WESTSHORE TERMINALS INCOME FUND

ANNUAL REPORT

2003

Westshore Terminals Income Fund (the "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"). Westshore 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 (the "Fording Trust"), representing approximately 9.1% of the outstanding units of the Fording Trust. During 2003 the Fund received its pro rata share of distributions from the Fording Trust totalling $15.8 million (net of debt service costs), which were, in turn, distributed to the Fund's unitholders. The Fund has sold all of its Fording Trust units. As a result, the Fund's distributions will be solely based on the distributions received from Westshore. 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)

	2003	2002
Distribution to Unitholders		
Cash flows from operating activities before changes in non-cash working capital	**$ 38,021**	$ 43,354
Add (subtract)		
Fording Trust regular distributions in excess of the Fund's share of earnings	**428**	-
Fording Trust special distributions	**6,414**	-
Fording Trust special receipt	**7,647**	-
Net proceeds on sale of Fording Trust units	**125,161**	-
Repayment of long-term debt	**(120,626)**	-
Distributable cash	**57,045**	43,354
Distributions paid or declared during the period	**57,169**	43,354
Distributions per unit	**$ 0.812**	$ 0.616
Breakdown for Unitholder income tax purposes		
Taxable income	**$ 52,369**	$ 43,335
Per unit	**$ 0.74408**	$ 0.61572
Return of capital	**$ 4,800**	$ 19
Per unit	**$ 0.06820**	$ 0.0003
Units outstanding at December 31	**70,381,111**	70,381,111
Trading Statistics 2003		
High	**$ 7.65**	
Low	**$ 4.35**	
Close	**$ 7.25**	
Volume	**29,630,727**	

Westshore Terminals Ltd.

Tonnage (in thousands)	**19,324**	19,434
Earnings before depreciation, interest, income taxes and extraordinary gain	**$ 45,172**	$ 53,354

Dear Unitholder:

For the twelve months ending December 31, 2003 the Westshore Terminals Income Fund (the "Fund") declared distributions to Unitholders of $57.2 million ($0.812 per unit). The distributions for unitholder income tax purposes were comprised of income of $0.74408 per unit and a return of capital of $0.06820 per unit.

The Fund's distributions in 2003 consisted of a combination of interest received from Westshore Terminals Ltd. ("Westshore") and distributions received from the Fund's investment in the Fording Canadian Coal Trust ("Fording Trust"). On February 28, 2003, following Fording Inc.'s ("Fording") shareholder approval, the Fording Trust was formed. Among other things this transaction resulted in Westshore securing a long-term handling contract, which expires February 29, 2012, with the Elk Valley Coal Partnership ("Coal Partnership") covering the three mines previously owned by Fording, and the Fund investing $150 million in exchange for a 9.1% interest in the Fording Trust.

During the course of 2003, the Fording Trust made a number of special and regular distributions. The Fund received its pro rata share of these distributions, which were in turn paid to the Fund's unitholders. Total distributions from the Fording Trust during 2003 (net of debt service costs) were $15.8 million or $0.2249 per Fund unit.

By December 31, 2003, the Fund had sold approximately 3.4 million of its 4.3 million units of the Fording Trust for net proceeds of $125.2 million. These proceeds were used to repay most of the $150 million debt incurred to buy the units, and $4.7 million was distributed to the Fund's unitholders as part of the Q4 2003 distribution. By January 31, 2004, the Fund had sold the balance of the Fording Trust units. The Fund used the proceeds to repay the balance of the debt, and $11.7 million was paid to unitholders as a special distribution forming part of the Q1 2004 distribution.

With the disposition of the Fording Trust units, the Fund's cash flows will as before be entirely dependent on Westshore's cash flow. Since 2000, the interest rate on Westshore's subordinated notes held by the Fund has been computed as 85% of Westshore's earnings before depreciation, interest, income taxes and extraordinary gain, subject to a floor rate. The directors of Westshore and trustees of the Fund have established that in future Westshore should distribute an additional 5% of its earnings before depreciation, interest, income taxes and extraordinary gain, with the intent that the Fund's distributions will be based on 90% of Westshore's earnings before depreciation, interest, income taxes and extraordinary gain.

During 2003, Westshore loaded 19.3 million tonnes of coal as compared to 19.4 million tonnes shipped in 2002. Lower tonnage levels resulted principally from the windstorm incident on January 2, 2003, which resulted in damage to two shiploaders at Berth 2, rendering it incapable of loading coal for approximately seven months. Repairs were completed in the summer of 2003 and Berth 2 was fully operational by August 2003. Westshore's insurance covered both the costs of repair and most of the lost profits from reduction in shipments, net of applicable deductibles.

Westshore's earnings before depreciation, interest, income taxes and extraordinary gain for 2003 was $45.2 million as compared to $53.4 million in 2002. The principal reasons for this change were a $12.5 million decline in Westshore's coal loading revenue as a result of lower rates and a $2.4 million increase in expenses, offset by a $6.7 million increase in other income principally as a result of receipts of proceeds of business interruption insurance and hedging gains.

After difficult negotiations, all three labour agreements with International Longshore and Warehouse Union (the longshoremen, the foremen and the clerical workers) were signed in 2003 and new four-year agreements are in place and all expire on January 31, 2007.

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 is a function of the price in Canadian dollars realized by the Coal Partnership for that coal. Accordingly, a strengthening Canadian dollar against the U.S. dollar negatively impacts the throughput rate received by Westshore. For every US$0.01 increase in the value of the Canadian dollar, at current volumes and constant US dollar denominated coal prices and before the impact of any hedging arrangements, annual distributions can be expected to decrease by $0.021 per unit. Similarly, for every US$1.00 change in the price of metallurgical coal, at current volumes annual distributions can be expected to increase or decrease, as the case may be, by $0.032 per unit.

2004 tonnage levels at Westshore were affected in January and February by a lack of coal inventory at the terminal and lower than normal levels of rail deliveries to Westshore. Westshore has been working with the Coal Partnership and the railroads to manage this situation. Shipments in March increased to more customary levels. At the present time total volume throughput at Westshore for 2004 is anticipated to be higher than 2003 levels.

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

For the Board of Trustees,

William W. Stinson — Vancouver, B.C.
Chairman of the Board of Trustees — May 10, 2004

General

Westshore Terminals Income Fund (the "Fund") derives 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. Distributions from the Fording Trust were received during 2003 and were in turn paid (net of debt service costs) to unitholders of the Fund. These distributions from the Fording Trust included a number of special non-recurring distributions and regular distributions from operations.

By the end of 2003, the Fund had sold 3,360,714 of its 4,285,714 units of the Fording Trust and by January 30, 2004 had sold the balance of its holdings. The proceeds from the sale of the Fording Trust units were used to repay the $150 million debt incurred to buy the units and to pay the Fund's unitholders a total of $16.4 million representing the gain from the sale. Of this amount, $4.7 million was paid as part of the Q4 2003 distribution and $11.7 million was paid as part of the Q1 2004 distribution.

