WESTSHORE TERMINALS INCOME FUND

ANNUAL REPORT

2002

Westshore Terminals Income Fund is an open-ended trust which was created under the laws of British Columbia pursuant to a Declaration of Trust dated December 2, 1996. The Fund owns all of the common shares and $470 million aggregate principal amount of subordinated notes of Westshore Terminals Ltd. Westshore Terminals Ltd. operates a bulk coal transportation terminal located in British Columbia. Income derived by the Fund from those securities, net of expenses, is distributed to Unitholders on a quarterly basis. Effective February 28, 2003, the Fund made a $150 million investment in the Fording Canadian Coal Trust, representing approximately 9.1% of the outstanding units of that Trust, and receives its pro rata share of distributions as and when they are paid. These distributions will also, in turn, be distributed to the Fund's unitholders. The Fund does not conduct any active business.

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Westshore Terminals Income Fund

(In Thousands of Dollars except per unit amounts and tonnage)

	2002	2001
Distribution to Unitholders		
Cash	**$ 43,354**	$ 49,441
Per unit	**$ 0.616**	$ 0.702
Breakdown for Unitholder income tax purposes		
Interest income	**$ 43,335**	$ 41,402
Per unit	**$ 0.61572**	$ 0.588
Return of capital	**$ 19**	$ 8,039
Per unit	**$ 0.0003**	$ 0.114
Units outstanding at December 31	**70,381,111**	70,381,111

Trading Statistics 2002	
High	**$ 6.45**
Low	**$ 4.26**
Close	**$ 4.88**
Volume	**25,637,422**

Westshore Terminals Ltd.

	2002	2001
Tonnage (in thousands)	**19,434**	23,292
EBITDA	**$ 53,354**	$ 58,857

Dear Unitholder:

For the twelve months ending December 31, 2002 the Westshore Terminals Income Fund (the "Fund") declared distributions to Unitholders of $43.4 million ($0.616 per unit). The distributions for unitholder income tax purposes were comprised of interest income of $0.61572 per unit, and a return of capital of $0.0003 per unit.

The Fund's distributions were achieved as a result of Westshore Terminals Ltd. ("Westshore") loading 19.4 million tonnes of coal in 2002 as compared to 23.3 million tonnes shipped in 2001. Lower tonnage levels resulted principally from lower sales levels achieved by Fording Inc. In addition, the contract for the Line Creek mine expired in March 2002 and was renewed for reduced tonnage. The balance of the coal from this mine was handled by Neptune Terminals Ltd., a terminal owned in part by the owners of the Line Creek mine. Westshore's earnings before interest, taxes, depreciation and amortization ("EBITDA") for 2002 were $53.4 million as compared to $58.9 million in 2001.

Prior to the January 2, 2003 windstorm incident, previously reported, 2003 tonnage levels were expected to be somewhat higher than 2002 levels. The windstorm incident resulted in damage to two cranes at Berth 2, rendering it incapable of loading coal. Repairs are underway and it is anticipated that the operations at this berth will resume in the summer of 2003. In the interim, Westshore has been working closely with its customers and the railways to maximize volume through the larger Berth 1. As a result, tonnage throughput for 2003 is anticipated to be approximately the same as or slightly lower than 2002 levels. Westshore carries insurance which is expected to be adequate to cover both the costs of repair and most of the lost profits from reduction in shipments, net of applicable deductibles. Based on current information, the impact of the incident is not expected to have a material adverse effect (after collection of insurance proceeds) on the financial performance of the Fund.

All three-year labour agreements with International Longshore and Warehouse Union (the longshoremen, the foremen and the clerical workers) expired on January 31, 2003. Negotiations with Local 502, the Longshoremen, are underway. It is anticipated that negotiations with all three locals will be more difficult than in prior years.

A number of customer contracts expired in 2002 and reviewing them was a primary focus of Westshore. The most significant of the contracts involved Westshore's largest customer, Fording Inc. ("Fording"). Two of the three contracts with Fording expired in 2002 and those contracts represented approximately 13 million tonnes of coal handled annually by Westshore in recent years. Negotiations with Fording were ongoing throughout the year and by year's end a long term agreement was reached with Fording (expiring February 29, 2012) which covers all three of Fording's mines. This agreement was part of an overall arrangement with Fording, Teck Cominco Limited, Ontario Teachers' Pension Plan Board and Sherritt International Corporation. Under this arrangement, which closed on February 28, 2003, Westshore invested $150 million for approximately 9.1% of the units of the Fording Canadian Coal Trust ("Fording Trust").

The completion of this transaction and the long-term handling contract covering the three mines previously owned by Fording will increase the impact on the Fund's financial results of the Canadian dollar price realized for coal handled by Westshore. While Westshore is not a vendor of coal, in the past the Fund's financial results were indirectly affected by the Canadian dollar price realized, because that price affects the competitiveness of Westshore's customers in world markets.

As a result of Westshore's arrangements with the Coal Partnership covering the former Fording mines and the Elkview mine, the loading rate for a majority of the coal loaded by Westshore in future years will be a function of the Canadian dollar price realized by the Coal Partnership for that coal. Accordingly that portion of Westshore's revenues will be directly affected by changes in the US dollar denominated coal price achieved by the Coal Partnership and by the US-Canadian dollar exchange rate. In addition the distributions that the Fund will receive from the Fording Trust will be substantially dependent on the profitability of the Coal Partnership.

Audited financial statements for both the Fund and Westshore are attached.

For the Board of Trustees,

William W. Stinson
Chairman of the Board of Trustees

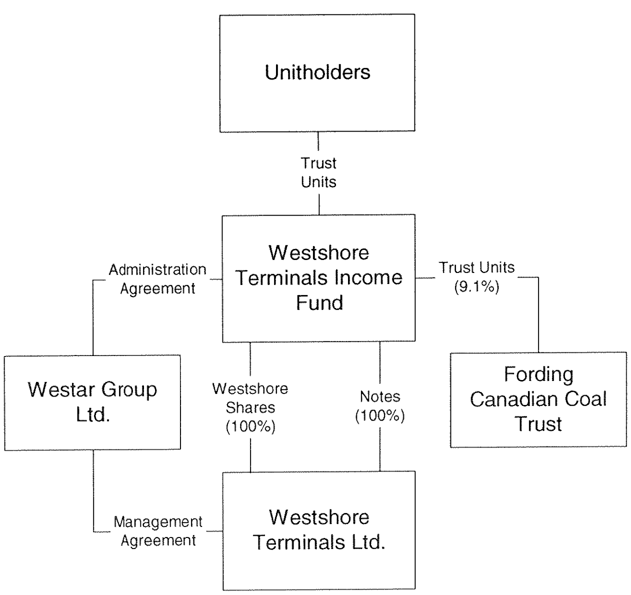
Vancouver, B.C.
March 28, 2003

General

Westshore Terminals Income Fund (the "Fund") derives most of its cash inflows from its investment in Westshore Terminals Ltd. ("Westshore") by way of interest on the $470 million unsecured subordinated notes ("Notes") and dividends or return of capital on the common shares of Westshore. On February 28, 2003, the Fund acquired a 9.1% interest in the Fording Canadian Coal Trust (the "Fording Trust") at a cost of $150 million. Quarterly distributions from the Fording Trust are also anticipated and when received will be paid (net of debt service) to unitholders of the Fund. In 2002, the earnings and distributable cash of the Fund were entirely dependent, and will in future remain substantially dependent, on the results of Westshore. Westshore's results are determined largely by the volume of coal shipped by its coal mine customers for sale in the export market, the rate per tonne charged by Westshore and Westshore's costs.

