



Energy Services Trust

2008 CONSOLIDATED FINANCIAL STATEMENTS
AND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT TO UNITHOLDERS

MANAGEMENT'S RESPONSIBILITY TO UNITHOLDERS

The financial statements are the responsibility of the management of Petrowest Energy Services Trust. They have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management is also responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of three non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

PricewaterhouseCoopers LLP have audited Petrowest Energy Services Trust's consolidated financial statements in accordance with generally accepted auditing standards and provided an independent professional opinion. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting progress.

"Ralph Hesje"

Ralph Hesje
President and Chief Executive Officer

"Lloyd A. Wiggins"

Lloyd A. Wiggins
Chief Financial Officer

March 11, 2009

Auditors' Report

To the Unitholders of Petrowest Energy Services Trust.

We have audited the consolidated balance sheets of Petrowest Energy Services Trust as at December 31, 2008 and 2007 and the consolidated statements of earnings(loss), comprehensive earning(loss) and accumulated earnings(loss) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
March 10, 2009

Petrowest Energy Services Trust
Consolidated Balance Sheets
As at December 31

(In thousands of dollars)	2008	2007
Assets		
Current assets		
Cash and cash equivalents	2,348	215
Accounts receivable	47,761	44,281
Prepaid expenses and other	1,196	1,906
Inventory	5,476	5,800
	56,781	52,202
Property and equipment (note 5)	99,336	118,441
Intangible assets (note 6)	13,582	24,502
Goodwill (note 7)	34,321	49,402
Future income taxes (note 12)	727	698
	204,747	245,245
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	18,355	28,758
Corporate taxes payable	-	17
Distributions payable	-	953
Revolving bank term loan (note 8)	83,500	-
Current portion of obligations under capital leases (note 8)	661	489
	102,516	30,217
Obligations under capital leases (note 8)	874	797
Revolving bank term loan (note 8)	-	82,000
Future income taxes (note 12)	12,463	10,739
	115,853	123,753
Unitholders' Equity		
Units (note 9)	292,492	292,879
Warrants (note 10)	-	270
Contributed surplus (note 10)	635	-
Accumulated (loss) earnings	(166,270)	(133,694)
Accumulated distributions to unitholders	(37,963)	(37,963)
	88,894	121,492
	204,747	245,245
Commitments and contingency (notes 4(b) and 16)		
Going concern (note 2(b))		

See accompanying notes to the audited consolidated financial statements

Approved on behalf of the board:

"Ralph Hesje"
 Director

"Mark Schweitzer"
 Director

Petrowest Energy Services Trust
Consolidated Statements of Earnings (Loss), Comprehensive Earnings (Loss) and
Accumulated Earnings (Loss)

For the year ended December 31

(In thousands of dollars)	2008	2007
Revenue	210,208	158,683
Expenses		
Operating expenses	168,682	127,246
General and administrative	8,504	5,249
Interest	6,970	5,439
Amortization of property and equipment	28,697	28,954
Amortization of intangible assets	4,699	10,777
Impairment of goodwill and intangible assets (notes 6 and 7)	21,271	107,015
	238,823	284,680
	(28,615)	(125,997)
Other income		
Loss on disposal of property and equipment	(2,276)	(1,178)
Interest income	10	143
Net loss and comprehensive loss before taxes	(30,881)	(127,032)
Future income tax expense (note 12)	1,695	10,041
Net loss and comprehensive loss	(32,576)	(137,073)
Accumulated earnings (loss) - beginning of period	(133,694)	3,379
Accumulated loss - end of period	(166,270)	(133,694)
Net loss per unit - basic and diluted (note 9)	(\$0.98)	(\$4.39)

Going concern (note 2(b))

See accompanying notes to the audited consolidated financial statements

Petrowest Energy Services Trust
Consolidated Statements of Cash Flows

For the year ended December 31

(In thousands of dollars)	2008	2007
Cash provided by (used in)		
Operating activities		
Net loss for the year	(32,576)	(137,073)
Items not affecting cash		
Amortization of property and equipment	28,697	28,954
Amortization of intangible assets	4,699	10,777
Impairment of goodwill and intangible assets (notes 6 and 7)	21,271	107,015
Unit-based compensation (recovery) (note 10)	15	(358)
Units issued for services	19	72
Future income taxes	1,695	10,041
Loss on disposal of property and equipment	2,276	1,178
	26,096	20,606
Changes in non-cash working capital		
Accounts receivable	(3,480)	6,475
Prepaid expenses and other	710	2,055
Inventory	324	(1,872)
Accounts payable and accrued liabilities	(10,420)	(577)
Income taxes payable	-	(1,036)
	13,230	25,651
Financing activities		
Unitholder distributions	(953)	(26,393)
Repayment of capital lease obligations	(700)	(275)
Proceeds from revolving term bank loan	1,500	80,000
Repayment of revolving term bank loan	-	(13,000)
	(153)	40,332
Investing activities		
Acquisition of acquired companies net of working capital adjustments and costs (note 4(a))	-	(52,027)
Business alliance (note 4(b))	-	(2,074)
Purchase of property and equipment	(13,952)	(18,067)
Proceeds on property and equipment disposals	3,033	4,231
Purchase price adjustment	(25)	(7,143)
	(10,944)	(75,080)
Increase (decrease) in cash and cash equivalents	2,133	(9,097)
Cash and cash equivalents, beginning of year	215	9,312
Cash and cash equivalents, end of year	2,348	215
Supplementary cash flow information		
Interest paid	7,071	5,439
Non cash transactions		
Property and equipment financed by capital leases	949	1,305
Units issued on acquisition (note 4(a))	-	32,316
Warrants issued (note 10)	-	270
Subordinated unit distributions applied to promissory notes	-	225

Going concern (note 2(b))

See accompanying notes to the audited consolidated financial statements.

Petrowest Energy Services Trust

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

1 Nature of the Organization

Petrowest Energy Services Trust (“Petrowest” or the “Trust”) is an open-ended unincorporated mutual fund trust established under and governed by the laws of the Province of Alberta pursuant to the Deed of Trust dated July 6, 2006. The Trust is involved in pre-drilling and post-completion energy services as well as industrial and civil infrastructure projects, gravel crushing and hauling for non-energy sector customers.