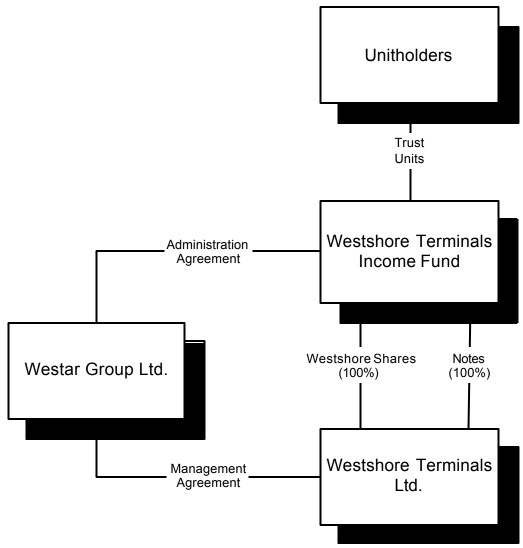
As a result of the sale of the Fording Trust units, distributions by the Fund will again be entirely dependent on the performance of Westshore. Westshore's results are determined largely by the volume of coal shipped by its coal mine customers for sale in the export market, the rate per tonne charged by Westshore and Westshore's costs. Since 2000, the interest rate on Westshore's subordinated notes held by the Fund has been computed as 85% of Westshore's earnings before depreciation, interest, income taxes and extraordinary gain, subject to a floor and a ceiling. The directors of Westshore and trustees of the Fund have established that in future Westshore should distribute an additional 5% of its earnings before depreciation, interest, income taxes and extraordinary gain, with the intent that the Fund's distributions will be based on 90% of Westshore's earnings before depreciation, interest, income taxes and extraordinary gain.

This management's discussion and analysis for the Fund and the operational review for Westshore refer to certain measures other than those prescribed by Generally Accepted Accounting Principles ("GAAP"). These measures do not have standardized meanings and may not be comparable to similar measures presented by other trusts or corporations. They are however determined by reference to the Fund's financial statements. These non-GAAP measures are discussed because the Fund believes they provide investors with valuable information in understanding the results of the Fund's and Westshore's operations and financial position.

Distributable cash refers to the net cash received by the Fund that is available for distribution to the Fund's Unitholders. Refer to "Financial Highlights" for a reconciliation of the Fund's distributable cash to cash flows from operating activities.

Structure of the Fund

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



Results of Operations and Distributions

The following financial data is derived from the Fund's audited financial statements for each of the three most recently complete financial years, which were prepared in Canadian dollars using Canadian GAAP.

(In thousands of dollars except per unit amounts)

	2003	2002	2001
Interest income	**37,302**	43,865	50,164
Fording distributions	**9,040**	-	-
	46,342	43,865	50,164
Earnings before extraordinary gain	**49,985**	38,337	33,137
Earnings before extraordinary gain per unit	**0.710**	0.545	0.471
Net Earnings	**57,280**	38,337	33,137
Net Earnings per unit	**0.814**	0.545	0.471
Distributable cash	**57,045**	43,354	49,441
Distributions declared	**57,169**	43,354	49,441
Distributions declared per unit	**0.812**	0.616	0.702
Total Assets	**558,831**	521,229	530,841

As shown above, cash distributions declared to Unitholders for 2003 were $57,169,000 ($0.812 per unit) compared to $43,354,000 ($0.616 per unit) for 2002. In 2003 the Fund paid $250,000 (excluding GST) to Westar for administration services provided under the Administration Agreement dated January 30, 1997 between the Fund and Westar.

Distributions were made quarterly during 2003, with the final distribution declared on December 17, 2003 and paid on January 15, 2004. The distributions from the Fund in 2003 to Unitholders for income tax purposes were comprised of income of $52,369,000 ($0.74408 per unit) and return of capital of $4,800,000 ($0.06820 per unit). Of this amount, $36.7 million or $0.5212 per unit was from Westshore, $15.8 million or $0.2249 was from the Fording Trust distributions (net of debt service costs), and $4.7 million or $0.0662 was from proceeds on the sale of the Fording Trust units.

The following sets out selected financial information for the Fund on a quarterly basis for the last two financial years.

	12 Months Ended	Three Months Ended			
(In thousands of dollars except per unit amounts)	Dec 31, 2003	Mar 31, 2003	Jun 30, 2003	Sep 30, 2003	Dec 31, 2003
Income					
Interest	$ 37,302	$ 9,743	$ 9,895	$ 7,355	$ 10,309
Fording Canadian Coal Trust distributions	9,040	1,114	3,143	2,543	2,240
Equity in (loss) earnings before extraordinary gain of Westshore	(859)	540	(1,677)	(281)	559
Amortization of purchase price discrepancy	(6,075)	(1,519)	(1,519)	(1,519)	(1,518)
	39,408	9,878	9,842	8,098	11,590
Expenses					
Interest	7,574	802	2,393	2,265	2,114
Administration	747	124	270	219	134
	8,321	926	2,663	2,484	2,248
Earnings before gain on sale of Fording Canadian Coal Trust units and extraordinary gain	31,087	8,952	7,179	5,614	9,342
Gain on sale of Fording Canadian Coal Trust units	18,898	-	-	-	18,898
Earnings before extraordinary gain	49,985	8,952	7,179	5,614	28,240
Extraordinary gain	7,295	6,908	(362)	459	290
Net earnings	57,280	15,860	6,817	6,073	28,530
Add:					
Equity in (loss) earnings before extraordinary gain of Westshore	859	(540)	1,677	281	(559)
Amortization of purchase price discrepancy	6,075	1,519	1,519	1,519	1,518
Gain on sale of Fording Canadian Coal Trust units	(18,898)	-	-	-	(18,898)
Extraordinary gain	(7,295)	(6,908)	362	(459)	(290)
Fording Canadian Coal Trust Distributions	14,489	10,882	3,243	(64)	428
Net proceeds on sale of Fording Canadian Coal Trust Units	125,161	-	-	-	125,161
Repayment of long-term debt	(120,626)	-	-	-	(120,626)
Distributable cash	**57,045**	**20,813**	**13,618**	**7,350**	**15,264**
Distributions declared	**57,169**	**14,428**	**11,965**	**11,965**	**18,811**
Distributions declared per Unit	**$ 0.812**	**$ 0.205**	**$ 0.170**	**$ 0.170**	**$ 0.267**
Earnings before extraordinary gain per Unit	**$ 0.710**	**$ 0.127**	**$ 0.102**	**$ 0.080**	**$ 0.401**
Net earnings per Unit	**$ 0.814**	**$ 0.225**	**$ 0.097**	**$ 0.086**	**$ 0.406**