Structure of the Fund

The following chart illustrates the primary structural and contractual relationship among the Unitholders, the Fund, Westshore, Westar Group Ltd. ("Westar"), and the investment in the Fording Trust.



Results of Operations and Distributions

A comparison of results of the Fund for the twelve months ended December 31, 2002 as compared to 2001 is as follows:

Distributable Cash
(In Thousands of Dollars except per unit amounts)

	2002	2001
Interest income	**43,865**	50,164
Administration costs	**511**	723
Distributable cash	**43,354**	49,441
Per unit	**0.616**	0.702

As shown above, cash distributions declared to Unitholders for 2002 were $43,354,000 ($0.616 per unit) compared to $49,441,000 ($0.702 per unit) for 2001.

Distributions were made quarterly during 2002, with the final distribution declared on December 17, 2002 and paid on January 15, 2003. The distributions from the Fund in 2002 to Unitholders for income tax purposes were comprised of interest income of $43,335,000 ($0.61572 per unit) and return of capital of $19,000 ($0.0003 per unit).

Liquidity & Capital Resources

During 2002, the Fund's operating cash inflows were based solely on the interest income on the Notes. The interest on the Notes is at a variable rate and fluctuates in proportion to Westshore's EBITDA. Commencing March, 2003, cash inflows to the Fund are increased by the distributions received from the Fund's investment in the Fording Trust, net of the interest cost on funds borrowed to finance the investment.

The Fund is obliged to distribute cash inflows to Unitholders, less administrative costs of the Fund and amounts required for the operation of the Fund and any amounts which may be paid in connection with any cash redemption of units. Because the Fund's investments in Westshore and the Fording Trust are of a passive nature, it is not anticipated that the Fund will require significant capital resources to maintain its investment in Westshore or the Fording Trust on an ongoing basis.

Investment in Fording Trust

On February 28, 2003, Fording Inc. completed a Plan of Arrangement which created the Fording Trust. As part of the broader transactions relating to the Plan of Arrangement:

- the Fund subscribed for $150 million worth of trust units of the Fording Trust, representing approximately 9.1% of the units of the Fording Trust;
- Fording Trust acquired all the issued and outstanding shares of Fording Inc.;
- Fording sold its thermal coal operations to Luscar Ltd. ("Luscar") and Fording purchased the metallurgical coal operations of Luscar;
- Fording and Teck Cominco Limited entered into a partnership (the "Coal Partnership"), Fording holding a 65% interest in the Coal Partnership and Teck Cominco holding a 35% interest in the Coal Partnership; and
- the Coal Partnership acquired the metallurgical coal operations of Fording, Luscar and Teck Cominco.

The Fording Trust used the funds invested by Westshore, together with funds from other sources, to pay Fording's securityholders the cash amounts to which they were entitled under the Plan of Arrangement.

The Fund financed its investment in the Fording Trust through two credit facilities that were negotiated together by the Fund with a Canadian chartered bank and Great Pacific Capital Corp., a member of The Jim Pattison Group. Westar Group Ltd., another member of The Jim Pattison Group, is the manager of Westshore and the administrator of the Fund. Great Pacific Capital Corp. and an affiliate hold 14,807,300 units of the Fund representing approximately 21% of all the outstanding units of the Fund.

The Canadian chartered bank provided a $120 million three-year senior non-revolving term loan facility on a syndicated basis. Great Pacific Capital Corp. provided a $30 million four-year subordinated non-revolving loan. Each loan is at a floating rate of interest with no scheduled repayments prior to maturity. Mandatory prepayments are required from the proceeds of disposition of assets (including the units of the Fording Trust owned by the Fund) and proceeds of any unit or debt offering by the Fund. Prior to August 31, 2004, any proceeds of a unit or debt offering are to be applied first to prepayment of the $30 million subordinated facility.

In addition to the Fording Trust's regular quarterly distributions, all holders of units of the Fording Trust (including the Fund) will be entitled to receive a special distribution of $1.48 per Fording Trust unit, payable as to one half with each of the first two regular quarterly distributions in 2003 made by the Fording Trust. In addition the Fund received a payment from Fording on closing of the Plan of Arrangement on account of expenses and costs incurred in relation to the transaction. The amount received by the Fund was approximately $8.0 million net of identifiable external costs such as financing and professional fees.

Effect on Customer Contracts

Upon formation, the Coal Partnership became the world's second-largest exporter of metallurgical coal. Westshore has contracts covering the five mines located in British Columbia owned by the Coal Partnership. In connection with the creation of the Coal Partnership, Westshore's existing contract relating to the Elkview mine (which runs to 2010) was assigned to the Coal Partnership, and Westshore entered into a long term port services contract covering the three mines previously owned by Fording, which will run to February 29, 2012. These contracts provide that, subject to minor exceptions relating to customer preferences, all of the coal shipped from those mines through West Coast ports must be shipped through Westshore.

As a transitional measure, Westshore and Fording agreed to fixed loading rates for coal from the Fording River and Greenhills mines for the contract year April 1, 2002 to March 31, 2003. After April 1, 2003, the loading rates for coal shipped from the Elkview mine and for a portion of the tonnage from the Fording River and Greenhills mines, and therefore a majority of Westshore's revenue, will be linked to the price in Canadian dollars realized by the Coal Partnership for that coal.

The contract for the Line Creek mine, which was also assigned to the Coal Partnership, covers only a portion of the product of that mine. The remaining coal from the Line Creek mine is shipped through the Neptune terminal owned by Neptune Terminals Ltd. The Coal Partnership owns a 46% interest in Neptune Terminals.

Westshore's remaining contract is with Luscar Ltd. and covers the Obed and Coal Valley mines. The term of this contract has been extended to 2017.

Outlook

Prior to the January 2, 2003 windstorm incident, 2003 tonnage levels through Westshore were expected to be somewhat higher than 2002 levels. The windstorm incident resulted in damage to the two cranes at Berth 2, rendering it incapable of loading coal. Repairs are underway and it is anticipated that the operations at this berth will resume in the summer of 2003. In the interim, Westshore is working closely with its customers and the railways to maximize volume through the larger Berth 1. At this time, however, it is anticipated that Westshore will handle approximately the same or slightly less total coal tonnage than that handled in 2002.