2 Summary of Significant Accounting Policies

a) Basis of presentation

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period reported. Actual results could differ from these estimates. Such estimates include amortization of property and equipment, recoverability of accounts receivable, valuation of assets included in acquisitions and impairment of goodwill, intangibles and property and equipment as well as estimates of temporary differences between accounting and tax values which affect the measurement of future income tax assets and liabilities.

Management has prepared the consolidated financial statements within the framework of the Trust’s accounting policies summarized below.

b) Going Concern

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

The Trust’s ability to continue as a going concern is dependent upon its ability to renew its credit facility that has a one year term ending on December 14, 2009 and generate positive cash flows from operations. In the event the loan is not extended at the end of the term on December 14, 2009, the outstanding principal amount will become immediately due and payable. This leads to significant risk as to the ability of the Trust to meet its obligations and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Trust were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

c) Financial instruments

On January 1, 2007, the Trust adopted the new CICA Handbook sections 3855 - *Financial Instruments – Recognition and Measurement*, 1530 – *Comprehensive Income*, and 3865 – *Hedges*. The financial instruments standard establishes the recognition and measurement criteria of financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities as defined by the standard.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net earnings (loss). Financial assets available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive

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earnings (loss). Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The methods used by the Trust in determining the fair value of financial instruments are unchanged as a result of implementing the new standard.

The Trust has no financial instruments or activities that give rise to other comprehensive earnings (loss). The Trust's cash and cash equivalents are designated as held-for-trading and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as loans and receivables and recorded at amortized cost, which approximates fair value due to the short term nature of the instrument. Accounts payable and accrued liabilities, distribution payable, obligations under capital leases and the revolving bank term loan are designated as other liabilities and are recorded at cost. The fair value of accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these instruments. The fair value of obligations under capital leases and the revolving bank term loan approximate their carrying values as the interest rates applicable to these instruments reflect current market rates. Financing costs relating to all financial instruments are expensed as incurred.

d) Changes in Accounting Policies and Practices

Inventory

On January 1, 2008 the Trust adopted the new Canadian Institute of Chartered Accountants ("CICA") section 3031, "*Inventories*" which replaced CICA section 3030 of the same name. This section establishes standards for the measurement and disclosure of inventories. The adoption of this standard did not have a material impact on the Trust's consolidated financial statements.

Capital Disclosures

On January 1, 2008, the Trust adopted the new CICA section 1535, "*Capital Disclosures*". Section 1535 requires disclosure of qualitative information on an entity's objectives, policies and processes for managing capital. This section also requires entities to disclose quantitative descriptions of what is considered to be defined as capital, the nature of externally imposed capital requirements, how these requirements are incorporated into the entity's management of capital and whether the entity is meeting its objectives for managing capital. See Note 15, "*Capital Disclosures*".

Financial Instruments – Disclosure and Presentation

On January 1, 2008, the Trust adopted the new CICA section 3862, "*Financial Instruments – Disclosures*" and CICA section 3863, "*Financial Instruments – Presentation*", which replaced CICA section 3861, "*Financial Instruments – Disclosure and Presentation*". Section 3862 outlines the disclosure requirements for risks arising from financial instruments and the entity's approach to managing the identified risks. The section specifically requires disclosure of risks associated with financial instruments and the potential impact on the entity's financial position. The guidance provided in section 3862 outlines specific disclosure of both qualitative and quantitative

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

information regarding an entity's exposure to risks arising from financial instruments. The adoption of this standard did not have a material impact on the Trust's consolidated financial statements. The presentation requirements in section 3862 remain substantially as those contained in section 3861. See Note 14, "*Financial Instruments*" for additional disclosures under section 3862.

e) Change in Accounting Estimate

On September 1, 2008, the amortization rate used for highway tractors for one business unit in the transportation segment changed from 20% to 25% to better reflect the estimated useful life of this equipment. The change in estimate did not have a material effect on the consolidated financial statements.

f) Recent Accounting Pronouncements

In February 2008, the AcSB confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP effective January 1, 2011. The Trust is assessing the potential impacts of this transition and developing a plan accordingly.

In February 2008, the CICA issued section 3064, "*Goodwill and Intangible Assets*" which will replace Section 3062 and be effective January 1, 2009. This new standard revises the criteria for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Trust does not believe the new recommendation will have a material impact on the consolidated financial statements.

g) Inventory

Inventory consists of gravel, spare equipment parts, tires, materials and supplies and is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

h) Property and Equipment

Property and equipment recorded on the acquisition of acquired businesses has been recorded at the estimated fair value of the assets as at the date of acquisition. All other property and equipment acquisitions are recorded at cost less accumulated amortization.

Amortization is applied to reduce the value of property and equipment to its estimated residual value over its estimated useful life on a declining balance basis annually at the following rates:

Buildings, portable buildings and fencing	2% - 10%
Heavy equipment	5% - 25%
Vehicles	25% - 35%
Trailers	5% - 25%
Equipment	15% - 40%
Office furniture and equipment	20% - 30%
Communications, computer hardware and software	30% - 60%
Equipment under capital lease	20% - 67%
Leasehold Improvements	Lease Term

Management tests the recoverability of property and equipment when events or changes in circumstances indicate the carrying amount may not be recoverable. If it is determined the estimated fair value net recoverable amount is less than the carrying amount, a write-down to the asset's fair value is recognized with the fair value becoming the new cost basis.