	12 Months Ended	Three Months Ended			
	Dec 31, 2002	Mar 31, 2002	Jun 30, 2002	Sep 30, 2002	Dec 31, 2002
Income					
Interest	$ 43,865	$ 8,100	$ 13,512	$ 12,910	$ 9,343
Equity in earnings (loss) of Westshore	831	2,040	(178)	(1,066)	35
Amortization of purchase price discrepancy	(5,848)	(1,989)	(1,989)	(1,990)	120
	38,848	8,151	11,345	9,854	9,498
Expenses					
Administration costs	511	63	128	206	114
Net earnings	38,337	8,088	11,217	9,648	9,384
Add:					
Equity in (earnings) loss of Westshore	(831)	(2,040)	178	1,066	(35)
Amortization of purchase price discrepancy	5,848	1,989	1,989	1,990	(120)
Distributable cash	**43,354**	**8,037**	**13,384**	**12,704**	**9,229**
Distributions declared	**43,354**	**9,853**	**11,261**	**11,261**	**10,979**
Distributions declared per Unit	**$ 0.616**	**$ 0.140**	**$ 0.160**	**$ 0.160**	**$ 0.156**
Net earnings per Unit	**$ 0.545**	**$ 0.115**	**$ 0.159**	**$ 0.137**	**$ 0.134**

Liquidity and Capital Resources

During 2003, the Fund's operating cash inflows were based on the interest income on the Notes and proceeds from the Fording Trust distributions. The interest on the Notes is at a variable rate and fluctuates in proportion to Westshore's earnings before depreciation, interest, income taxes and extraordinary gain. In 2003, cash inflows to the Fund were increased by the distributions received from the Fund's investment in the Fording Trust, net of the interest costs on funds borrowed to finance the investment. As the Fund no longer holds any units of the Fording Trust, no distributions will be received from this source in the future.

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. The Fund has no fixed distribution requirements, distributions being solely a function of amounts received by the Fund. Because the Fund's investment in Westshore is of a passive nature, it is not anticipated that the Fund will require significant capital resources to maintain its investment in Westshore on an ongoing basis.

With the retirement in January 2004 of the remaining debt incurred to fund the acquisition of the Fording Trust units, the Fund has no long term debt, nor does the Fund have any capital or operating leases, purchase obligations or other long term obligations. For a discussion of Westshore's capital expenditures and its capital resources available to fund such expenditures, see "Westshore Terminals Ltd. – Operational Review".

Fording Trust

On February 28, 2003, Fording Inc. ("Fording") 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, and Fording and Teck Cominco Limited entered into the Coal Partnership which acquired the metallurgical coal operations of Fording, Luscar and Teck Cominco Limited. 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.

During 2003, the Fund received a payment from Fording on closing of the Fording Trust transaction on account of expenses and costs in the amount of $7.6 million net of identifiable external costs such as financing and professional fees. In addition, the Fund received total distributions of $8.2 million from the Fording Trust (net of debt service costs) which were distributed to unitholders.

By December 31, 2003, the Fund had sold 3,360,714 of its Fording Trust units. The proceeds were principally used to repay most of the $150 million debt (incurred to buy the units), and $4.7 million was distributed to the Fund's unitholders as a special distribution. By January 31, 2004, the Fund had sold the balance of the Fording Trust units. The proceeds were used to repay the balance of the debt and to pay $11.7 million to unitholders as a final special distribution of the Fording Trust unit sale proceeds as part of the Q1 2004 distribution to the Fund's unitholders.

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, which will run to February 29, 2012, covering the three mines previously owned by Fording. 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 of April 1, 2003 and in accordance with the new agreements, 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, are 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 Mountain and Coal Valley mines. The term of this contract has been extended to 2017. In March 2003, Luscar Ltd. announced it was suspending production at its Obed Mountain mine for an indefinite period effective April 2003.

The Fund's significant accounting policies are found in note 2 of the Fund's financial statements beginning on page 16. As the Fund's income is again entirely dependent on the performance of Westshore, Westshore's accounting estimates could have a significant impact on the Fund's financial results. See "Westshore Terminals Ltd. – Operational Review – Critical Accounting Estimates".

Outlook

The Fund's cash inflows are entirely dependent on Westshore's earnings before depreciation, interest, income taxes and extraordinary gain. This is significantly influenced by three variables: the volume of coal shipped through the terminal; the US dollar denominated price received by Westshore's customers for that coal; and the Canadian-US dollar exchange rate.

Since December 2003 through to the end of February 2004, Westshore's throughput has been negatively impacted by a lack of coal inventory at the terminal and lower than normal levels of rail deliveries. By late February 2004 shipments had increased to more customary levels. At present, Westshore's throughput volume is anticipated to be greater in 2004 than in 2003.

The long-term handling contract covering the three mines previously owned by Fording has increased the impact on the Fund's financial results of the Canadian dollar price realized for coal handled by Westshore. 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 is a function of the price in Canadian dollars realized by the Coal Partnership for that coal. Accordingly that portion of Westshore's revenues is directly affected by changes in the US dollar denominated coal price achieved by the Coal Partnership and by the US-Canadian dollar exchange rate.

A strengthening Canadian dollar against the US dollar negatively impacts Westshore's throughput rate it receives. For every US$0.01 increase in the value of the Canadian dollar, at current volumes and constant US dollar denominated coal prices and before the impact of any hedging arrangements, annual distributions can be expected to decrease by $0.021 per unit. Similarly, for every US$1.00 change in the price of metallurgical coal, at current volumes annual distributions can be expected to change by $0.032 per unit.

Additional information on Westshore's outlook is contained on page 13 of this Annual Report. The date of the Fund's management's discussion and analysis of financial condition and results of operations and the information on Westshore's outlook is February 13, 2004.

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 94% of Westshore's revenues in 2003.

Coal is delivered to the terminal in unit trains operated by Canadian Pacific Railway, Canadian National Railways and Burlington Northern Santa Fe Railway 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)

	2003 Tonnes	%	2002 Tonnes	%	2001 Tonnes	%
Japan	6,823	35	6,896	35	7,576	33
Europe	5,669	29	5,469	28	7,087	30
S. Korea	2,856	15	3,787	20	4,684	20
S. America	1,696	9	2,064	11	2,775	12
Taiwan	1,004	5	809	4	979	4
China	531	3	-	-	-	0
Other	745	4	409	2	191	1
Total	19,324	100.0	19,434	100.0	23,292	100.0

With its five mines in British Columbia, the Coal Partnership is by far Westshore's largest customer. These mines shipped 94% of the terminal's throughput in 2003 as compared to 97% in 2002. There continues to be an 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 90% of the coal product moving through the terminal is now blended. During 2003, 91% of Westshore's volume was metallurgical coal (92% in 2002), with the remaining 9% being thermal coal (8% in 2002).