Westshore carries insurance which is expected to be adequate to cover both the costs of repair of Berth 2 and most of the lost profits from reduction in shipments, net of applicable deductibles. Based on current information, the impact of the incident is not expected to have a material adverse effect (after collection of insurance proceeds) on the financial performance of the Fund.

In addition to the distributions derived from Westshore, the Fund will distribute distributions received from the Fording Trust, net of debt service charges on the $150 million loans used to make the investment. In its Third Supplement dated January 27 to its Information Circular issued in connection with the approval of the Plan of Arrangement, Fording indicated that targeted regular distributions for 2003 would be approximately $3.80 per unit, in addition to special distributions of $1.48 per unit.

The completion of the Fund's investment in the Fording Trust and the long-term handling contract covering the three mines previously owned by Fording will increase the impact on the Fund's financial results on the Canadian dollar price realized for coal handled by Westshore. While Westshore is not a vendor of coal, in the past the Fund's financial results were indirectly affected by the Canadian dollar price realized, because that price affects the competitiveness of Westshore's customers in world markets.

As a result of Westshore's arrangements with the Coal Partnership covering the former Fording mines and the Elkview mine, the loading rate for a majority of the coal loaded by Westshore in future years will be a function of the Canadian dollar price realized by the Coal Partnership for that coal. Accordingly that portion of Westshore's revenues will be directly affected by changes in the US dollar denominated coal price achieved by the Coal Partnership and by the US-Canadian dollar exchange rate. In addition the distributions that the Fund will receive from the Fording Trust will be substantially dependent on the profitability of the Coal Partnership.

Additional information on Westshore's outlook is contained on page 7 of this Annual Report.

General

Westshore operates a coal storage and loading facility at Roberts Bank, British Columbia which is the largest coal loading facility on the west coast of North and South America. Westshore operates on a throughput basis and receives handling charges from its customers based on volumes of coal exported through the terminal. Under Westshore's contracts, Westshore does not take title to the coal it handles. Market conditions for coal affect the competitiveness of Westshore's customers and as a result affect the volume of coal handled by Westshore. Westshore handles and loads coal from mines in British Columbia and Alberta and, occasionally, the northwestern United States. Coal shipped from the mines acquired by the Coal Partnership, which is now by far Westshore's largest customer, accounted for 97% of Westshore's revenues in 2002.

Coal is delivered to the terminal in unit trains operated by Canadian Pacific Railway Company, Canadian National Railways and Burlington Northern Railroad and is then unloaded and either directly transferred onto a ship or stockpiled for future ship loading. Ultimately, the coal is loaded onto ships that are destined for approximately 20 countries world-wide, with the largest volumes presently being shipped to Japan, Europe and South Korea.

Markets & Customers

Shipments of coal through the terminal by destination for the past three years were as follows:

Shipments by Destination
(Expressed in thousands of metric tonnes)

	2002		2001		2000	
	Tonnes	%	Tonnes	%	Tonnes	%
Japan	6,896	35.5	7,576	32.5	7,922	35.2
Europe	5,469	28.1	7,087	30.4	5,947	26.4
S. Korea	3,787	19.5	4,684	20.1	4,767	21.2
S. America	2,064	10.6	2,775	11.9	1,997	8.9
Taiwan	809	4.2	979	4.2	1,145	5.1
Other	409	2.1	191	0.9	724	3.2
Total	19,434	100.0	23,292	100.0	22,502	100.0

With its five mines in British Columbia, the Coal Partnership is by far Westshore's largest customer. These mines shipped 97% of the terminal's throughput in 2002 as compared to 94% in 2001. There continues to be an increased emphasis on both the quality and blending of coal at the terminal to ensure that the customer receives the contractually specified type of coal. More than two thirds of the coal product moving through the terminal is now blended. During 2002, 92% of Westshore's volume was metallurgical coal (88% in 2001), with the remaining 8% being thermal coal (12% in 2001).

All of Westshore's customers compete with other suppliers of coal throughout the world. Australia is the most significant competitor. Its closer proximity to primary customers in Asia and its lower dollar in relation to the Canadian dollar, among other reasons, give Australian producers some competitive advantages over Westshore's customers.

There has been significant consolidation among producers of seaborne metallurgical coal. In Canada the Gregg River mine, the Quintette mine and the Smoky River mine all closed, and the Cardinal River Mine and the Bullmoose Mine are scheduled to close in 2003. Of these mines, only the Gregg River Mine shipped coal through Westshore. In part this consolidation resulted from a significant decrease in the US dollar denominated reference price for coal between 1997 and 2000. While the reference price has recovered since 2000, the trend to consolidation has continued.

The most significant event from Westshore's point of view is the formation of the Coal Partnership to become the world's second largest exporter of metallurgical coal. Because of its contractual arrangements with the Coal Partnership, Westshore would benefit from any increased sales which the Coal Partnership is able to realize by virtue of enhanced marketing opportunities. Together the largest Australian producer and the Coal Partnership account for approximately 50% of the world's seaborne coal trade.

Results of Operations

Westshore loaded 19.4 million tonnes of coal during 2002 as compared to 23.3 million tonnes during 2001 and 22.5 million tonnes in 2000.

The comparison of Westshore's operating results for the past three years is as follows:

Operating Results
(Expressed in thousands of dollars)

	2002	2001	2000
Revenue			
Coal	$ 109,581	$ 126,186	$ 116,388
Other income	2,085	879	2,361
	111,666	127,065	118,749
Expenses			
Operating & Administrative	58,312	68,208	65,835
EBITDA	53,354	58,857	52,914

For the twelve months ended December 31, 2002 tonnage shipped was 19.4 million tonnes, compared with 23.3 million tonnes for 2001. The reduction in tonnage was principally due to reduced tonnage shipped by Fording Inc. The reasons for such reduction were described by Fording Inc. in its public disclosure documents. In addition the contract for the Line Creek mine operated by Luscar Ltd. expired March 31, 2002, and was renewed for reduced tonnage. The balance of the coal from this mine was handled at Neptune Terminals, which is owned in part by the owners of the Line Creek mine.

Coal loading revenue decreased to $109.6 million in 2002 compared with $126.2 million in 2001. The decrease was primarily due to lower shipment volumes, offset by a higher average loading rate. The loading rate increase was due to escalation in rates and to lower volumes being shipped at incentive rates. Other income increased because of lower demurrage and train detention charges because of lower throughput.

Operating expenses decreased from $61.9 million in 2001 to $52.4 million in 2002 as a result of the lower shipment volumes. Approximately 1/3 of the reduction was in the participation rent paid to VPA. The previously applicable escalators to components of the rent under Westshore's lease with the VPA ceased to apply in 2002. Upon the renewal of the lease in 2002, the VPA was required to fix rental rates for the first three years of the renewal term to February 28, 2005, and chose to freeze the rates at those in force in the lease year ending February 28, 2002. The rest of the reduction in operating costs came from reduced wages and other costs.