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

i) Equipment under construction

Certain modifications are required to capital assets prior to the asset being placed in service. Amortization is recorded from the date the asset is placed in service.

j) Intangible Assets

Intangible assets are comprised of acquired customer relationships, brand and trade names, and non-competition agreements. They are amortized over their useful lives on a straight line basis, which is estimated between 5 and 10 years. Intangible assets are tested for impairment when events or changes in circumstances indicate the carrying amount of the intangible is not recoverable and exceeds its fair value.

k) Goodwill

Goodwill represents the excess of the purchase price of the acquired businesses over the fair value of net assets acquired and liabilities assumed. Goodwill is tested for impairment on an annual basis unless events or changes in circumstances indicate that the carrying value may not be recoverable and exceeds its estimated fair value. The test for impairment is a two-step process by first identifying if there is a potential impairment and then by measuring the amount of impairment to be recognized. In the first step of the impairment test the fair value of each business segment is compared with its carrying amount which includes goodwill. The next step of measuring the impairment is done if the carrying amount exceeds fair value. The fair value of goodwill for each business segment is determined by allocating the fair value of the business unit to the identifiable assets and liabilities as if the business segment had been acquired in a business combination for a purchase price equal to its fair value. The excess of the fair value of the business segment over the amounts assigned to the identifiable assets and liabilities is the implied fair value of the goodwill. The excess of the carrying amount of goodwill over the implied value of goodwill is the impairment amount which is charged to earnings in the period in which it occurs. Goodwill is stated at cost less impairment and is not amortized.

l) Revenue Recognition

Petrowest's services are generally sold based upon contractual agreements or purchase orders with customers that include fixed or determinable prices based upon daily, hourly or job rates. Revenue is recognized when services are rendered or over the rental period and when collection can be reasonably assured. Mobilization revenue is included in certain contracts where Petrowest is either paid an up-front fee or a fee blended with the services. The up-front fee is recognized using the percentage of completion method. If the mobilization and services are combined, the fees are recorded as the service is provided using a percentage of completion method and any up-front mobilization costs are deferred and recognized as revenue is earned.

m) Income taxes

On June 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the "SIFT tax"), referred to as "specified investment flow-through" ("SIFT") entities (Bill C-52), received third reading in the House of Commons and on June 22, 2007, the Bill received Royal Assent. As a result, the tax was considered to be enacted for accounting purposes in June 2007.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any trust level taxable income will be taxed at rates approximating the corporate income tax rate currently estimated to be 29.5% in 2011, 28.0% in 2012 and beyond, based upon a 13.0% provincial tax rate and a federal tax rate of 16.5% reducing to 15.0% in 2012. On February 26, 2008, the Minister of Finance released the federal budget (the "Budget").

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The Budget proposes to replace this 13.0% provincial tax rate with the applicable provincial income tax rates for each province in which the SIFT has a permanent establishment, based on a provincial allocation formula. This draft regulation has not been enacted in parliament as at December 31, 2008.

For accounting purposes, as the SIFT tax was enacted in the second quarter of 2007, Petrowest recorded a non-cash charge to future income taxes to reflect the temporary differences between the book and tax basis of assets and liabilities expected to be remaining in the Trust in 2011.

The Trust follows the liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the accounting basis and tax basis ("temporary differences"), and are measured using the tax rates expected to apply when these temporary differences reverse. The effects of changes to these balances are recognized in income in the period in which the change occurs.

n) Stock Based Compensation

Effective April 15, 2008, the Trust adopted a Deferred Trust Unit ("DTU") plan. Under this DTU plan, DTU's are granted to employees, directors and consultants which entitles participants, at the Trust's option, to either receive a trust unit or cash equivalent in exchange for a vested unit. The DTU are either classified as equity settled instruments or as liabilities. For DTU's classified as equity settled instruments, the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at the date of the grant and is charged to unit based compensation expense and contributed surplus. The contributed surplus balance is reduced as vested units are settled. For DTU's classified as liability settled instruments, the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at each reporting date where they are "marked to market" based on the unit price at the quarter end.

o) Per Unit Amounts

Basic per unit amounts are calculated using the weighted average number of units outstanding during the period. Diluted per unit amounts are calculated by adding potentially dilutive DTU units to the weighted average number of units outstanding during the period based on the treasury stock method. Under this method, the diluted weighted average number of units is calculated assuming the proceeds obtained on the exercise of dilutive DTU units are purchased at the average market price of Trust units for the period.

p) Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid short term investments having an initial term of less than three months.

3 Seasonality

Petrowest's operations are conducted primarily in northern Alberta and northeastern British Columbia and are susceptible to the impacts of the seasons. The first quarter is subject to frozen conditions and periods of extreme cold and snow. This is typically one of the most active quarters for Petrowest, as oil and gas drilling activities focus on areas located in muskeg and swamp type conditions not normally accessible in a non-frozen state. The second quarter is generally the slowest quarter for Petrowest's operations, as the milder spring conditions result in soft, wet ground generally requiring the implementation of road bans which prevent heavy load transportation on roadways. The third quarter should reflect increased activity levels and typically generates revenues that fall somewhere in the range between quarters one and two with work relating to oil and gas projects in areas that do not entail access through muskeg. Quarter four

Petrowest Energy Services Trust

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

starts out similar to the summer activity and ramps up as the ground freezes and access is permitted.

4 Acquisitions

a) May 18, 2007 Acquisitions

On May 18, 2007, Petrowest acquired all of the outstanding shares and shareholder loans of Cutbank Trucking Ltd. and Cutbank Transport Ltd. (collectively, "Cutbank"), Jim Moffatt Construction Ltd. and 921639 Alberta Ltd., (collectively, "Jim Moffatt Construction"), Quigley Contracting Ltd., 529805 B.C. Ltd. and LMQ Enterprises Ltd., (collectively, "Quigley Contracting Ltd."), Rick's Mechanical Services Ltd. and Tri-Dave Gravel Sales Ltd. (collectively, the "Newly Acquired Companies").

The Newly Acquired Companies have been accounted for using the purchase method with the assets acquired and liabilities assumed recorded at their estimates of fair value. An allocation of the consideration is as follows:

Net assets acquired

Cash acquired on acquisition	8,993
Accounts receivable	12,258
Prepaid expenses and other	2,444
Inventories	474
Accounts payable and accrued liabilities	(9,039)
Income taxes payable	(1,053)
Property and equipment	42,134
Intangibles	15,186
Goodwill	21,939
	<u>93,336</u>

Consideration paid

Net cash to vendors	50,869
Acquisition costs	760
Retirement of long-term debt and capital lease obligations	9,391
	<u>61,020</u>
Trust Units (4,351,622 units issued) ⁽¹⁾	32,316
	<u>93,336</u>

⁽¹⁾ For the purposes of calculation of the aggregate consideration, the trust units have been attributed a value of \$7.4261 each, being the five day volume weighted average price before the closing date.

b) Business Alliance June 18, 2007

On June 18, 2007, Petrowest executed agreements documenting a memorandum of understanding, effective May 1, 2007, with the Woodland Cree First Nations ("WCFN"). Petrowest agreed to provide a combination of services on a revenue sharing basis with the WCFN on their traditional lands for a period of 5 years. This agreement provided Petrowest with the exclusive right to provide road and lease construction services to all stakeholders within the WCFN traditional territory. In conjunction with the agreements, Petrowest purchased the road construction equipment assets of the WCFN. The total cash consideration paid or payable for the assets and the contractual rights was \$4,000,000. Petrowest paid \$2,000,000 in cash on closing, retired \$1,424,623 of equipment debt and paid the remaining \$575,377 post closing amount in the fourth quarter of 2007.