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, until recently, its lower dollar in relation to the Canadian dollar, among other reasons, have given 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, Quintette, Smoky River, Bullmoose and Obed Mountain Mines have all closed in recent years, and the Cardinal River Mine is scheduled to close this year. Of these mines, the Gregg River Mine and the Obed Mountain Mine (and occasionally the Cardinal River Mine) shipped coal through Westshore. In part this consolidation resulted from a significant decrease in the

U.S. dollar denominated price for coal between 1997 and 2000. While prices have 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 metallurgical coal trade.

Results of Operations

Westshore loaded 19.3 million tonnes of coal during 2003 as compared to 19.4 million tonnes during 2002 and 23.3 million tonnes in 2001. The reduction in tonnage was principally due to windstorm damage to both shiploaders at Berth 2 at the beginning of the year, which resulted in Westshore operating with only one berth for approximately seven months. Prior to the windstorm incident, 2003 tonnage levels through Westshore were expected to be somewhat higher than 2002 levels. In the fourth quarter, Westshore loaded 6.0 million tonnes of coal compared with 4.3 million tonnes in the last quarter of 2002. The increase in tonnage was due to increased demand for coal from international buyers, some of which may have represented a catch-up of volumes not shipped during the earlier part of the year due to the windstorm incident.

The January 2, 2003 windstorm incident resulted in significant damage to the two shiploaders at Berth 2, rendering it incapable of loading coal for approximately a seven month period. Repairs were completed and full operations at Berth 2 resumed in August of 2003. Westshore's insurance covered both the costs of repair of Berth 2 and most of the lost profits from reduction in shipments, net of applicable deductibles.

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

Operating Results
(Expressed in thousands of dollars)

	2003	2002	2001
Revenue			
Coal	$ 97,048	$ 109,581	$ 126,186
Other	8,813	2,085	879
	105,861	111,666	127,065
Expenses			
Operating & Administrative	60,689	58,312	68,208
Earnings before depreciation, interest, income taxes and extraordinary gain	45,172	53,354	58,857

Coal loading revenue decreased to $97.0 million in 2003 compared with $109.6 million in 2002. The decrease was primarily due to lower average loading rates.

Subject to a floor rate, the loading rates for the majority of the coal handled at Westshore have since April 1, 2003 been tied to the average price in Canadian dollars realized by the Coal Partnership for that coal. The Canadian dollar coal price realized by the Coal Partnership in the period April 1, 2003 – December 31, 2003 was reduced by reason of a stronger Canadian dollar which rose by 14% during the period, and a decrease effective April 1, 2003 in the US dollar denominated price for metallurgical coal of approximately US$2.00 per tonne. As a result, there was a material reduction in the loading rates received by Westshore since April 1, 2003 for coal from each of the Fording River, Elkview and Greenhills mines, compared to the average rates received in the period April 1, 2002 – March 31, 2003 for coal from those mines. The average loading rate per tonne in the period April 1 – December 31, 2003 was $4.86, reflecting in part the average US-Canadian dollar exchange rate in that period. In the fourth quarter loading revenue was $28.7 million as compared to $22.8 million in the fourth quarter of 2002. The increase was the result of higher tonnage, partly offset by the reduction in average loading rate described above.

Westshore entered into some limited hedging arrangements in 2003 to counter the effect of the strengthening dollar, and also entered into similar hedging arrangements in 2004.

Other revenue increased principally because of the inclusion of proceeds of business interruption insurance as a result of Berth 2 being inoperative. Westshore accounted for $6.0 million of such proceeds in 2003, which is most of what it expects to receive. A substantial portion was recognized in the fourth quarter, even though received on account of loss of profits from the earlier part of the year. In addition, other income increased due to the inclusion of hedging gains, and lower costs incurred for train detention. These increases were offset by higher demurrage charges, 80% of which were incurred in the fourth quarter when Westshore shipped 6.0 million tonnes of coal.

Operating and administrative expenses increased from $58.3 million in 2002 to $60.7 million in 2003. This increase in operating expense was mainly due to additional benefit costs, including pension expense and other post-retirement benefits. Administrative expenses were higher than the prior year due to legal and other services related to labour negotiations.

As a result of the foregoing, Westshore's earnings before depreciation, interest, income taxes and extraordinary gain for 2003 were $45.2 million as compared to $53.4 million in 2002. The extraordinary gain represents the receipt by Westshore of insurance proceeds relating to the costs of repair of Berth 2 net of disposal costs and income taxes. Westshore's insurance was adequate to cover substantially all of the costs of repair (excluding betterments) and most of the lost profits from reduction in shipments, net of applicable deductibles.

Liquidity and 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, 2003. Westshore's distribution policy leaves 10% of earnings before depreciation, interest, income taxes and extraordinary gain (formerly 15% prior to approval on February 6, 2004 by the Trustees and Westshore's Board of Directors to increase target distributions) to cover cash requirements not deducted in the computation of earnings before depreciation, interest, income taxes and extraordinary gain, such as capital expenditures and special pension contributions. In 2003, Westshore made extraordinary capital expenditures to rebuild the shiploaders at Berth 2. These were covered by the proceeds of insurance, most of which Westshore received in 2003 and the balance is anticipated to be received in the second quarter of 2004.

Westshore's obligations under operating leases are set out in note 10 to Westshore's audited financial statements contained in this report. Westshore does not have any long-term debt, capital lease obligations, or other long-term obligations.

Labour

After difficult negotiations, agreements with all three locals of the International Longshore and Warehouse Union ("ILWU") (the longshoremen, foreman and the clerical workers) were negotiated for four-year terms. These agreements are now in place and expire on January 31, 2007.

Transactions with Related Parties

In 2003 Westshore paid $750,000 (excluding GST) to Westar for management services provided under the Management Agreement dated January 30, 1997 between Westshore and Westar. Under the Governance Agreement, Westar is entitled to appoint a majority of the directors of Westshore.

Critical Accounting Estimates

The preparation of financial statements and related disclosure in accordance with GAAP requires Westshore to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and contingencies. These estimates are based on historical experience and on assumptions that are considered at the time to be reasonable under the circumstances. Under different assumptions or conditions, the actual results may differ, potentially materially, from those previously estimated.

Westshore's significant accounting policies are found in note 2 of Westshore's financial statements beginning on page 27. The following is a discussion of the accounting estimates of Westshore that are significant in determining Westshore's financial results.

Employee Future Benefits

Westshore has post-retirement benefit obligations under its pension plans and other post-retirement benefit plans, the costs of which are based on estimates. Actuarial calculations of benefit costs and obligations depend on Westshore's assumptions about future events. Major estimates and assumptions relate to expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs, as well as discount rates, withdrawal rates and mortality rates.