As a result of the foregoing, Westshore's earnings before interest, taxes, depreciation and amortization ("EBITDA") for 2002 was $53.4 million as compared to $58.9 million in 2001.

Liquidity & Capital Resources

Westshore has in place with a Canadian chartered bank a $10 million secured operating facility which, if required, can be utilized to meet working capital requirements. This facility was not used during the year and remained undrawn at December 31, 2002. The computation of interest under the Notes effectively leaves Westshore with 15% of EBITDA to cover cash requirements not deducted in the computation of EBITDA, such as capital expenditures and special pension contributions. In 2003, Westshore will experience extraordinary capital expenditures by reason of the rebuild of the shiploaders at Berth 2. These are expected to be substantially covered by the proceeds of insurance, a portion of which Westshore has already received. To the extent that there is any time lag in receipt of insurance proceeds, Westshore expects to have sufficient cash on hand to cover its interim cash requirements.

Labour

Labour agreements with all three locals of the International Longshore and Warehouse Union ("ILWU") (the longshoremen, foreman and the clerical workers) expired on January 31, 2003. Negotiations are underway with Local 502 (the Longshoremen). It is anticipated that negotiations with all three locals will be more difficult than in prior years.

Outlook

With the completion of the long-term arrangements with the Coal Partnership, Westshore has secured an opportunity to maintain significant levels of coal throughput through the port for many years to come. Critical to Westshore's ongoing success will be the ability of the Coal Partnership to maintain and increase its export volumes while competing for sales with other world wide suppliers.

As noted earlier, the rates for the majority of the coal to be loaded by Westshore will after April 1, 2003 be determined by reference to the Canadian dollar price received by the Coal Partnership for such coal. This variable rate will be influenced by the settlement of the Japanese reference price for metallurgical coal in U.S. dollars and by the Canadian/U.S. dollar exchange rate.

Prior to the January 2, 2003 windstorm incident, previously reported, 2003 tonnage levels were expected to be somewhat higher than 2002 levels. As a result of the windstorm damage to Berth 2, tonnage throughput is anticipated to be approximately the same or slightly lower than 2002 levels.

Management's Report

The financial statements and other information in this annual report have been prepared by and are the responsibility of the management of the Fund. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect where necessary management's best estimates and judgments.

Management is also responsible for maintaining systems of internal and administrative controls to provide reasonable assurance that the Fund's assets are safeguarded, that transactions are properly executed in accordance with appropriate authorization and that the accounting systems provide timely, accurate and reliable financial information.

The Trustees are responsible for assuring that management fulfills its responsibility for financial reporting and internal control. The Trustees perform this responsibility at meetings where significant accounting, reporting and internal control matters are discussed and the financial statements and annual report are reviewed and approved.

The financial statements have been audited on behalf of the Unitholders by PricewaterhouseCoopers LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of their examination and their independent professional opinion on the fairness of these financial statements.

William W. Stinson
Trustee

M. Dallas H. Ross
Trustee

Auditors' Report

To the Unitholders of Westshore Terminals Income Fund

We have audited the balance sheets of **Westshore Terminals Income Fund** (the Fund) as at December 31, 2002 and 2001 and the statements of earnings and unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these 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 financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2002 and 2001 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,
Vancouver, British Columbia
February 13, 2003 (except for note 7(a), which is as of February 28, 2003)

Westshore Terminals Income Fund

Balance Sheets

As at December 31, 2002 and 2001 (expressed in thousands of dollars)

	2002 $	2001 $
Assets		
Current assets		
Cash and cash equivalents	10,858	15,688
Other assets	235	-
	11,093	15,688
Investment in Westshore Terminals Ltd. (note 3)	510,136	515,153
	521,229	530,841
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	114	588
Distribution payable to unitholders (note 5)	10,979	15,100
	11,093	15,688
Unitholders' equity	510,136	515,153
	521,229	530,841

Subsequent events (note 7)

APPROVED BY THE TRUSTEES:

William W. Stinson
Trustee

M. Dallas H. Ross
Trustee

Westshore Terminals Income Fund

Statements of Earnings and Unitholders' Equity

For the years ended December 31, 2002 and 2001
(expressed in thousands of dollars, except unit amounts)

	2002 $	2001 $
Income		
Interest (note 3)	43,865	50,164
Equity in earnings of Westshore Terminals Ltd.	831	2,048
Amortization of purchase price discrepancy (note 3)	(5,848)	(18,352)
	38,848	33,860
Expenses		
Administration costs	511	723
Net earnings for the year	38,337	33,137
Unitholders' equity - Beginning of year	515,153	531,457
Cash distributions declared during the year (note 5)	(43,354)	(49,441)
Unitholders' equity - End of year	510,136	515,153
Net earnings per trust unit	0.545	0.471
Weighted average number of trust units outstanding	70,381,111	70,381,111

Westshore Terminals Income Fund
Statements of Distributable Cash
For the years ended December 31, 2002 and 2001
(expressed in thousands of dollars, except unit amounts)

	2002 $	2001 $
Net earnings for the year	38,337	33,137
Add (subtract):		
Equity in earnings of Westshore Terminals Ltd.	(831)	(2,048)
Amortization of purchase price discrepancy	5,848	18,352
Distributable cash	43,354	49,441
Distributable cash per trust unit	0.616	0.702
Weighted average number of trust units outstanding	70,381,111	70,381,111

Westshore Terminals Income Fund
Statements of Cash Flows
For the years ended December 31, 2002 and 2001
(expressed in thousands of dollars)

	2002 $	2001 $
Cash flows from operating activities		
Net earnings for the year	38,337	33,137
Items not affecting cash		
Equity in earnings of Westshore Terminals Ltd.	(831)	(2,048)
Amortization of purchase price discrepancy	5,848	18,352
	43,354	49,441
Changes in non-cash working capital	(709)	42
	42,645	49,483
Cash flows from financing activities		
Distributions paid to unitholders	(47,475)	(47,614)
(Decrease) increase in cash and cash equivalents	(4,830)	1,869
Cash and cash equivalents - Beginning of year	15,688	13,819
Cash and cash equivalents - End of year	10,858	15,688
Supplemental cash flow information		
Cash received for interest	43,865	50,164

(Figures in tables are expressed in thousands of dollars, except unit amounts)

1. *Organization and basis of presentation*

The Fund is an open-ended, single purpose trust created under the laws of the Province of British Columbia by a Declaration of Trust made as of December 2, 1996. The Fund was created to acquire 100% of the issued and outstanding common shares and $470 million of unsecured subordinated notes (the Notes) of Westshore Terminals Ltd. (Westshore) from Westar Group Ltd. (Westar) (note 3). The acquisition of common shares and Notes was financed by the public issue of trust units of the Fund (note 4).

