434
	<b>52,528</b>	51,410
Term debt (Note 6)	29,756	29,739
Post-employment benefit obligation (Note 7)	163	163
Future income tax liabilities	2,135	2,386
	<b>84,582</b>	83,698
<b>Unitholders' equity</b>		
Unitholders' capital (Note 9)	41,379	41,379
Contributed surplus (Note 14)	17	9
Retained earnings and accumulated other comprehensive income	18,721	24,782
	<b>60,117</b>	66,170
	<b>144,699</b>	149,868

The accompanying notes are an integral part of these consolidated financial statements.

# Vicwest Income Fund

## Consolidated interim statements of cash flows

for the three month periods ended March 31, 2008 and 2007

(unaudited)

(stated in thousands of Canadian dollars)

	2008	2007
	\$	\$
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>Operating</b>		
Net income and comprehensive income for the period	1,222	98
Items not affecting cash		
Amortization of property, plant and equipment	1,003	996
Amortization of intangible assets	257	301
Amortization of debt issuance costs	51	34
Stock compensation expense	8	-
Future income taxes	(152)	-
Other	11	14
	<b>2,400</b>	<b>1,443</b>
Changes in non-cash operating working capital items (Note 10)	5,141	(1,198)
Cash provided by operating activities	<b>7,541</b>	<b>245</b>
<b>Investing</b>		
Cash used for business acquisitions	-	(516)
Cash used for additions to property, plant and equipment	(642)	(851)
Cash used for investing activities	<b>(642)</b>	<b>(1,367)</b>
<b>Financing</b>		
Distributions paid to unitholders	(7,289)	(7,604)
Units purchased for cancellation (Note 9)	-	(1,628)
(Decrease) increase in debt	(2,126)	10,547
Cash (used for) provided by financing activities	<b>(9,415)</b>	<b>1,315</b>
(Decrease) increase in cash and cash equivalents	<b>(2,516)</b>	<b>193</b>
Cash and cash equivalents, beginning of period	<b>2,516</b>	<b>593</b>
<b>Cash and cash equivalents, end of period</b>	<b>-</b>	<b>786</b>
Cash	-	110
Cash equivalents	-	676
	-	786
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$ 420	\$ 318
Cash paid (received) for income taxes	\$ 11	\$ (28)

The accompanying notes are an integral part of these consolidated financial statements.

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 1. Organization and nature of business

Vicwest Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose investment trust governed by the laws of the Province of Ontario established pursuant to the Fund Declaration of Trust. The Fund was created pursuant to a plan of arrangement (the "Arrangement") dated May 20, 2005 for the purpose of investing directly in the securities of Vicwest Holdings Trust and indirectly in the securities of Vicwest Corporation and any other direct or indirect subsidiary or partnership interest of the Fund. Pursuant to the Arrangement, the conversion from a corporate entity into an income Fund was completed on July 1, 2005 and the Fund indirectly acquired all of the shares of Vicwest Corporation. The common shares of Vicwest Corporation were exchanged for units of Vicwest Income Fund on the basis of one unit of the Fund per share.

Following the share for unit exchange, the previous shareholders of Vicwest Corporation maintained their pro rata ownership through units of the Fund. Consequently, the conversion did not constitute a change of control and, accordingly, the assets and liabilities of Vicwest Corporation were transferred to the Fund at their July 1, 2005 carrying values and were not subjected to revaluation.

The Fund, headquartered in Oakville, Ontario, is one of Canada's leading manufacturers and distributors of construction building products including metal roofing, siding and other metal building products. The Fund fabricates and markets these products under the Vicwest, Mercury Metals and Valley Truss & Metal trade names. Under the Westeel trade name, the Fund is one of Canada's foremost manufacturers of steel containment products for agricultural storage of grain and fertilizer. The Fund's liquid storage tanks and accessories are manufactured and distributed under the trade names Westeel, Northern Steel Industries and NSI. The Fund has 15 manufacturing facilities strategically located throughout Canada with approximately 1,000 dedicated employees committed to providing quality products and excellent service to customers in domestic and international markets.