Provisions for Contingencies

Westshore makes certain provisions for contingencies, including its portion of ship demurrage and train detention costs, which are often not finally determined until well after the year-end. While Westshore endeavours to ensure that that provisions for contingencies are reasonable in the circumstances, actual costs may be greater or less than the provisions made for those costs.

Outlook

With the completion of the long-term coal handling contract with the Coal Partnership, Westshore has secured an opportunity to maintain significant levels of coal throughput through the terminal 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 with other suppliers for sales worldwide.

Since the start of 2004, throughput at Westshore has been impacted by a lack of coal inventory and lower than normal levels of rail deliveries to Westshore. By late February 2004, coal deliveries had increased to levels more consistent with historic levels. Westshore has been working with the Coal Partnership and the railroads to manage this situation. At the present time total volume throughput at Westshore for 2004 is anticipated to be higher than 2003 levels.

As noted earlier, the loading rates for the majority of the coal handled at Westshore have since April 1, 2003 been tied to the average price in Canadian dollars received by the Coal Partnership for that coal. This variable rate is driven by the settlement by the Coal Partnership of prices for metallurgical coal in U.S. dollars and by the Canadian/U.S. dollar exchange rate. On December 19, 2003 the Fording Trust announced that the Coal Partnership had achieved sufficient settlements to indicate that its average price for coal sales in the period April 1, 2004 to March 31, 2005 is expected to be approximately 20% higher (in US dollars) than the average U.S. dollar price realized in the coal year ending March 31, 2004. This represents sales for all products, not only those exported through Westshore. Such increase would more than offset the increase in the value of the Canadian dollar since April 1, 2003, when variable rates went into effect for most of the tonnage shipped through Westshore.

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, 2003 and 2002 and the statements of earnings and cumulative earnings 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, 2003 and 2002 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, B.C.
February 13, 2004 (except for note 5, which is as at March 1, 2004)

Westshore Terminals Income Fund
Balance Sheets
As at December 31, 2003 and 2002 (in thousands of dollars)

	2003 $	2002 $
Assets		
Current assets		
Cash and cash equivalents	17,361	10,858
Accounts receivable	1,673	-
Other assets	52	235
	19,086	11,093
Investment in Fording Canadian Coal Trust (note 3)	29,248	-
Investment in Westshore Terminals Ltd. (note 4)	510,497	510,136
	558,831	521,229
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	399	114
Distribution payable to unitholders (note 7)	18,811	10,979
	19,210	11,093
Long-term debt (note 5)	29,374	-
	48,584	11,093
Unitholders' equity		
Capital contributions (note 6)	663,602	663,602
Cumulative earnings	208,774	151,494
Cumulative distributions declared	(362,129)	(304,960)
	510,247	510,136
	558,831	521,229

APPROVED BY THE TRUSTEES:

William W. Stinson
Trustee

M. Dallas H. Ross
Trustee

Westshore Terminals Income Fund

Statements of Earnings and Cumulative Earnings

For the years ended December 31, 2003 and 2002
(in thousands of dollars, except unit amounts)

	2003 $	2002 $
Income		
Interest (note 4)	37,302	43,865
Equity in (loss) earnings before extraordinary gain of Westshore Terminals Ltd.	(859)	831
Amortization of purchase price discrepancy (note 4)	(6,075)	(5,848)
Fording Canadian Coal Trust distributions	9,040	-
	39,408	38,848
Expenses		
Interest (note 5)	7,574	-
Administration (note 8)	747	511
	8,321	511
Earnings before gain on sale of Fording Canadian Coal Trust units and extraordinary gain	31,087	38,337
Gain on sale of Fording Canadian Coal Trust units (note 3)	18,898	-
Earnings before extraordinary gain	49,985	38,337
Extraordinary gain (note 9)	7,295	-
Net earnings for the year	57,280	38,337
Cumulative earnings - Beginning of year	151,494	113,157
Cumulative earnings - End of year	208,774	151,494
Earnings before extraordinary gain per trust unit	0.710	0.545
Basic and diluted earnings per trust unit	0.814	0.545
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, 2003 and 2002 (in thousands of dollars)

	2003 $	2002 $
Cash flows from operating activities		
Net earnings for the year	57,280	38,337
Items not affecting cash		
Equity in loss (earnings) before extraordinary gain of Westshore Terminals Ltd.	859	(831)
Amortization of purchase price discrepancy	6,075	5,848
Gain on sale of Fording Canadian Coal Trust units	(18,898)	-
Extraordinary gain (note 9)	(7,295)	-
	38,021	43,354
Changes in non-cash working capital	(1,205)	(709)
	36,816	42,645
Cash flows from financing activities		
Proceeds from long-term debt	150,000	-
Repayment of long-term debt	(120,626)	-
Distributions paid to unitholders	(49,337)	(47,475)
	(19,963)	(47,475)
Cash flows from investing activities		
Investment in Fording Canadian Coal Trust	(150,000)	-
Fording Canadian Coal Trust regular distributions in excess of Fund's share of earnings	428	-
Fording Canadian Coal Trust special distributions	6,414	-
Fording Canadian Coal Trust special receipt	7,647	-
Net proceeds on sale of Fording Canadian Coal Trust units	125,161	-
	(10,350)	-
Increase (decrease) in cash and cash equivalents	6,503	(4,830)
Cash and cash equivalents - Beginning of year	10,858	15,688
Cash and cash equivalents - End of year	17,361	10,858

Supplemental cash flow information

Cash paid for interest	7,282	-
Cash received for interest	37,302	43,865

1 Organization and basis of presentation

The Fund is an open-ended 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). The acquisition of common shares and Notes was financed by the public issue of trust units of the Fund.

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 earnings (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. Periodically, the Fund reviews the carrying value of its investment in Westshore for impairment. The investment will be written down when there has been a decline in value that is considered to be other than temporary.

2 Significant accounting policies

Accounting principles

These financial statements have been prepared in accordance with accounting principles 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 cost of the Fund's 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. The excess related to plant and equipment is 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 35 years. Goodwill is not amortized.

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 2003 and 2002, 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)

Investment in Fording Canadian Coal Trust

The investment in Fording Canadian Coal Trust (Fording Trust) is carried at cost. The Fund receives cash distributions from Fording Trust. Distributions received up to the Fund's interest in the net earnings of Fording Trust are recorded as income. Any distributions received in excess of that amount are recorded as a reduction in the Fund's investment in Fording Trust.

When there has been a decline in value of the investment that is considered to be other than temporary, the investment will be written down.

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.