While the Fund owns all of Westshore's issued common shares, Westar is entitled to designate three of Westshore's five directors. Accordingly, Westshore does not meet the definition of a subsidiary for accounting purposes and the Fund accounts for its investment from the effective date of the acquisition of January 1, 1997 using the equity method. Under this method, the cost of the investment is increased (decreased) by Westshore's income (loss) and reduced by the amortization of the purchase price discrepancy, any dividends paid to the Fund by Westshore, and repurchases of Westshore's common shares held by the Fund.

2. *Significant accounting policies*

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at their purchase date of three months or less.

Amortization of purchase price discrepancy

The excess of the Fund's cost of its investment in Westshore's common shares and Notes over the net book value at the date of acquisition has been allocated to plant and equipment, future income taxes and goodwill. Plant and equipment are depreciated using the unit-of-production method over the estimated useful production life of the assets. The estimated useful lives of plant and equipment range from 3 to 30 years.

Changes in accounting policy

On January 1, 2002, the Fund adopted the new recommendations of the Canadian Institute of Chartered Accountants dealing with accounting for goodwill. Under the new recommendations, goodwill is no longer amortized. Annually, or more frequently as circumstances require, the Fund reviews and evaluates the carrying value of its investment in Westshore. In the event there has been a loss in value of the investment that is other than a temporary decline, the investment is written down to recognize the loss.

For comparative purposes:

	2002 $	2001 $
Net earnings for the year	38,337	33,137
Add: Amortization relating to goodwill in investment	-	18,277
Adjusted net earnings	38,337	51,414
Adjusted net earnings per trust unit	0.545	0.731

As a result of this change, net earnings have increased by $18,277,000 over what they would have been if the old accounting policies had been applied in 2002. The change has no impact on distributable cash.

Income Taxes

The Fund is a Unit Trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the unitholders. During 2002 and 2001, all taxable income of the Fund has been allocated to the unitholders. Income tax obligations relating to distributions from the Fund are the obligations of the unitholders.

Westshore accounts for income taxes using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable or recoverable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs.

(Figures in tables are expressed in thousands of dollars, except unit amounts)

Cash distributions to unitholders

Distributions to unitholders are made on a quarterly basis with provision for an optional fifth distribution following the end of the fiscal year. The amount of cash to be distributed annually to unitholders is equal to the total of interest income earned on the Notes and cash held by the Fund, dividends received from Westshore, and any repurchases of common shares by Westshore, less administrative expenses incurred by the Fund, amounts paid in connection with any cash redemption of units and amounts required for the operation of the Fund.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Accordingly, actual amounts could differ from those estimates.

Financial instruments

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities and distribution payable to unitholders approximate fair values based on the short-term maturity of these instruments.

3. *Investment in Westshore Terminals Ltd.*

	2002 $	2001 $
Common shares (177,964,001 shares)	177,964	177,964
Notes	470,000	470,000
Equity in net earnings and amortization of purchase price discrepancy	(137,828)	(132,811)
	510,136	515,153

The Notes mature on March 31, 2022 and are unsecured and subordinated to all secured obligations of Westshore.

Interest is determined using a variable interest rate based on a proportion of Westshore's earnings before depreciation, interest and income taxes calculated on a monthly basis. Interest for any month cannot be lower than 6% and not higher than 11.5%.

During the year ended December 31, 2002, the Fund earned interest income of $43.9 million (2001 - $50.2 million) on the Notes.

The method of calculating interest could produce significant variations by quarter in interest earned on the Notes. To avoid substantial variations in distributions by the Fund to unitholders, the unitholders passed an amendment to the Declaration of Trust at the Annual General Meeting in June 2000 to permit the Trustees to declare and pay in any quarter all or a portion of the interest accrued on the Notes in that quarter. The amendment allows the Trustees to attempt to make quarterly distributions of an equal amount within any given year.

On or about March 31, 2012, and from time to time thereafter, the Board of Directors of Westshore (the Board) and the Trustees of the Fund (the Trustees) will jointly review Westshore's facilities and operations, the economic conditions relating to the coal industry, and the business prospects of Westshore. If this review indicates, in the opinion of either the Board or the Trustees, that the indebtedness of Westshore evidenced by the Notes is unlikely to be refinanced on the same terms and conditions upon maturity of such Notes, then Westshore will commence principal repayments on the Notes so that the Notes are fully repaid upon maturity or reduced to the level that, in the opinion of the Board and the Trustees, could be so refinanced. In that event, Westshore's available cash will be utilized to the extent required to fund such repayments in lieu of dividends on the common shares.

The Fund has determined its purchase price discrepancy to be $557.3 million, representing the excess of the purchase price of the Fund's investment in Westshore's common shares and Notes over the related net book value of Westshore at the date of acquisition. The Fund's purchase price discrepancy has been ascribed to plant and equipment, goodwill and future income taxes and has been amortized as follows:

(Figures in tables are expressed in thousands of dollars, except unit amounts)

	Purchase Price discrepancy allocation $	Accum-ulated amortization $	2002 Net $	2001 Net $
Plant and equipment	184,495	79,068	105,427	118,605
Future income taxes	(84,130)	(44,469)	(39,661)	(46,991)
	100,365	34,599	65,766	71,614
Goodwill (note 2)			365,541	365,541
			431,307	437,155

4. *Trust units*

The Declaration of Trust provides that an unlimited number of trust units may be issued. Each unit represents an equal and undivided beneficial interest in any distribution from the Fund and in the net assets in the event of termination or wind-up. All units are of the same class with equal rights and privileges. Units may be issued for consideration payable in instalments, with such units being held as security for unpaid instalments.

Trust units are redeemable at the holders' option at amounts related to market prices at the time, subject to a maximum of $250,000 in cash redemptions by the Fund in any particular month. This limitation can be waived at the discretion of the Trustees. Redemption in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of a pro rata number of Westshore common shares and Notes.

Units outstanding as at December 31 are as follows:

	2002	2001
Number of units	70,381,111	70,381,111

Also see note 5.

5. *Distributions to unitholders*

During the year ended December 31, 2002, the Fund declared cash distributions to unitholders of $43,354,000 (2001 - $49,441,000) or $0.616 (2001 - $0.702) per unit. The amounts and record dates of the distributions were as follows:

	2002		2001	
	Total $	Per unit $	Total $	Per unit $
March 31	9,853	0.140	9,600	0.136
June 30	11,261	0.160	11,741	0.167
September 30	11,261	0.160	13,000	0.185
December 31	10,979	0.156	15,100	0.214
	43,354	0.616	49,441	0.702

The distribution of $10,979,000 ($0.156 per unit) payable to unitholders of record on December 31, 2002 was paid on or before January 15, 2003.

Certain costs incurred in issuing trust units by the Fund of $40,197,000 are deductible for income tax purposes on a straight-line basis over a five-year period. The Fund can designate these deductions as a "return of capital," which will reduce the taxable amounts of distributions to unitholders. Additionally, any payments received from Westshore relating to the repurchase of share capital can also be designated as a return of capital for distribution to unitholders. As at December 31, 2002, $nil (2001 - $19,000) of issue costs was available for future designation as a return of capital.