The Fund's business is subject to seasonality and results for the three month period ended March 31, 2008 are not necessarily indicative of what might occur over a twelve month period. The Fund's revenues and earnings fluctuate with the seasonality of the construction industry and crop-growing seasons in Canada. Sales are generally lowest in the first quarter, improve in the second quarter, as construction activity increases, and reach a peak toward the end of the third quarter. The fourth quarter generally remains strong through November but drops off in December due to colder weather.

## 2. Basis of presentation

These unaudited consolidated interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The disclosures contained in these unaudited consolidated interim financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements. Accordingly, these financial statements should be read in conjunction with the audited financial statements of the Fund for the year ended December 31, 2007.

Certain amounts in the prior period's financial statements have been reclassified to conform to the current period's presentation.

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 3. Changes in accounting policies

On January 1, 2008, the Fund adopted four new accounting standards: Section 1535 entitled "Capital Disclosures", Section 3862 entitled "Financial Instruments – Disclosures", Section 3863 entitled "Financial Instruments – Presentation" and Section 3031 entitled "Inventories". The adoption of these new standards did not have a material effect on the Fund's results, financial position or cash flow.

### *Capital Disclosures (Section 1535)*

This new standard establishes disclosure requirements about an entity's capital and how it is managed. This standard requires an entity to disclose its objectives, policies and processes for managing capital, summary quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirement to which it is subject and if not, the consequences of such non compliance (See Note 12).

### *Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (Section 3863)*

These new standards replace Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward, unchanged, its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks (See Note 11).

### *Inventories (Section 3031)*

The CICA issued Section 3031, "Inventories", which replaced Section 3030, "Inventories". The Section prescribes the accounting treatment for inventories such as measurement of inventories at the lower of cost and net realizable value as well as requiring additional disclosures. It provides guidance on the determination of cost and its subsequent recognition of inventory as an expense, including any write-downs to net realizable value and the reversal of previous write-downs of inventories arising from an increase in net realizable value. It also provides guidance on the cost methodologies that are used to assign costs to inventories and it describes the required disclosures on the carrying value of inventories, the value of inventories recognized as an expense and write-downs or reversal of write-downs of inventories (See Note 5).

## 4. Future accounting changes

### *Financial statement concepts (Section 1000)*

In February 2008, the CICA issued amendments to Section 1000, "Financial Statement Concepts" to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Fund will apply the amendments to Section 1000 at the beginning of its 2009 fiscal year. The Fund does not anticipate the implementation of the amendments to Section 1000 will have an impact on the Fund's results of operations, financial position and disclosures.

### *Goodwill and Intangible Assets (Section 3064)*

In February 2008, the CICA issued a new accounting standard concerning goodwill and intangible assets (section 3064). The new section replaced the existing guidance on goodwill and other intangible assets and research and development costs. The new section provides additional guidance on measuring the cost of goodwill and intangible assets. The standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Fund is in the process of evaluating the disclosure and presentation requirements of the new standard.

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 4. Future accounting changes (continued)

### *International Financial Reporting Standards (IFRS)*

In February 2008, the CICA ASB confirmed the adoption of a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with IFRS for fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis. The impact of the transition to IFRS on the Fund's consolidated financial statements has not yet been determined.

## 5. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in first-out method and includes the purchase price, import duties and taxes if applicable, transportation, handling and conversion costs. Conversion costs include a proportionate share of the capacity and other related manufacturing costs. Trade discounts and rebates are deducted from the purchase price. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

	<b>March 31,</b>	December 31,
	<b>2008</b>	2007
	\$	\$
Raw materials	<b>25,448</b>	23,465
Work in progress	<b>3,602</b>	3,737
Finished goods	<b>19,099</b>	16,787
	<b>48,149</b>	43,989

Inventories recognized as cost of sales during the period were \$55,001 (\$49,547 for 2007). In addition, \$266 has been credited to cost of sales, representing the net decrease in allowance for inventory obsolescence (\$191 charge in 2007).