3 Investment in Fording Canadian Coal Trust

Effective February 28, 2003, the Fund paid $150 million for 4.3 million units (9.1% interest) of the newly formed Fording Trust. The Fund financed this investment through term bank loans of $120 million from Canadian chartered banks and $30 million from an affiliate of Westar. Fording Trust holds a 65% interest in the Elk Valley Coal Partnership (the Coal Partnership) and a 100% interest in Fording Inc.'s (Fording) industrial minerals business. On February 28, 2003, the Coal Partnership acquired all the metallurgical coal assets of Fording, Teck Cominco Limited (Teck) and the Luscar/CONSOL Joint Ventures (Luscar). Westshore's coal handling contracts previously negotiated with Fording, Teck, and Luscar, including exclusivity agreements, will continue in effect.

During 2003, the Fund sold 3.4 million units of Fording Trust for net proceeds of $125.2 million, resulting in a gain of $18.9 million. These proceeds were used to repay the $30 million loan from an affiliate of Westar and $90.6 million of the $120 million term bank loans and the balance will be distributed to unitholders.

Subsequent to December 31, 2003, the Fund sold its remaining interest in Fording Trust for $41.2 million. The Fund used the proceeds to repay the remaining outstanding term bank loans and the remainder will be distributed to unitholders.

The Fund's investment in Fording Trust as at December 31, 2003 is as follows:

	$
Investment in Fording Trust	150,000
Distributions received	
Regular distributions in excess of Fund's share of earnings	(428)
Special distributions	(6,414)
Special receipt	(7,647)
Sale of units	(106,263)
	29,248

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

4 Investment in Westshore Terminals Ltd.

	2003 $	2002 $
Common shares (177,964,001 shares)	177,964	177,964
Notes	470,000	470,000
Cumulative equity in (loss) earnings before extraordinary gain; and amortization of purchase price discrepancy	(144,762)	(137,828)
Extraordinary gain (note 9)	7,295	-
	510,497	510,136

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

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

During the year ended December 31, 2003, the Fund earned interest income of $37.3 million (2002 - $43.9 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. During the year ended December 31, 2003, in addition to the normal amortization of the purchase price discrepancy for the year of $6.1 million, the Fund wrote off an additional $3.1 million that represents the portion of the purchase price discrepancy related to the damaged equipment from the ship loader accident (note 9). 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)

	2003			2002
	Purchase price discrepancy allocation $	Accumulated amortization $	Net $	Net $
Plant and equipment	175,754	87,875	87,879	105,427
Future income taxes	(80,143)	(48,838)	(31,305)	(39,661)
	95,611	39,037	56,574	65,766
Goodwill			365,541	365,541
			422,115	431,307

5 Long-term debt

The Fund financed its investment in Fording Trust (note 3) through term bank loans of $120 million from Canadian chartered banks and $30 million from an affiliate of Westar.

The $120 million term bank loans bear interest at the bankers' acceptance rate plus 1.75% to 3.00% and are due on February 28, 2006. The $30 million loan bears interest at the Bank of Nova Scotia prime rate plus 1.00% to 2.25% and is due on February 28, 2007. These loans are guaranteed by Westshore and are secured by a general security agreement covering all assets of the Fund and Westshore.

As at December 31, 2003, the Fund's long-term debt was as follows:

	$
Loan from Canadian chartered banks	29,374

The $30 million loan from an affiliate of Westar was repaid in full during the year, as well as $90.6 million of the term bank loans (note 3). Subsequent to December 31, 2003, the Fund repaid all of the outstanding balance of the $120 million term bank loans.

Interest expense for the year ended December 31, 2003 on these loans was $7,733,000, of which $1,616,000 related to the loan from an affiliate of Westar.

The Fund is subject to interest rate risk on the floating rate payments under its long-term debt. The Fund has managed this exposure by entering into an interest rate swap agreement. Payments and receipts under this agreement are recognized as adjustments to interest expense in a manner that matches them to interest payments under floating rate financial liabilities.

As at December 31, 2003, the Fund had entered into an interest rate swap agreement expiring on April 10, 2005 to fix the interest rate on $50 million of its long-term debt at 4.02%. On March 1, 2004, the Fund paid $1,128,000 to retire its interest rate swap agreement.

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

6 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 windup. 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.

Capital contributions as at December 31, 2003 and 2002 are as follows:

	Number of units	$
Capital contributions	70,381,111	663,602

7 Distributions to unitholders

Distributions to unitholders are made quarterly with provision for an optional fifth distribution following the end of the fiscal year.

During the year ended December 31, 2003, the Fund declared cash distributions to unitholders of $57,169,000 (2002 - $43,354,000) or $0.812 (2002 - $0.616) per unit. The amounts and record dates of the distributions were as follows:

	2003		2002	
	Total $	Per unit $	Total $	Per unit $
March 31	14,428	0.205	9,853	0.140
June 30	11,965	0.170	11,261	0.160
September 30	11,965	0.170	11,261	0.160
December 31	18,811	0.267	10,979	0.156
	57,169	0.812	43,354	0.616

The distribution of $18,811,000 ($0.267 per unit) payable to unitholders of record on December 31, 2003 was paid on or before January 15, 2004.

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

The distributions declared in 2003 and 2002 have been allocated as follows for income tax purposes:

	2003		2002	
	Total $	Per unit $	Total $	Per unit $
Cash distributions				
Income	52,369	0.744	43,335	0.615
Return of capital	4,800	0.068	19	0.001
Total distribution	57,169	0.812	43,354	0.616

8 Related party transactions

Administration agreement

The Fund has entered into an administration agreement with Westar, which is owned indirectly by a 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.

Westar earned a fee of $250,000 for the year ended December 31, 2003 (2002 - $250,000) under the administration agreement. These fees are included in administration on the statements of earnings and cumulative earnings.

Accounts payable and accrued liabilities include $67,000 (2002 - $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 effective February 1, 1997. 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.

Westar earned a fee of $750,000 for the year ended December 31, 2003 (2002 - $750,000) under the management agreement. 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 cumulative earnings.

Also see notes 4 and 5.

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

9 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). As of August 1, 2003, both ship loaders at Berth 2 had been replaced and were operational.

For accounting purposes, the Fund has recorded an extraordinary gain of $7,295,000, which represents Westshore's estimated insurance proceeds to replace the damaged equipment less the equipment's carrying value, disposal cost and related future income taxes and the write-off by the Fund of the portion of the associated purchase price discrepancy (note 4). The extraordinary gain comprises:

	$
Westshore - extraordinary gain	10,412
The Fund - extraordinary loss	(3,117)
	7,295

As at December 31, 2003, Westshore had received $18.2 million ($13.6 million - property damage, $4.6 million - business interruption) of the estimated $23.7 million of insurance proceeds, resulting in an account receivable of $5.5 million. The insurance claims are being reviewed by the loss adjustor and insurance companies. The final settlement could differ from the estimates made by Westshore.

10 Financial instruments

Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and distribution payable to unitholders approximate fair values based on the short-term maturity of these instruments. The fair value of the Fund's investment in Westshore is not practicable to determine given the many factors, terms and conditions that would influence such a determination. The fair value of the Fund's investment in Fording Trust as at December 31, 2003 was $42.6 million. The fair value of long-term debt approximates its carrying amount based on reference to current market prices for debt with similar terms and risks.