The distributions declared in 2002 and 2001 have been allocated as follows for income tax purposes:

	2002		2001	
	Total $	Per unit $	Total $	Per unit $
Cash distributions				
Interest income	43,335	0.615	41,402	0.588
Return of capital	19	0.001	8,039	0.114
Total distribution	43,354	0.616	49,441	0.702

6. *Related party transactions*

Administration agreement

The Fund has entered into an administration agreement with Westar, which is owned indirectly by a significant unitholder of the Fund. Under the terms of the agreement, Westar is responsible for administering and managing the Fund. Westar earns a fee of $250,000 per annum plus reimbursement of certain out-of-pocket costs for providing these services, and if the costs of administering the Fund exceed $400,000 in any year, Westar will also be reimbursed for such excess costs. The agreement can be terminated on 180 days' notice, or immediately under certain circumstances.

Under the administration agreement, Westar earned a fee of $250,000 for the year ended December 31, 2002 (2001 - $250,000). The administration fees are included in administration costs on the statements of earnings and unitholders' equity.

Accounts payable and accrued liabilities include $67,000 (2001 - $67,000) due to Westar for management fees and out-of-pocket expense reimbursement.

Management agreement

Westshore has entered into a management agreement with Westar. Under the terms of the agreement, Westar is responsible for providing executive management and other services to Westshore. The initial term of the agreement is 15 years, and the agreement is renewed thereafter for successive five-year terms unless Westshore gives notice of non-renewal at least 12 months before the end of the relevant term. The management agreement may be terminated by Westshore in certain circumstances, and Westar can terminate the agreement at any time on 12 months' notice. Westar earns a fee of $750,000 per annum plus reimbursement of reasonable out-of-pocket expenses for providing these services. In addition, as an incentive to Westar to enhance the cash flow of Westshore, Westar is entitled to earn incentive fees that will be payable annually when the per-unit cash distributions to unitholders exceed certain defined levels.

Under the management agreement, Westar earned a fee of $750,000 for the year ended December 31, 2002 (2001 - $750,000). The management fees are recorded in the accounts of Westshore and are included in equity in earnings of Westshore Terminals Ltd. on the statements of earnings and unitholders' equity.

Other related party transactions

Accounts payable and accrued liabilities include $21,000 (2001 - $nil) due to Westshore.

See note 3.

7. *Subsequent events*

(a) Coal Partnership

Effective February 28, 2003, the Fund along with Teck Cominco Limited (Teck), Luscar Ltd. (Luscar), Sherritt International Corporation and the Ontario Teacher's Pension Plan agreed with Fording Inc. (Fording) to proceed under a plan of arrangement to convert Fording into an income trust. As part of the plan of arrangement, existing Fording shareholders were able to elect to receive cash or units (or both) of the Fording Canadian Coal Trust (Fording Trust). As part of the transaction, the Fund paid $150 million in cash for a 9.1% investment in the newly formed Fording Trust. The Fund financed this investment through loans of $120 million from a Canadian chartered bank and $30 million from an affiliate of Westar. These loans were guaranteed by Westshore. Fording Trust will hold 65% of the Canadian Coal Partnership (the Partnership) and 100% interest in Fording's industrial minerals business. The Partnership acquired all the metallurgical coal assets of Fording, Teck and Luscar. Westshore's coal handling contracts previously negotiated with Fording, Teck, and Luscar, including exclusivity agreements, will continue in effect.

(b) Ship loader Accident

On January 2, 2003, high winds caused the two ship loaders at Berth 2 at Westshore's terminal site to collapse. Both ship loaders were severely damaged. The ship loader at Berth 1 was undamaged by the storm. Westshore's insurers have confirmed Westshore's coverage under the All Risk Property Policy, including business interruption compensation for the accident (net of applicable deductions). The initial repair and replacement cost is estimated to be $15 million. This estimate may change as repairs and replacements are undertaken. Westshore anticipates that the operations at Berth 2 will resume in the summer of 2003.

For accounting purposes, Westshore will record an extraordinary gain in 2003, which will be the insurance proceeds to replace the damaged equipment net of the carrying value of the damaged equipment which will be written off. The cost of replacement equipment will be capitalized to plant and equipment and depreciated consistent with Westshore's current depreciation policy. Proceeds from business interruption insurance will be included in earnings before depreciation, interest and income taxes on Westshore's statement of earnings.

During the first quarter of 2003, the Fund will writeoff the portion of its purchase price discrepancy that relates to the damaged equipment.

Auditors' Report

To the Shareholder of Westshore Terminals Ltd.

We have audited the balance sheets of **Westshore Terminals Ltd.** as at December 31, 2002 and 2001 and the statements of earnings and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
February 13, 2003
(except as to note 11(a), which is as of February 28, 2003)

Westshore Terminals Ltd.

Balance Sheets

As at December 31, 2002 and 2001 (expressed in thousands of dollars)

	2002 $	2001 $
Assets		
Current assets		
Cash and cash equivalents	4,293	12,202
Accounts receivable (note 7)	10,432	8,915
Inventories	5,736	5,613
Prepaid expenses	2,333	2,328
Income taxes receivable	1,873	-
	24,667	29,058
Plant and equipment		
At cost	265,465	264,787
Accumulated depreciation	(178,240)	(168,052)
	87,225	96,735
Employee future benefits (note 8)	1,061	552
	112,953	126,345
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	15,249	28,397
Income taxes payable	-	1,025
	15,249	29,422
Notes payable (note 3)	470,000	470,000
Future income taxes (note 5)	18,875	18,925
	504,124	518,347
Shareholder's Deficiency		
Share capital (note 4)	177,964	177,964
Deficit	(569,135)	(569,966)
	(391,171)	(392,002)
	112,953	126,345

Commitments and contingencies (note 10)

Subsequent events (note 11)

APPROVED BY THE DIRECTORS:

M. Dallas H. Ross
Director

Kirk Henderson
Director

Westshore Terminals Ltd.

Statements of Earnings and Deficit

For the years ended December 31, 2002 and 2001 (expressed in thousands of dollars)

	2002 $	2001 $
Revenue		
Coal	109,581	126,186
Other	2,085	879
	111,666	127,065
Expenses		
Operating	52,445	61,922
Administrative	5,867	6,286
	58,312	68,208
Earnings before depreciation, interest and income taxes	53,354	58,857
Depreciation	10,201	10,023
Interest expense (note 3)	43,865	50,164
Loss before income taxes	(712)	(1,330)
Recovery of income taxes (note 5)	1,543	3,378
Net earnings for the year	831	2,048
Deficit - Beginning of year	(569,966)	(572,014)
Deficit - End of year	(569,135)	(569,966)

Westshore Terminals Ltd.