Petrowest Energy Services Trust

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

Petrowest has accounted for the transaction as follows:

Net assets acquired	
Value of business alliance	2,344
Less non-cash consideration paid – value of warrant consideration	(270)
	2,074
Fair value of equipment	1,926
	4,000
Cash consideration paid	
Initial cash consideration	2,000
Post closing cash consideration	575
Settlement of equipment debt	1,425
	4,000

See Note 6 for further discussion on business alliance.

In addition, the Trust has agreed to provide services in kind valued at market rates to assist in the potential construction and development of a community centre subject to certain conditions being fulfilled and capped to a maximum of \$1,000,000. To date the conditions required for these services to be provided have not been met.

5 Property and Equipment

2008	Cost	Accumulated Amortization	Net Book Value
Buildings, portable buildings and fencing	7,217	2,251	4,966
Heavy equipment	127,894	45,297	82,597
Equipment under capital lease	2,730	2,686	44
Vehicles	4,185	2,128	2,057
Trailers	10,165	2,807	7,358
Equipment	3,983	2,645	1,338
Office furniture and equipment	623	407	216
Communications, computer hardware and software	1,297	889	408
Leasehold improvements	74	10	64
Subtotal	158,168	59,120	99,048
Assets under construction	288	-	288
	158,456	59,120	99,336

2007	Cost	Accumulated Amortization	Net Book Value
Buildings, portable buildings and fencing	7,085	1,124	5,961
Heavy equipment	123,048	26,231	96,817
Equipment under capital lease	1,799	326	1,473
Vehicles	4,141	1,295	2,846
Trailers	9,386	1,510	7,876
Equipment	3,585	1,708	1,877
Office furniture and equipment	517	206	311
Communications, computer hardware and software	1,003	573	430
Leasehold improvements	47	5	42
Subtotal	150,611	32,978	117,633
Assets under construction	808	-	808
	151,419	32,978	118,441

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

6 Intangible Assets

2008	Cost	Accumulated Amortization	Net Book Value
Non competition agreements	36,370	30,366	6,004
Business alliance (note 4(b))	2,344	2,344	-
Brand and trade names	7,965	3,992	3,973
Customer relationships	27,074	23,469	3,605
	73,753	60,171	13,582

2007	Cost	Accumulated Amortization	Net Book Value
Non competition agreements	36,370	28,293	8,077
Business alliance (note 4(b))	2,344	236	2,108
Brand and trade names	7,965	2,573	5,392
Customer relationships	27,074	18,149	8,925
	73,753	49,251	24,502

Non competition agreements, business alliance and brand and trade names are amortized over 5 years on a straight line basis. Customer relationships are amortized over 10 years on a straight line basis.

The Trust reviewed the remaining \$17.9 million carrying value of intangible assets for impairment as at December 31, 2008, as certain events or changes in circumstances occurred during the year which indicated certain intangible assets were being carried at a cost greater than their fair value. In addition to the \$1.9 million second quarter impairment, an additional impairment of \$4.3 million was recorded in the fourth quarter of 2008. On an operating segmented basis the amount of the impairment was \$4.0 million in Construction and \$0.3 million in Rentals. The impairment was primarily related to customer relationships. The erosion of the Trust's enterprise value, primarily as a result of the global economic and financial crisis, combined with the change in pricing of corporate transactions in the energy services sector, were factors relating to the 2008 impairment. The continued low activity levels in the energy sector, changing circumstances with a business alliance, a change in the Rentals segment business relating more to internal customers, and continued pricing and margin pressures were also factors contributing to the impairment. Management of the Trust determined the fair value of intangible assets on a segment by segment basis using industry standard valuation methods based on current market assumptions relating to the oil and gas services sector.

Intangible assets are tested for impairment when events or changes in circumstances indicate the carrying amount of the intangible is not recoverable and exceeds its fair value. Note 4(b) outlines the business alliance that Petrowest entered into with the WCFN which was effective on May 1, 2007. The value of the contract of \$2.3 million was being amortized over 5 years. During the second quarter of 2008 management determined that the relationship with WCFN had changed to the degree where the intangible asset remaining was determined to have no remaining value. The Trust recorded an impairment of this intangible asset of \$1.9 million which equaled the remaining unamortized balance.

As at December 31, 2007, the Trust recorded an impairment of intangible assets totaling \$35.7 million. This impairment related to intangible assets acquired on the acquisitions of businesses. On an operating segmented basis the amount of the impairment was \$16.6 million in Transportation, \$11.8 million in Construction, \$5.4 million in Rentals and \$1.9 million in Civil. On

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an intangible asset basis the impairment was \$20.0 of non-competition agreements, \$0.9 of brand and trade names and \$14.8 of customer relationships. There were several external factors which occurred during the year which precipitated the impairment of intangible assets such as the implementation of the SIFT legislation, Alberta royalty review and the price of natural gas. These factors impacted the activity in the oil and gas sector and demand for the Trust's services, resulting in lower utilization of the Trust's capacity and an erosion of the Trust's enterprise value. Management of the Trust determined the fair value of intangible assets on a segment by segment basis using industry standard valuation methods based on current market assumptions relating to the oil and gas services sector.

7 Goodwill

Goodwill represents the excess of purchase price of the acquired businesses over the fair value of net assets acquired and liabilities assumed.