## 6. Debt

Vicwest Corporation, the Fund's subsidiary company, and Vicwest Operating Limited Partnership, the Fund's partnership interest, have a credit facility of up to \$80,000 comprised of a \$30,000 term debt and a revolving credit facility of up to \$50,000, including a Letter of Credit sub-facility of up to \$10,000. The term debt becomes due and the revolving credit facility expires on November 21, 2011. There are no scheduled repayments on the term debt until maturity.

The term debt and revolving credit facility are secured by substantially all of the assets of the Fund's subsidiaries and partnership and requires the Fund to maintain certain financial ratios and imposes restrictions relating to distributions and investment. As at March 31, 2008, the Fund was in compliance with all of the provisions of the agreement. The term debt has been recorded on the balance sheet net of acquisition costs incurred in 2007.

The facility bears interest dependent on certain financial conditions and varies in accordance with borrowing rates in Canada and the U.S.

Since there are no scheduled repayments and the term debt has a variable interest rate its fair value approximates its carrying value. Should the creditworthiness of the Fund change significantly it could impact the fair value of the term debt.

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 7. Pension and other post-employment benefits

During the three month period ended March 31, 2008, the expense associated with the defined benefit pension plans was \$50 (\$32 for 2007). The net accrued pension benefit asset for these plans was \$2,111 and is included in other assets as at March 31, 2008.

The expense relating to post employment benefits was \$2 for the three month period ended March 31, 2008 (\$2 for 2007). The value of these accrued benefits is \$163 and is recorded as a post-employment benefit obligation on the balance sheet.

## 8. Distributions

The Fund makes regular monthly distributions to its unitholders of record as of the last business day of each month. Distributions to unitholders are calculated and recorded when declared. Distributions for the three months ended March 31, 2008 and March 31, 2007 are as follows:

Period	Record Date	Payment Date	Distribution	
			Per Unit	Amount
			\$	\$
January 2008	January 31, 2008	February 20, 2008	0.13	2,427
February 2008	February 29, 2008	March 20, 2008	0.13	2,428
March 2008	March 31, 2008	April 20, 2008	0.13	2,428
2008 cash distributions declared			0.39	7,283
2007 cash distributons declared			0.39	7,584

Any income of the Fund that is unavailable for cash distribution will, to the extent necessary to ensure that the Fund will not be liable for income taxes, be distributed to Unitholders in the form of additional Fund units.

## 9. Unitholders' capital

### *Issued and Authorized*

On July 1, 2005, 19,555,935 common shares of Vicwest Corporation were exchanged for an equal number of units of the Fund. The capital contribution assigned to the Fund units consisted of the share capital of Vicwest Corporation immediately prior to the conversion into an income Fund.

An unlimited number of Fund units may be issued pursuant to the Fund Declaration of Trust. Each Fund unit is transferable and represents an equal undivided beneficial interest in any distribution from the Fund and in the net assets of the Fund. All Fund units are of the same class with equal rights and privileges. The units are not subject to future calls or assessments, and entitle the holder to one vote at all meetings of the unitholders, for each unit held.

Fund units are redeemable at any time on demand by the holders at market prices at the time and subject to certain factors including a maximum aggregate redemption of \$50 in any calendar month. Redemptions in excess of \$50 may be settled with the issuance of notes.

### *Trust Unit Legal Proceedings*

Vicwest Corporation implemented a financial restructuring under the Companies' Creditors Arrangement Act, which was completed in 2003. Proven creditors' claims arising during the restructuring were settled with the issuance of Vicwest Corporation common shares. In the event that any remaining disputed claims are proven and accepted, the Arrangement provides that Vicwest Corporation may issue up to 1,992,378 redeemable preferred shares in settlement of disputed claims. Each preferred share will be redeemable for one Fund unit. As of March 31, 2008, the remaining disputed claims pertain to claims from former employees with respect to

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 9. Unitholders' capital (continued)

retirement compensation arrangements. During Vicwest Corporation's restructuring, these claims were disallowed by the court appointed monitor and were deemed excessive and unsubstantiated. These claims have not yet been resolved through the court-approved claims process partially due to a legal dispute with one of the former employees as to the quantum of benefit entitlements. By reasons dated January 11, 2008, the Ontario Superior Court of Justice declared that the former employee was entitled to additional months of service in calculating his retirement benefits (the "Order"). The Order is under appeal. Management believes that the number of preferred shares and Fund units ultimately issued, if any, upon resolution of the appeal of the Order and the completion of the claim process will be relatively small.