Statements of Cash Flows

For the years ended December 31, 2002and 2001(expressed in thousands of dollars)

	2002 $	2001 $
Cash flows from operating activities		
Net earnings for the year	831	2,048
Items not affecting cash		
Depreciation	10,201	10,023
Future income tax recovery	(50)	(5,786)
	10,982	6,285
Increase in non-cash working capital	(17,691)	(2,146)
Increase in deferred employee future benefits costs	(509)	(430)
	(7,218)	3,709
Cash flows from investing activities		
Additions to plant and equipment	(691)	(3,843)
Decrease in cash and cash equivalents	(7,909)	(134)
Cash and cash equivalents - Beginning of year	12,202	12,336
Cash and cash equivalents - End of year	4,293	12,202
Supplemental cash flow information		
Cash paid for interest	43,865	50,164
Cash received for interest	461	685
Income taxes paid	1,391	2,340

1. *Organization and basis of presentation*

The Company operates a coal storage and loading facility at Roberts Bank, British Columbia.

On January 30, 1997, Westar Group Ltd. (Westar) completed the sale of the Company to the Westshore Terminals Income Fund (the Fund). The sale had an effective date of January 1, 1997. Westar continues to provide management services to the Company (note 7).

2. *Significant accounting policies*

Accounting principles

The Company prepares its accounts in accordance with Canadian generally accepted accounting principles.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at their purchase date of three months or less.

Inventories

Inventories of spare parts and supplies are valued at average cost less a provision for obsolescence.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the unit-of-production method over the estimated useful production life of the assets. The estimated useful lives of plant and equipment range from 3 to 30 years.

Revenue recognition

Coal handling revenue is recognized when a customer's coal is loaded onto a ship and ready for export from the terminal site.

Income taxes

The Company accounts for income taxes using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable or recoverable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Financial instruments

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair values based on the short-term maturity of those instruments. The fair value of the notes payable is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

Employee future benefits

The Company accrues its obligations under employee benefit plans, net of plan assets, and applies the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected accrued benefit method pro-rated on length of service and best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

(Figures in tables are expressed in thousands of dollars)

- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

3. *Notes payable*

The $470 million of notes payable (the Notes), all of which are held by the Fund, mature on March 31, 2022 and are unsecured and subordinated to all secured obligations of the Company.

Interest is determined using a variable interest rate based on a proportion of the Company's earnings before depreciation, interest and income taxes calculated on a monthly basis. Interest for any month cannot be lower than 6% and not higher than 11.5%.

During the year ended December 31, 2002, the Company incurred interest expense of $43.9 million (2001 - $50.2 million) on the Notes.

On or about March 31, 2012, and from time to time thereafter, the Board of Directors of the Company (the Board) and the Trustees of the Fund (the Trustees) will jointly review the Company's facilities and operations, the economic conditions relating to the coal industry, and the business prospects of the Company. If this review indicates, in the opinion of either the Board or the Trustees, that it is unlikely that the indebtedness of the Company evidenced by the Notes could be refinanced on the same terms and conditions upon maturity of such Notes, then the Company will commence principal repayments on the Notes such that the Notes are fully repaid upon maturity or reduced to the level which the Board and the Trustees are of the opinion could be so refinanced. In that event, the Company's available cash will be utilized to the extent required to fund such repayments in lieu of dividends on the common shares.

4. *Share capital*

Authorized

500,000,000 common shares without par value

	Number of shares	Amount $
Issued and Outstanding – December 31, 2002 and 2001	177,964,001	177,964

5. *Income taxes*

A reconciliation of income taxes at the statutory tax rate to actual income taxes is as follows:

	2002 $	2001 $
Income tax recovery at statutory Canadian rate	(282)	(593)
Large corporations tax	204	222
Reduction in future income tax rate	(1,202)	(3,082)
Loss carry-back at higher tax rate	(188)	-
Other	(75)	75
Income tax recovery	(1,543)	(3,378)
Represented by:		
Current income tax (recovery) provision	(1,493)	2,408
Future income tax recovery	(50)	(5,786)
	(1,543)	(3,378)

The nature and tax effect of the temporary differences that give rise to future income tax assets and liabilities are as follows:

	2002 $	2001 $
Plant and equipment	19,856	22,929
Accounts payable and accrued liabilities	(1,380)	(4,218)
Employee future benefits	399	214
Future income tax liability	18,875	18,925

6. *Bank operating facility*

The Company has a $10 million (2001 - $10 million) secured operating facility. No amounts are outstanding on this facility as at December 31, 2002 and 2001. Interest on borrowings under the operating facility is at the lender's prime rate or, if the borrowings are in the form of bankers' acceptances, at the lender's bankers' acceptance rate plus 1% per annum. The lender charges a standby fee of 1/4% per annum on the undrawn portion of the facility.

(Figures in tables are expressed in thousands of dollars)

7. *Related party transactions*

The Company has entered into a management agreement with Westar effective February 1, 1997. Westar is entitled to designate three of the Company's five directors and is owned indirectly by a significant unitholder of the Fund. Under the terms of the agreement, Westar is responsible for providing executive management and other services to the Company. The initial term of the agreement is 15 years, and the agreement is renewed thereafter for successive five-year terms unless the Company gives notice of non-renewal at least 12 months before the end of the relevant term. The management agreement may be terminated by the Company in certain circumstances, and Westar can terminate the agreement at any time on 12 months' notice. Westar earns a fee of $750,000 per annum plus reimbursement of reasonable out-of-pocket expenses for providing these services. In addition, as an incentive to Westar to enhance the cash flow of the Company, Westar is entitled to earn incentive fees that will be payable annually when the per-unit cash distributions to unitholders of the Fund exceed certain defined levels.

Westar earned a fee of $750,000 (2001 - $750,000) for the year ended December 31, 2002 under the management agreement. No incentive fees were earned by Westar in 2002 and 2001.

At December 31, 2002, accounts payable and accrued liabilities include $nil (2001 - $868,000) payable to Westar. At December 31, 2002, accounts receivable include $21,000 (2001 - $nil) due from the Fund.

Also see note 3.

8. *Employee future benefits*

The Company has two defined benefit pension plans and provides other retirement and post-employment benefits for most of its employees.