Interest rate risk and exposure

The interest rate on the long-term debt changes with fluctuations in the market interest rate (note 5).

Auditors' Report

To the Shareholder of Westshore Terminals Ltd.

We have audited the balance sheets of **Westshore Terminals Ltd.** as at December 31, 2003 and 2002 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, 2003 and 2002 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, B.C.
February 13, 2004

Westshore Terminals Ltd.

Balance Sheets

As at December 31, 2003 and 2002 (in thousands of dollars)

	2003 $	2002 $
Assets		
Current assets		
Cash and cash equivalents	10,284	4,293
Accounts receivable (notes 3 and 11)	11,867	10,432
Inventories	4,646	5,736
Prepaid expenses	2,727	2,333
Income taxes receivable	-	1,873
	29,524	24,667
Plant and equipment		
At cost	282,494	265,465
Accumulated depreciation	(187,073)	(178,240)
	95,421	87,225
Employee future benefits (note 9)	2,156	1,061
	127,101	112,953
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	15,771	15,249
Income taxes payable	355	-
	16,126	15,249
Notes payable (note 4)	470,000	470,000
Future income taxes (note 6)	22,593	18,875
	508,719	504,124
Shareholder's Deficiency		
Share capital (note 5)	177,964	177,964
Deficit	(559,582)	(569,135)
	(381,618)	(391,171)
	127,101	112,953

Commitments and guarantee (note 10)

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, 2003 and 2002 (in thousands of dollars)

	2003 $	2002 $
Revenue		
Coal	97,048	109,581
Other (note 3)	8,813	2,085
	105,861	111,666
Expenses		
Operating	54,508	52,445
Administrative	6,181	5,867
	60,689	58,312
Earnings before depreciation, interest, income taxes and extraordinary gain	45,172	53,354
Depreciation	10,090	10,201
Interest expense (note 4)	37,302	43,865
Loss before income taxes and extraordinary gain	(2,220)	(712)
Recovery of income taxes (note 6)	1,361	1,543
(Loss) earnings before extraordinary gain	(859)	831
Extraordinary gain (note 3)	10,412	-
Net earnings for the year	9,553	831
Deficit - Beginning of year	(569,135)	(569,966)
Deficit - End of year	(559,582)	(569,135)

Westshore Terminals Ltd.
Statements of Cash Flows
For the years ended December 31, 2003 and 2002 (in thousands of dollars)

	2003 $	2002 $
Cash flows from operating activities		
Net earnings for the year	9,553	831
Items not affecting cash		
Depreciation	10,090	10,201
Future income tax recovery	(2,162)	(50)
Extraordinary gain (note 3)	(10,412)	-
Increase in deferred employee future benefits costs	(1,095)	(509)
	5,974	10,473
Decrease (increase) in non-cash working capital	6,083	(17,691)
	12,057	(7,218)
Cash flows from investing activities		
Additions to plant and equipment	(18,816)	(691)
Property damage insurance proceeds received - net of disposal costs (note 3)	12,750	-
	(6,066)	(691)
Increase (decrease) in cash and cash equivalents	5,991	(7,909)
Cash and cash equivalents - Beginning of year	4,293	12,202
Cash and cash equivalents - End of year	10,284	4,293

Supplemental cash flow information

Cash paid for interest	37,302	43,865
Cash received for interest	568	461
Income taxes (recovered) paid	(1,641)	1,391

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 8).

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 35 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. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of assets, useful lives of plant and equipment, insurance proceeds receivable, determination of actuarial assumptions and provision for contingencies. Actual results could differ from those estimates.

(figures in tables are expressed in thousands of dollars)

Financial instruments

The Company uses forward exchange contracts to mitigate its exposure to fluctuations in foreign exchange rates. The gains and losses on these financial instruments are included in other revenue when realized.

Employee future benefits

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

a) 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.

b) For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

c) 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.

d) 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 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). As of August 1, 2003, both ship loaders at Berth 2 had been replaced and were operational.

For accounting purposes, the Company recorded an extraordinary gain of $10,412,000 determined as follows:

	$
Estimated insurance proceeds to replace the damaged equipment	17,700
Less	
Carrying value of damaged equipment and supplies inventory	566
Disposal costs	842
Future income taxes	5,880
	10,412

In addition, a business interruption insurance recovery of $6.0 million has been included in other revenue in the Company's statement of earnings and deficit.

As at December 31, 2003, the Company had received $18.2 million ($13.6 million - property damage, $4.6 million - business interruption) of the estimated $23.7 million of insurance proceeds, resulting in an account receivable of $5.5 million. The insurance claim is being reviewed by the loss adjustor and insurance companies. The final settlement could differ from the estimates made by the Company.

(figures in tables are expressed in thousands of dollars)

The cost of replacement equipment has been capitalized to plant and equipment and depreciated in accordance with the Company's depreciation policy.

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

During the year ended December 31, 2003, the Company incurred interest expense of $37.3 million (2002 - $43.9 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 the indebtedness of the Company evidenced by the Notes is unlikely to be refinanced on the same terms and conditions upon maturity of such Notes, then the Company 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, the Company's available cash will be utilized to the extent required to fund such repayments in lieu of dividends on the common shares.

5 Share capital

Authorized
500,000,000 common shares without par value

	Number of shares	Amount $
Issued and outstanding - December 31, 2003 and 2002	177,964,001	177,964

6 Income taxes

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

	2003 $	2002 $
Income tax recovery at statutory Canadian rate	835	282
Large corporations tax	(262)	(204)
Reduction in future income tax rate	938	1,202
Loss carry-back at higher tax rate	-	188
Other	(150)	75
Income tax recovery	1,361	1,543

(figures in tables are expressed in thousands of dollars)

	2003 $	2002 $
Represented by:		
Current income tax (provision) recovery	(801)	1,493
Future income tax recovery	2,162	50
	1,361	1,543

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

	2003 $	2002 $
Plant and equipment	22,634	19,856
Accounts payable and accrued liabilities	(809)	(1,380)
Employee future benefits	768	399
Future income tax liability	22,593	18,875

7 Bank operating facility

The Company has a $10 million (2002 - $10 million) secured operating facility. No amounts were outstanding on this facility as at December 31, 2003 and 2002. The Company has various interest options under the operating facility that are based on the lender's prime lending rate. The lender charges a standby fee of 0.25% per annum on the undrawn portion of the facility.

8 Related party transactions

The Company has entered into a management agreement with Westar effective February 1, 1997. Westar, which is owned indirectly by a unitholder of the Fund, is entitled to designate three of the Company's five directors. 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 for the year ended December 31, 2003 (2002 - $750,000) under the management agreement.