	December 31, 2008	December 31, 2007
September 7, 2006 acquisitions	97,949	97,949
Additional settlement costs	119	119
May 18, 2007 acquisitions	21,939	21,939
Additional Settlement Costs	690	721
	120,697	120,728
Impairment	86,376	71,326
	34,321	49,402

During 2008 the most significant event to occur affecting Canadian businesses was the global economic and financial crisis. This crisis has resulted in reduced liquidity in the financial markets and caused lower commodity pricing due to significant demand decreases for commodities world wide. There have been significant reductions in capital spending with companies operating in the oil and gas sector. Although the Trust is partially diversified from the oil and gas sector, the events have impacted management's review of the carrying value of goodwill. As at December 31, 2008 the Trust recorded an additional impairment of goodwill totaling approximately \$15.1 million which represents approximately 31% of the remaining balance. On an operating segmented basis the amount of the impairment was \$8.6 million in Construction, \$5.7 million in Rentals and \$0.8 in corporate. The erosion of the Trust's enterprise value, primarily as a result of the global economic and financial crisis, combined with the change in pricing of corporate transactions in the energy services sector combined as factors contributing to the 2008 impairment. The continued low activity levels in the energy sector, changing circumstances with a business alliance, a change in the Rentals segment business relating more to internal customers, and continued pricing and margin pressures were also factors contributing to the impairment. Management of the Trust determined the fair value of goodwill on a segment by segment basis using industry standard valuation methods based on current market assumptions relating to the oil and gas services sector.

As at December 31, 2007, the Trust recorded an impairment of goodwill totaling \$71.3 million. This impairment related to goodwill arising from the acquisitions of acquired businesses. On an operating segmented basis the amount of the impairment was \$27.1 million in Transportation, \$27.6 million in Construction, \$11.5 million in Civil and \$5.1 million in Rentals. There were several external factors which occurred during the year which precipitated the impairment of goodwill such as the implementation of the SIFT legislation, Alberta royalty review and the price of natural gas. These factors impacted the activity in the oil and gas sector and demand for the Trust's services, resulting in lower utilization of the Trust's capacity, and an erosion of the Trust's enterprise value.

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8 Long Term Debt

Long term debt is comprised of the credit facility and obligations under capital leases. The credit facility is comprised of a syndicated revolving term credit facility and a working capital facility to provide availability to the Trust for growth capital and working capital requirements. Security for the credit facility is provided by a first charge debenture, a general security agreement and a general assignment of book debts.

On March 31, 2008, the Trust amended its credit facility to amend two financial covenants and reduce the credit facility from \$120.0 million to \$100.0 million. The funded debt to four quarter's trailing proforma EBITDA ratio was increased to 3.25 to 1 for the period ended March 31, 2008 and the periods ending June 30, 2008 and September 30, 2008. This ratio is reduced to 2.75 to 1 for the period ending December 31, 2008 and 2.50 to 1 for the periods ending March 31, 2009 and thereafter. The funded debt to capitalization covenant was increased to 0.55 to 1 from 0.50 to 1. The Trust was also prohibited from reinstating distributions to unitholders until the funded debt to four quarter's trailing proforma EBITDA is less than 2.50 to 1, calculated both before and after the payment of the distribution.

On December 15, 2008, the Trust renewed its credit facility. The credit facility has a one year revolving term ending on December 14 of 2009 which may be extended for an additional 364 days at the discretion of the lender on application by the Trust. The agreement entered into by the Trust with its bank syndicate reduced the overall size of the credit facility from \$100.0 million to \$95.0 million with quarterly reductions of \$4.8 million commencing on March 31, 2009. In addition, the amendments preclude the payment of distributions by the Trust without the prior written consent of the bank syndicate and reduced the "funded debt to capitalization ratio" covenant to 0.50 to 1 from the current covenant of 0.55 to 1.

In the event the credit facility is not extended at the end of the term on December 14, 2009, the outstanding principal amount will become immediately due and payable. The credit facility bears interest at floating rates based on the bank prime rate plus a spread of up to 2.5%, depending on the current level of indebtedness and certain debt ratios.

For purposes of the credit facility, the term "EBITDA" is defined as: consolidated net earnings before income taxes, interest expense, amortization of property and equipment and amortization of intangible assets and excluding non-cash income and expenses and extraordinary items. Current EBITDA levels require payment of interest at prime plus 2.5%.

Obligations under capital leases are repayable in monthly payments ranging from \$867 to \$8,604 per month including interest rates ranging from nil to 6.7% and maturing on various dates to 2013. Included in the payments of obligations under capital leases is imputed interest of \$56,747.

	December 31, 2008	December 31, 2007
Revolving bank term loan	83,500	82,000
Obligations under capital lease	1,535	1,286
	85,035	83,286
Less current portion of revolving bank term loan	83,500	-
Less current portion of obligations under capital lease	661	489
	874	82,797

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Estimated principal repayment of long term debt and obligations under capital lease as follows:	
2009	84,161
2010	546
2012	237
2012	67
2013	24
	85,035

9 Unitholders' Capital

Authorized

The Trust is authorized to issue an unlimited number of Trust units. Holders of Trust units are entitled to receive monthly distributions to the extent declared by the Board of Directors of Petrowest Energy Services General Partner Ltd. in priority to any distribution payments on the Subordinated Units.

	As at December 31, 2008		As at December 31, 2007	
	Units	Amount	Units	Amount
Balance, beginning of year	31,756,308	291,144	26,765,094	255,769
Acquired units in purchase of Acquired Companies	-	(56)	-	-
Units issued on acquisitions (note 4)	-	-	4,351,622	32,316
Issued for services rendered	10,000	19	10,000	72
Units issued under distribution reinvestment plan	-	-	629,592	2,987
	31,766,308	291,107	31,756,308	291,144
Subordinated units, beginning of year	1,510,000	1,735	1,510,000	1,510
Redemption of subordinated units issued for cash	(350,000)	(350)	-	-
Subordinated units issued for promissory notes	-	-	-	3,020
Redemption of subordinated units issued for promissory notes	-	(700)	-	-
Promissory note repayment	-	700	-	-
Less amount issued for promissory notes (net of repayment)	-	-	-	(2,795)
	1,160,000	1,385	1,510,000	1,735
Balance, end of year	32,926,308	292,492	33,266,308	292,879
Weighted average units for year – basic	33,159,077		31,202,093	
Weighted average units for year – diluted	34,589,359		31,202,093	