Information about the Company's defined benefit pension plans and other benefit obligations is as follows:

	Pension plan benefits		Other benefits	
	2002	2001	2002	2001
	$	$	$	$
Accrued benefit obligation				
Balance - Beginning of year	41,980	37,153	14,257	10,307
Actuarial losses	667	2,726	1,152	3,185
Current service cost	687	711	421	400
Interest cost	2,888	2,792	1,053	952
Benefits paid	(1,853)	(1,402)	(651)	(587)
Balance - End of year	44,369	41,980	16,232	14,257
Plan assets				
Fair value - Beginning of year	47,791	46,005	-	-
Actual return on assets	(2,930)	1,238	-	-
Benefits paid	(1,853)	(1,402)	(651)	(587)
Employer contributions	1,713	1,950	651	587
Fair value - End of year	44,721	47,791	-	-
Balances - December 31				
Funded status - plan surplus (deficit)	352	5,811	(16,232)	(14,257)
Unamortized net actuarial losses	11,057	3,670	3,207	2,266
Unamortized past service costs	1,246	1,419	1,431	1,643
	12,655	10,900	(11,594)	(10,348)
Accrued benefit asset (liability)	12,655	10,900	(11,594)	(10,348)

All pension plans are fully funded. The other benefit plans have no assets.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted average assumptions as of December 31):

	Pension plan benefits		Other benefits	
	2002	2001	2002	2001
	%	%	%	%
Discount rate	6.75	7.0	6.75	7.0
Expected rate of return on assets	8.0	8.0	8.0	8.0

For measurement purposes, a 6% annual rate of increase in the per capita cost of covered health care benefits was assumed over the next 10 years. The rate was decreased to 3.5% after 10 years and remained at that level thereafter.

(Figures in tables are expressed in thousands of dollars)

The Company's net benefit plan expense (income) for the year ended December 31, 2002 is as follows:

	Pension plan benefits		Other benefits	
	2002 $	2001 $	2002 $	2001 $
Current service cost	687	711	421	400
Interest cost	2,888	2,792	1,053	952
Expected return on plan assets	(3,817)	(3,703)	-	-
Amortization of experience losses	27	30	211	159
Amortization of past service costs	186	186	212	212
Net benefit plan (income) expense	(29)	16	1,897	1,723

9. *Significant customers and contracts*

Approximately 61% (2001 - 66%), 28% (2001 - 21%) and 11% (2001 - 13%) of the Company's revenue is earned from its three largest customers, respectively. All of these customers operate within the coal mining industry in Western Canada. The total amount receivable from these customers was $10,318,000 at December 31, 2002 (2001 - $8,351,000).

Two of the Company's customer contracts, including the contract with its largest customer, were renegotiated in 2002.

Contract arbitration

Between 1998 and 2002, the Company had been involved in a dispute with a customer regarding the coal handling rates the Company charged. In April 2002, the two parties reached a settlement. The Company had accrued for this potential liability prior to the settlement.

10. *Commitments and contingencies*

(a) Commitments

The Company is committed under operating leases to the rental of property, facilities, and equipment.

The Company's terminal site is leased (the Lease) from the Vancouver Port Authority (the VPA). Charges payable by the Company under the Lease comprise an annual base land and waterlot rental fee and an annual participation rental based on the volume of coal shipped. A minimum participation rental per tonne is charged based on a minimum annual tonnage (MAT) of 17.6 million tonnes. A higher participation rental per tonne is charged on tonnage in excess of the MAT.

The original term of the Lease expired on February 28, 2002. The Company exercised the first of two options to renew the Lease for an additional 10-year period, commencing March 1, 2002. The VPA did not increase the land and waterlot rental rates and tonnage rates upon renewal. The VPA has the right to change the lease rates every three years during the renewal period. The Company has the right to seek redetermination of any increased rental by invoking an arbitration process.

Future minimum operating lease payments for the next five years ending December 31 (assuming the VPA does not exercise its right to adjust the rate in 2005) are as follows:

	Terminal lease $	Other $	Total $
2003	11,666	129	11,795
2004	11,666	129	11,795
2005	11,666	129	11,795
2006	11,666	-	11,666
2007	11,666	-	11,666
Thereafter	48,608	-	48,608

(b) Contingencies

Lease rate legal proceedings

In January 2000, the Company commenced legal proceedings against the VPA in Federal Court seeking to reduce its rental charges payable to the VPA under the Lease. During 2002, both trial level court and the court of appeal ruled against the Company. The Company has determined not to appeal this matter.

11. Subsequent events

(a) Coal Partnership

On February 28, 2003, the Fund paid $150 million in cash for a 9.1% investment in the newly formed Fording Trust. The Fund financed this investment through loans of $120 million from a Canadian chartered bank and $30 million from an affiliate of Westar. These loans were guaranteed by the Company. Fording Trust will hold 65% of the Canadian Coal Partnership (the Partnership) and 100% interest in Fording's industrial minerals business. The Partnership acquired all the metallurgical coal assets of Fording, Teck and Luscar. The Company's coal handling contracts previously negotiated with Fording, Teck and Luscar, including the exclusivity agreements, will continue in effect.

(b) Ship loader accident

On January 2, 2003, high winds caused the two ship loaders at Berth 2 at the Company's terminal site to collapse. Both ship loaders were severely damaged. The ship loader at Berth 1 was undamaged by the storm. The Company's insurers have confirmed the Company's coverage under the All Risk Property Policy, including business interruption compensation for the accident (net of applicable deductions). The repair and replacement cost is estimated to be $15 million. This estimate may change as repairs and replacements are undertaken. The Company anticipates the operations at Berth 2 will resume in the summer of 2003.

For accounting purposes, the Company will record an extraordinary gain in 2003, which will be the insurance proceeds to replace the damaged equipment net of the carrying value of the damaged equipment which will be written off. The cost of replacement equipment will be capitalized to plant and equipment and depreciated consistent with the Company's depreciation policy. Proceeds from business interruption insurance will be included in earnings before depreciation, interest and income taxes on the statement of earnings.

Corporate Information

Westshore Terminals Income Fund

Trustees

William W. Stinson
Chairman
Corporate Director

Gordon Gibson
Corporate Director

Michael J. Korenberg
Managing Director, Vice Chairman
The Jim Pattison Group

M. Dallas H. Ross
Partner
Kinetic Capital Partners

William C. Scheidt
Retired Banker

Secretary

Nick Desmarais
Managing Director, Legal Services
The Jim Pattison Group

Auditors

PricewaterhouseCoopers LLP
Vancouver, British Columbia

Principal Office

1600 – 1055 West Hastings Street
Vancouver, British Columbia V6E 2H2
Telephone: 604.488.5295
Facsimile: 604.687.2601

Registrar and Transfer Agent

Computershare Trust Company of Canada
Vancouver and Toronto

Stock Exchange Listing

The Toronto Stock Exchange

Trading Symbol

WTE.UN

Annual General Meeting

The Annual Meeting of Unitholders will be held on Tuesday, June 17, 2003 at 9:00 A.M. at the Delta Pinnacle Hotel, Vancouver, British Columbia

Westshore Terminals Ltd.

Directors

Nick Desmarais
Managing Director, Legal Services
The Jim Pattison Group

Kirk Henderson
Managing Director, Vice-Chairman
The Jim Pattison Group

James A. Pattison
Managing Director, Chairman & C.E.O.
The Jim Pattison Group

M. Dallas H. Ross
Partner, Kinetic Capital Partners

William Stinson
Corporate Director

Officers

Kirk Henderson
President

John W. Hogg
Vice-President and General Manager

Denis Horgan
Vice-President, Administration & Marketing

Nick Desmarais
Secretary

Auditors

PricewaterhouseCoopers LLP
Vancouver, British Columbia