The terms of Vicwest Corporation's financial restructuring provided that 5% of the total common shares issued under the restructuring plan be made available to the former holders of Vicwest Corporation preferred shares. The Fund is contesting the former preferred shareholder's right to such an ownership interest in the Fund and accordingly 956,096 units and distributions related to such units are being held in trust pending resolution of this ownership dispute. In the event that the issue is resolved in the Fund's favour, the units issued in trust will be cancelled.

Management cannot provide any assurance regarding the outcome of these disputes.

### *Forfeited Units and Distributions*

In 2000, ownership of the Fund's predecessor, Jannock Limited ("Jannock") was transferred pursuant to an arrangement whereby all existing shares of Jannock were exchanged for consideration consisting of cash, a senior subordinated note payable from Vicwest Corporation and shares of Jannock Properties Limited, a Jannock subsidiary. The terms and conditions of the arrangement dictated that all issued and outstanding Jannock shares be tendered for exchange within six years of the date of the arrangement; otherwise all consideration would be forfeited and returned to Vicwest Corporation.

The Fund has determined that, subsequent to the transfer of ownership of Jannock shares, and pursuant to Vicwest Corporation's financial restructuring in 2003, 45,371 Vicwest Corporation new common shares were issued in trust for unexchanged Jannock shares. The shares were subsequently converted to units of Vicwest Income Fund in July 2005 and held in trust, but unclaimed, until returned to the Fund and cancelled on receipt in January 2008.

### *Normal Course Issuer Bids*

During the three month period ended March 31, 2007, the Fund repurchased 154,000 units for cancellation at a cost of \$1,628. Unitholders' capital was reduced by the carrying value of the units cancelled of \$340 and the cost over the carrying value of \$1,288 was charged to retained earnings.

In December 2007, the Toronto Stock Exchange accepted the Fund's notice of intention to make a normal course issuer bid for up to 900,000 of the Fund's units. As of March 31, 2008, no units have been repurchased under this authorization.

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 9. Unitholders' capital (continued)

### *Units Issued and Outstanding*

	Units	Amount \$
Units outstanding as at December 31, 2006	19,555,935	43,225
Units purchased and cancelled	(135,900)	(300)
Units purchased for cancellation	(18,100)	(40)
Units outstanding as at March 31, 2007	19,401,935	42,885
Units purchased and cancelled	(681,000)	(1,506)
Units outstanding as at December 31, 2007	18,720,935	41,379
Units returned and cancelled	(45,371)	-
<b>Units outstanding as at March 31, 2008</b>	<b>18,675,564</b>	<b>41,379</b>

## 10. Changes in non-cash operating working capital items

	2008 \$	2007 \$
Cash provided by (used in):		
Accounts receivable	5,842	3,025
Inventories	(4,160)	(7,133)
Prepaid expenses and other current assets	209	197
Accounts payable and accrued liabilities	3,250	2,711
Income taxes	-	2
	<b>5,141</b>	<b>(1,198)</b>

## 11. Financial instruments

There have been no changes in the following policies from the prior year.

### *Interest rate risk*

The Fund is subject to interest rate risk due to changes in interest rates. The Fund's credit facility bears interest that is dependent on certain financial conditions and varies in accordance with borrowing rates in Canada and the U.S. An increase in the general level of interest rates by 1% would increase the Fund's interest expense for the quarter by approximately \$86.

### *Liquidity risk*

Investments to drive growth can require significant financial resources. A range of funding alternatives is available to the Fund including cash flow provided by operations, additional debt, the issuance of equity or a combination thereof. A conservative level of outstanding debt and creditworthiness allows the Fund to enjoy relatively low interest rates. The Fund has determined that total current credit facility of \$80,000, including revolving debt of \$50,000 and term debt of \$30,000, are adequate. Of the total credit facility, \$38,600 was unused as at March 31, 2008. The Fund has remained within all debt covenants and foresees no change in its ability to meet these covenants in 2008.