Prior to the initial public offering, the Trust issued to various insiders an aggregate of 1,510,000 subordinated units at a price of \$3.00 per subordinated unit, \$4,530,000 in the aggregate, which was satisfied by payment of \$1.00 in cash and \$2.00 by way of a three-year promissory note that may be forgiven at the option of the Trust over three years if the subscriber remains as a director, officer or employee of Petrowest. No amounts have been forgiven to date. Holders of subordinated units have the right to convert into Trust units on a one-for-one basis at any time after the end of the first fiscal year ending on or after December 31, 2008 if the Trust has earned

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EBITDA of at least \$47.0 million and paid distributions of at least \$1.20 per Trust unit for such fiscal year. As at December 31, 2008, there was a balance of \$2,095,000 outstanding related to promissory notes, net of repayments.

On April 27, 2007, Petrowest approved the implementation of a distribution reinvestment program ("DRIP") which provided unitholders the option to reinvest cash distributions towards the purchase of additional units from treasury at a price equal to 95% of the average market price based on weighted average trading prices for the ten days prior to distribution payment date. The DRIP program was cancelled November 13, 2007.

On September 3, 2008, the Trust acquired 350,000 subordinated units for \$700,000 from a former officer of the Trust. The transaction has been measured in these financial statements at the carrying amount of the subordinated units with the difference between the cash paid to reacquire the units and the average carrying amount of the units credited to contributed surplus. In conjunction with this transaction the former officer repaid the note receivable balance of \$700,000, resulting in no net cash outlay to the Trust.

Units issued for the acquisition of the companies acquired in 2006 and the 2007 Acquired Companies were placed in escrow subject to time release provisions. Escrowed units are released as to 25% on the first anniversary date of the acquisition and the remaining 75% on the second anniversary date. During 2007, 3,880,305 escrowed units were released with an additional 1,087,904 released in the second quarter of 2008 and 8,884,789 released in the third quarter of 2008. There are 3,263,716 to be released in 2009.

Petrowest declared distributions of \$27,313,604 for the year ended December 31, 2007 to unitholders of record on each distribution date. Declared distributions included \$906,000 to subordinated unitholders. On a per unit basis, the distributions declared for 2007 were \$0.10 for January to June, \$0.06 for July through October, and \$0.03 for November and December. No distributions were declared for subordinated unitholders when the distribution rate fell below \$0.10 per unit on a monthly basis.

Total distributions paid in 2007 were \$26,393,097 with \$2,988,099 reinvested as part of the DRIP program and \$225,000 of the subordinated unit distributions applied to the promissory notes held by the subordinated unitholders. Subsequent to December 31, 2007, distributions were suspended.

10 Contributed Surplus

Continuity of contributed surplus:

	As at December 31, 2008	As at December 31, 2007
Balance – beginning of period	-	-
Unit based compensation expense	15	-
Value assigned to expired warrants	270	-
Redemption of subordinated units below carrying value	350	-
Balance – end of period	635	-

On June 27, 2007, the Trust issued 300,000 warrants at a strike price of \$7.47 per unit which expired May 1, 2008 as partial consideration for entering into the business alliance with WCFN (note 6 (b)). The Trust valued the warrants at \$270,000. The amount relating to these expired warrants was transferred to contributed surplus.

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11 Unit Based Compensation

Petrowest implemented a unit option plan granting options to acquire Trust units to directors, officers, employees and consultants. On September 7, 2006, 2,605,000 options were granted at a \$10.00 per unit strike price. On July 27, 2007, the Trust cancelled this option plan.

Effective April 15, 2008 the Trust adopted a Deferred Trust Unit (“DTU”) plan. Under this DTU plan, DTU’s are granted to employees, directors and consultants which entitles participants, at the Trust’s option, to either receive a trust unit or cash equivalent in exchange for a vested unit. The Trust initially granted 908,000 DTU’s to participants which vest one third per year over the three year period from the date of grant. The DTU are either classified as equity settled instruments or as liabilities. For DTU’s classified as equity settled instruments, the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at the date of the grant and is charged to unit based compensation expense and contributed surplus. The contributed surplus balance is reduced as vested units are settled. For DTU’s classified as liability settled instruments the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at each reporting date where they are “marked to market” based on the unit price at the quarter end.

There were 77,718 forfeitures in the period April 15, 2008 to December 31, 2008 resulting in unit based compensation being accrued for 830,282 units. The initial intent of the Trust was to settle the initial grant with units. Therefore, the DTU unit based compensation expense was calculated to September 30, 2008, based on the fair value of the units at the date of the grant. During the fourth quarter of 2008, the Trust decided to settle the first vesting with cash and the remainder with equity. Therefore, the Trust has accounted for the DTU unit based compensation expense for 2008 using the liability method up to the vesting date of April 15, 2009 and then as an equity settled instrument for the remaining periods. The effect on the consolidated financial statements is a reversal of the unit based compensation expense previously booked based on the equity method of approximately \$313,497 and approximately \$72,551 of unit based compensation expense based on the liability method.

On December 1, 2008, an additional grant of 600,000 DTU’s was made. These units will vest one third per year over the three year period from the date of grant and be classified as an equity settled instrument.

12 Income taxes

On June 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the “SIFT tax”), referred to as (Bill C-52), received third reading in the House of Commons and on June 22, 2007 the Bill received Royal Assent. As a result, the tax was considered to be enacted for accounting purposes in June 2007. SIFTs are certain publicly traded income and royalty trusts and limited partnerships, which includes Petrowest.

For SIFTs in existence on October 31, 2006, such as Petrowest, the SIFT tax will not be effective until 2011 unless certain rules related to “undue expansion” are not adhered to. Under the guidance provided, Petrowest can increase its total equity, subject to annual limits, to approximately \$497.8 million by 2011 without prematurely triggering the SIFT tax.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any trust level taxable income will be taxed at a rate approximating the corporate income tax rate currently estimated to be 29.5% in 2011 and 28.0% in 2012, based upon a 13.0% provincial tax rate and a federal tax rate of 16.5% reducing to 15.0% in 2012. On February 26, 2008, the Minister of Finance released the federal budget (the “Budget”). The

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Budget proposes to replace this 13.0% provincial tax rate with the applicable provincial income tax rates for each province in which the SIFT has a permanent establishment, based on a provincial allocation formula. This draft regulation has not been enacted in parliament as at December 31, 2008.

For 2007, subsequent to the implementation of the SIFT legislation, Petrowest recorded a non-cash future income tax provision which resulted in a net charge of \$10.0 million to future income taxes to reflect the temporary differences between the book and tax basis of assets and liabilities expected to be remaining in the Trust in 2011.

The majority of the temporary differences at the Trust level relate to the timing differences associated with property plant and equipment and intangibles acquired by the Trust on September 7, 2006 and May 18, 2007 as follows:

	As at December 31, 2008	As at December 31, 2007
Future income tax assets		
Trust unit issue costs	699	698
Unit based compensation	28	-
	727	698
Future income tax liabilities		
Property and equipment	10,935	8,387
Intangible assets	1,528	2,352
	12,463	10,739

For the year ended December 31, 2008 there is a future income tax expense of \$1.7 million and a net loss and comprehensive loss before taxes of \$30.9 million. The primary factors contributing to a future income tax provision, in a year where there is a loss reported for accounting purposes, are the impairment of goodwill and intangible assets which are accounting deductions that are not deductible for tax purposes and certain other expenses which are not deductible for tax purposes. Management does not anticipate the Trust to be taxable in 2009.

13 Related Party Transactions

Petrowest paid rent, supplies, and services for the year ended December 31, 2008 and December 31, 2007 for office and shop space under leases entered into with certain former owners of businesses acquired in the amount of \$3,176,612 and \$2,086,816 respectively. Transactions were recorded at the exchange amount which is estimated to approximate fair market value. The Trust has payables of \$416,952 (2007 - \$198,576) and receivables of \$96,599 (2007 - nil) related to services provided to and from certain former owners of businesses acquired.

For the year ended December 31, 2008, the Trust acquired 350,000 subordinated units for \$700,000 from a former officer of the Trust. The transaction has been measured in these financial statements at the carrying amount of the subordinated units. This transaction also included a \$700,000 repayment of a promissory note.

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14 Financial Instruments

Fair Value of Financial Assets and Liabilities

The Trust's cash and cash equivalents are designated as held-for-trading. Accounts receivable are designated as loans and receivables and recorded at amortized cost, which approximates fair value due to the short term nature of the instrument. Accounts payable and accrued liabilities, distributions payable, obligations under capital leases and the revolving bank term loan are designated as other liabilities and are recorded at cost. The fair value of accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these instruments. The fair value of obligations under capital lease and the revolving bank term loan approximate their carrying values as the interest rates applicable to these instruments reflect current market rates. Financing costs relating to all financial instruments are expensed as incurred.

Financial Risks

The Trust is exposed to a number of financial risks in the normal course of its business operations, including market risks, credit risks and liquidity risks. The Trust's operations are all in Canada and therefore are not subject to foreign currency risk. The nature of these risks has not changed significantly from the period ended December 31, 2007.

(a) Market Risk

Market risk is the risk that changes in market prices such as interest rates and commodity prices will affect the Trust's operating income or the value of its financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The revolving bank term loan is a floating rate credit facility which has exposure to changes in market interest rates. Currently the Trust is paying interest based on the prime lending rate, which is subject to market interest rate fluctuations. For each one percent increase/decrease in the prime lending rate, the yearly effect on pre-tax net earnings would be \$835,000, based on the \$83.5 million balance of the revolving bank term loan as at December 31, 2008.

Commodity Price Risk

Commodity price risk is the risk that fluctuations in oil or natural gas prices could materially adversely affect the Trust's financial condition. The commodity prices affect the levels of drilling activity, particularly with respect to natural gas, which affects demand for services provided by certain segments of the Trust's business. The Trust mitigates this exposure with its continued diversification into activities not related to the oil and gas industry.

(b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument fails to meet its contractual obligations, resulting in a financial loss to the Trust. This relates primarily to the Trust's trade accounts receivable.

The Trust maintains a broad customer base across its four operating business segments. A significant amount of the Trust's customer base is with entities in the oil and gas industry and is subject to normal industry credit risks. The other significant portion of the customer base is with significant construction and forestry companies. No customer represents

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greater than 10% of the Trust's consolidated revenue for the year ended December 31, 2008. Three customers account for approximately 36% (10%, 11%, and 15%) of the Trust's accounts receivable balance as at December 31, 2008. No other customer represents greater than 10% of the balance.

The Trust establishes guidelines for customer credit limits and terms and, should thresholds for these limits or terms be reached, procedures are in place to improve collectability. The Trust provides adequate provisions for expected losses from the credit risks associated with trade accounts receivables. The ageing of accounts receivables as at December 31, 2008 is as follows:

0-30 days	13,090
30-61 days	15,192
61-90 days	7,594
Over 90 days	11,885
	<u>47,761</u>

Included in the accounts receivable over 90 days is a provision for doubtful accounts in the amount \$500,204. The provision is based on an individual account by account analysis and prior credit history. The movement of the provision for doubtful accounts in respect of trade accounts receivable is detailed below:

Opening balance – December 31, 2007	(388)
Additional provision	(912)
Recovery of provision	163
Receivables written off	637
Closing balance – December 31, 2008	<u>(500)</u>

(c) Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. This risk relates to the Trust's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Trust's processes for managing liquidity risk include managing net working capital, preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. The Trust seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change. The Trust has an unused balance of \$ 11.5 million related to its revolving credit facility that is available for capital expenditures and funding working capital.

The timing of cash related to the satisfaction of other financial liabilities is as follows:

	1 year	2-3 years	4-5 years	Total
Bank overdraft	-	-	-	-
Accounts payable and accrued liabilities	18,355	-	-	18,355
Obligations under capital leases	661	783	91	1,535
Long term debt	83,500	-	-	83,500
	<u>102,516</u>	<u>783</u>	<u>91</u>	<u>103,390</u>

As at December 31, 2008 the Trust has met all the obligations associated with its financial liabilities. See Note 2(b) for details on risk regarding long term debt.