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 11. Financial instruments (continued)

The 2008 requirements for capital expenditures, working capital and interest payments can be financed from cash flow provided by operating activities and unused credit facilities. The Fund enters into contractual obligations in the normal course of business operations and as of March 31, 2008, these obligations have not changed significantly from the Fund's 2007 Annual Report.

The table below summarizes the future undiscounted cash flow requirements for financial liabilities at March 31, 2008 but does not include future liabilities that the Fund may incur during a future period:

<u>(thousands of Canadian dollars)</u>	<u>less than 1 month</u>	<u>less than 1 year</u>	<u>less than 5 years</u>	<u>Total</u>
	\$	\$	\$	\$
Accounts payable and accrued liabilities	46,483	-	-	46,483
Distributions declared and payable	2,428	-	-	2,428
Credit facility at maturity	-	-	33,617	33,617
Interest at current rates	144	1,583	6,909	8,636
	<u>49,055</u>	<u>1,583</u>	<u>40,526</u>	<u>91,164</u>

### *Credit risk*

The Fund is subject to credit risk relating to its gross accounts receivable balance; however, this risk is mitigated by the Fund's large customer base which covers a variety of business sectors across Canada. The Fund routinely monitors customers and limits credit extended as appropriate. The Fund establishes and maintains an allowance for possible credit losses, the balance of which has not changed materially since December 31, 2007.

## 12. Management of capital

In the management of capital, the Fund includes unitholders' equity, debt and cash in the definition of capital. The Fund's objectives when managing capital, which are unchanged from the prior period, are:

- Maintain capital in a manner which balances returns for unitholders
- Maintain a flexible and conservative capital structure
- Sustain the future cash requirements of the Fund's operations

The Fund manages its capital structure and makes adjustments due to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Fund may issue new units or purchase units for cancellation pursuant to normal course issuer bids, issue new debt to replace existing debt with different characteristics, adjust the distributions paid to unitholders, adjust borrowing levels and consequently change cash balances.

The Fund monitors capital on a number of bases, including:

- The percentage of net debt to total capitalization
- The ratio of net debt to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
- The Fund's distributable cash per unit

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 12. Management of capital (continued)

Net debt, EBITDA and distributable cash are not defined terms under Canadian GAAP; however, the Fund's management believes that these calculations are useful measures of performance. Users are cautioned, however, that they should not be construed as alternatives to using other GAAP measures such as cash flow or net income. The Fund's method of calculating net debt, EBITDA, and distributable cash may differ from the method used by other issuers and, accordingly, the Fund's calculations may not be comparable to similarly titled measures used by other issuers.

The percentage of net debt to total capitalization is calculated as net debt divided by total capitalization. Net debt is defined by the Fund as long term debt plus revolving debt less cash balances. Total capitalization is defined as the sum of net debt and unitholders' equity.

The ratio of net debt to EBITDA is calculated as net debt at the end of the period divided by the previous twelve months of EBITDA. Under the terms and conditions of the Fund's term debt and revolving credit facility, the Fund is required to maintain a net debt to EBITDA ratio of less than 3:1; otherwise, certain restrictions will be imposed on distributions and investments.

The Fund's distributable cash per unit is calculated as distributable cash divided by the average number of units outstanding during a period. Distributable cash is defined as EBITDA less cash interest, taxes and capital expenditures for maintenance of productive capacity.

The following table summarizes the Fund's capital structure and ratios as of March 31:

	2008	2007
	\$	\$
Net debt	<b>33,373</b>	27,754
Total capitalization	<b>93,490</b>	94,308
Percentage of net debt to total capitalization	<b>36%</b>	29%
Ratio of net debt to EBITDA	<b>0.9</b>	0.8
Distributable cash per unit	<b>0.098</b>	0.031

## 13. Deferred trust unit plan

The Fund has a Deferred Trust Unit ("DTU") plan which provides Trustees with the opportunity to receive their compensation in authorized but unissued units in lieu of cash consideration. Each unit is equivalent in value to a unit of the Fund.