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15 Capital Disclosures

The Trust strives to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Trust is managed and adjusted to reflect changes in economic conditions. In order to maintain or adjust the capital structure, adjustments may be made to the amount of distributions (if any) to unitholders and the amount of capital returned to unitholders, in addition to the amount of new units issued. Sale of redundant assets may also be undertaken to adjust the capital structure by paying down the revolving bank term loan. Financing decisions are set based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to take on new debt or to issue equity include the amount of cash sought, the availability of these sources and their terms, and to the overall Net Debt to Capitalization ratio.

The Trust's capital structure is comprised of unitholders' equity, the revolving bank term loan (including the current portion) and obligations under capital leases (including the current portion) and is monitored by using a non-GAAP financial metric of Net Debt to Capitalization. Net Debt is calculated as the sum of the revolving bank term loan (including the current portion) and obligations under capital leases (including the current portion), less cash and cash equivalents. The Trust targets a Net Debt to Capitalization ratio in the range of 40% to 50% as calculated as follows:

	As at December 31, 2008	As at December 31, 2007
Revolving bank term loan	83,500	82,000
Obligations under capital leases	1,535	1,286
Add (less) cash and cash equivalents/bank overdraft	(2,348)	(215)
	82,687	83,071
Unitholders' Equity	88,642	121,492
Total Capitalization	171,329	204,563
Net Debt to Total Capitalization	48.3%	40.6%

The targeted Net Debt to Capitalization ratio increased during 2008 primarily as a result of impairments to goodwill and intangibles. The net debt decreased during 2008. The entire revolving bank term loan has been classified as current on the balance sheet. The credit facility has a one year term ending on December 14, 2009. There is no guarantee that it will be renewed. In the event the loan is not extended at the end of the term on December 14, 2009, the outstanding principal amount will become immediately due and payable. The Trust would unlikely have sufficient resources to repay the entire outstanding balance without obtaining alternative sources of financing.

The Trust's credit facility contains four financial covenants which are required to be met on a quarterly basis. The funded debt to four quarter's trailing proforma EBITDA covenant ratio was recently amended (see note 8) to reflect the current industry conditions and is currently at 2.75 to 1. Management monitors this specific covenant in the management of its capital. As at December 31, 2008 the Trust was in compliance with all financial covenants. The Trust's capital management objectives have not changed over the periods presented.

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16 Commitments

The Trust is committed to payments under operating leases for office and shop premises and equipment that provide for minimum annual lease payments in the twelve month periods ending as follows:

December 31, 2009	14,753
December 31, 2010	8,529
December 31, 2011	5,083
December 31, 2012	1,482
December 31, 2013	780
Thereafter	2,037
	<u>32,664</u>

17 Segmented Information

The Trust determines its reportable segments based on the structure of its operations, which are focused on four principal business segments – Construction, Transportation, Civil and Rentals. The following is selected financial information for each business segment.

For the year ended December 31, 2008

	Construction	Transportation	Civil	Rentals	Corporate	Total
Total revenue	91,816	56,500	71,737	7,680	5	227,738
Less inter-segment revenue	6,768	7,366	736	2,660	-	17,530
Revenue	85,048	49,134	71,001	5,020	5	210,208
Operating and general and administrative	62,994	47,503	53,412	4,773	8,504	177,186
Interest expense	1,134	588	1,207	238	3,803	6,970
Interest income	(2)	-	-	(2)	(6)	(10)
Loss on disposal of equipment	1,651	192	312	121	-	2,276
Amortization	15,515	6,342	7,858	3,302	379	33,396
Future income taxes	-	-	-	-	1,695	1,695
Impairment of goodwill and intangible assets	14,507	-	-	6,002	762	21,271
Net earnings (loss)	(10,751)	(5,491)	8,212	(9,414)	(15,132)	(32,576)
Capital expenditures	3,294	5,380	4,522	619	137	13,952

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For the year ended December 31, 2007

	Construction	Transportation	Civil	Rentals	Corporate	Total
Total revenue	62,244	46,123	52,243	10,214	5	170,829
Less inter-segment revenue	3,148	4,532	1,654	2,812	-	12,146
Revenue	59,096	41,591	50,589	7,402	5	158,683
Operating and general and administrative	44,285	38,616	39,347	4,998	5,249	132,495
Interest expense	246	10	49	6	5,128	5,439
Interest and (other income)/ expense	133	(141)	(7)	(6)	(122)	(143)
(Gain) loss on disposal of equipment	529	97	517	38	(3)	1,178
Amortization	17,260	8,822	7,230	5,770	649	39,731
Future income taxes	-	-	-	-	10,041	10,041
Impairment of goodwill and intangible assets	39,389	43,689	13,467	10,470	-	107,015
Net loss	(42,746)	(49,502)	(10,014)	(13,874)	(20,937)	(137,073)
Capital expenditures	4,957	3,157	7,842	1,231	880	18,067
Goodwill additions	21,459	125	322	(8)	762	22,660

Selected balance sheet items as at December 31, 2008

	Construction	Transportation	Civil	Rentals	Corporate	Total
Current assets	49,242	25,572	34,376	(1,419)	(50,990)	56,781
Property and equipment	37,612	22,987	26,043	11,289	1,405	99,336
Intangibles	5,855	1,329	5,432	966	-	13,582
Goodwill	12,016	4,510	14,951	2,844	-	34,321
Future income tax	-	-	-	-	727	727
Total assets	104,725	54,398	80,802	13,680	(48,858)	204,747

Selected balance sheet items as at December 31, 2007

	Construction	Transportation	Civil	Rentals	Corporate	Total
Current assets	39,087	22,283	27,299	(3,479)	(32,988)	52,202
Property and equipment	51,528	23,561	27,499	14,207	1,646	118,441
Intangibles	14,306	1,786	6,784	1,626	-	24,502
Goodwill	20,591	4,503	15,005	8,541	762	49,402
Future income tax	-	-	-	-	698	698
Total assets	125,512	52,133	76,587	20,895	(29,882)	245,245

All transactions between segments were initially recorded at approximate market rates. Transactions between segments have been eliminated on consolidation.