The units vest immediately and are reflected as a liability in the balance sheet and compensation expense in the income statement. As at March 31, 2008, 31,821 DTU's have been allocated under the plan, with a market value of \$343. During the period, the Fund recorded a compensation recovery of \$15 in selling, general and administrative related to the change in the market value of assigned units.

## 14. Unit based compensation

During 2007, the Fund granted 175,000 options, which are exercisable at \$10.86 per unit on each anniversary date over the next five years with an expiry date of October 1, 2017. As at March 31, 2008, there are no options reserved for option grants.

The Fund has adopted the fair value method of accounting for unit based compensation and the weighted average grant date fair value was determined using the Black-Scholes option-pricing model to be \$0.51 per unit.

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 14. Unit based compensation (continued)

In the first quarter of 2008, the Fund recorded compensation cost of \$8 in respect of these options, with a credit to contributed surplus. There was no comparable expense recognized in the first quarter of 2007.

## 15. Segmented information

The Fund operates out of multiple manufacturing facilities servicing three core product lines:

i) building construction products; ii) agricultural storage products; and iii) liquid storage products.

The Fund's reportable segments are determined as such due to their products and services, as well as the differences in markets served.

Three months ended March 31, 2008	Building Construction	Agricultural Storage	Liquid Storage	Unallocated Amounts	Total
	\$	\$	\$	\$	\$
Revenues	42,643	19,237	8,148	-	70,028
Segment income before interest and income tax	1,244	2,017	349	-	3,610
Corporate costs and eliminations	-	-	-	(2,039)	(2,039)
Income (loss) before interest and income tax	1,244	2,017	349	(2,039)	1,571
Interest expense	-	-	-	677	677
Interest income	-	-	-	(22)	(22)
Income tax recovery	-	(37)	-	(269)	(306)
Net income (loss)	1,244	2,054	349	(2,425)	1,222

Three months ended March 31, 2007	Building Construction	Agricultural Storage	Liquid Storage	Unallocated Amounts	Total
	\$	\$	\$	\$	\$
Revenues	38,148	15,876	9,145	-	63,169
Segment (loss) income before interest and income tax	(321)	1,933	1,071	-	2,683
Corporate costs and eliminations	-	-	-	(2,235)	(2,235)
(Loss) income before interest and income tax	(321)	1,933	1,071	(2,235)	448
Interest expense	-	-	-	393	393
Interest income	-	-	-	(15)	(15)
Income tax recovery	-	(28)	-	-	(28)
Net (loss) income	(321)	1,961	1,071	(2,613)	98

# Vicwest Income Fund

Notes to the consolidated interim financial statements  
for the three months ended March 31, 2008 and 2007

(unaudited)

(Stated in thousands of Canadian dollars, except unit and per unit amounts)

## 15. Segmented information (continued)

As at March 31, 2008	Building Construction	Agricultural Storage	Liquid Storage	Unallocated Amounts	Total
	\$	\$	\$	\$	\$
Segment assets excluding goodwill and other intangible assets	66,341	41,708	22,547	-	130,596
Goodwill and other intangible assets	5,690	-	5,412	-	11,102
Corporate and other assets	-	-	-	3,001	3,001
<b>Total assets</b>	<b>72,031</b>	<b>41,708</b>	<b>27,959</b>	<b>3,001</b>	<b>144,699</b>

As at December 31, 2007	Building Construction	Agricultural Storage	Liquid Storage	Unallocated Amounts	Total
	\$	\$	\$	\$	\$
Segment assets excluding goodwill and other intangible assets	80,403	34,761	20,351	-	135,515
Goodwill and other intangible assets	5,829	-	5,530	-	11,359
Corporate and other assets	-	-	-	2,994	2,994
<b>Total assets</b>	<b>86,232</b>	<b>34,761</b>	<b>25,881</b>	<b>2,994</b>	<b>149,868</b>

## 16. Subsequent event

### *Distribution*

On April 15, 2008, a \$0.13 per unit distribution, totaling \$2,428, was declared for April.