Also see notes 4 and 10.

(figures in tables are expressed in thousands of dollars)

9 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	
	2003 $	2002 $	2003 $	2002 $
Accrued benefit obligation				
Balance - Beginning of year	44,369	41,980	16,232	14,257
Actuarial losses	3,017	667	1,258	1,152
Current service cost	709	687	482	421
Interest cost	3,037	2,888	1,153	1,053
Benefits paid	(1,832)	(1,853)	(668)	(651)
Plan improvements	2,562	-	613	-
Balance - End of year	51,862	44,369	19,070	16,232
Plan assets				
Fair value - Beginning of year	44,721	47,791	-	-
Actual return on assets	5,286	(2,930)	-	-
Benefits paid	(1,832)	(1,853)	(668)	(651)
Employer contributions	3,685	1,713	668	651
Fair value - End of year	51,860	44,721	-	-
Balances - December 31				
Funded status - plan (deficit) surplus	(2)	352	(19,070)	(16,232)
Unamortized net actuarial losses	11,635	11,057	4,246	3,207
Unamortized past service costs	3,583	1,246	1,764	1,431
Accrued benefit asset (liability)	15,216	12,655	(13,060)	(11,594)

All pension plans are fully funded by the Company. 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	
	2003 %	2002 %	2003 %	2002 %
Discount rate	6.25	6.75	6.25	6.75
Expected rate of return on assets	8.0	8.0	-	-

(figures in tables are expressed in thousands of dollars)

For measurement purposes, a 25% annual rate of increase in the per capita cost of covered extended health care benefits was assumed over the next year. The rate was decreased to 10% for the next nine years and 6% thereafter. The annual rates of increase in the per capita cost of MSP and dental benefits are 0% and 3%, respectively.

The Company's net benefit plan expense (income) for the years ended December 31, 2003 and 2002 is as follows:

	Pension plan benefits		Other benefits	
	2003 **$**	**2002** **$**	**2003** **$**	**2002** **$**
Current service cost	709	687	482	421
Interest cost	3,037	2,888	1,153	1,053
Expected return on plan assets	(3,651)	(3,817)	-	-
Amortization of net actuarial losses	804	27	219	211
Amortization of past service costs	225	186	280	212
Net benefit plan expense (income)	1,124	(29)	2,134	1,897

10 Commitments and guarantee

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 rate or the participation 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 years ending December 31 (assuming the VPA does not exercise its right to adjust the lease rates) are as follows:

	Terminal lease **$**	**Other** **$**	**Total** **$**
2004	11,665	150	11,815
2005	11,665	150	11,815
2006	11,665	150	11,815
2007	11,665	-	11,665
2008	11,665	-	11,665
Thereafter	36,939	-	36,939

Guarantee

On February 28, 2003, the Fund paid $150 million for 4.3 million units (9.1% interest) of the newly formed Fording Canadian Coal Trust (Fording Trust). The Fund financed this investment through term bank loans of $120 million from Canadian chartered banks and $30 million from an affiliate of Westar. The $120 million term bank loans bear interest at the bankers' acceptance rate plus 1.75% to 3.00% and are due on February 28, 2006. The $30 million loan from an affiliate of Westar bears interest at the Bank of Nova Scotia prime rate plus 1.00% to 2.25% and is due on February 28, 2007. These loans are guaranteed by the Company and are secured by a general security agreement covering all the assets of the Fund and the Company. The Company guarantees the due and punctual payment, whether at stated maturity or otherwise, of all indebtedness of the Fund to the lenders.

During 2003, the Fund sold 3.4 million units of Fording Trust for net proceeds of $125.2 million, resulting in a gain of $18.9 million. These proceeds were used to repay the $30 million loan from an affiliate of Westar and $90.6 million of the $120 million term bank loans. Subsequent to December 31, 2003, the Fund sold its remaining interest in Fording Trust for $41.2 million. The Fund used the proceeds to repay the remaining outstanding term bank loans and, as a result, the Company's guarantee has been released.

11 Significant customers

Fording Trust holds a 65% interest in the Elk Valley Coal Partnership (the Coal Partnership) and a 100% interest in Fording Inc.'s (Fording) industrial minerals business. If certain events occur, Fording Trust's interest in the Coal Partnership could be reduced to 60%. On February 28, 2003, the Coal Partnership acquired all the metallurgical coal assets of Fording, Teck Cominco Limited (Teck), and the Luscar/CONSOL Joint Ventures (Luscar). The Company's coal handling contracts previously negotiated with Fording, Teck, and Luscar, including exclusivity agreements, will continue in effect. During the year ended December 31, 2003, approximately 94% (2002 - 97%) of the Company's revenue was earned from the mines acquired by the Coal Partnership. As at December 31, 2003, the amount receivable from the Coal Partnership was $4.6 million.

12 Financial instruments

Interest rate risk and exposure

The interest rate on the Notes changes with fluctuations in the Company's earnings before depreciation, interest, income taxes and extraordinary items but must be between specified minimum and maximum limits (note 4).

Foreign exchange risk

The loading rate for approximately 88% of the Coal Partnership's coal handled by the Company is a function of the Canadian dollar price realized by the Coal Partnership for its coal. As the Coal Partnership's coal is sold to its customers based on a U.S. dollar selling price, the Company's revenues will be affected by the conversion of the U.S. dollar sales to Canadian dollars.

The Company uses forward exchange contracts to mitigate exposure to fluctuations in the relative exchange rates.

Fair value of 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 is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

Fair value estimates for foreign exchange contracts are based on quoted market prices for comparable contracts and represent the amount the Company would have received from, or paid to, a counterparty to unwind the contracts at the market rate in effect at December 31. As at December 31, 2003, the Company had a series of option contracts that allow it to sell an amount of US dollars equivalent to Cdn$4.0 million per month until April 2004 at 1.425 if the Canadian dollar strengthens above this level and require it to sell an amount of US dollars equivalent to Cdn$4.0 million at an exchange rate of 1.5146 should the Canadian dollar weaken below that level.

The fair value of the forward exchange contracts at December 31, 2003 was $1,440,000.

Corporate Information

Westshore Terminals Income Fund

Trustees

William W. Stinson
Chairman
Chairman of the Board, Sun-Life Financial Inc.
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

Jim G. Gardiner
Corporate Director

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

Toronto Stock Exchange

Trading Symbol

WTE.UN

Annual General Meeting

The Annual Meeting of Unitholders will be held on Tuesday, June 15, 2004 at 9:00 A.M. at the Marriott 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 W. Stinson
Chairman of the Board, Sun-Life Financial Inc.
Corporate Director

Officers

Kirk Henderson
President

Denis Horgan
Acting General Manager,
Vice-President, Administration & Marketing

Nick Desmarais
Secretary

Auditors

PricewaterhouseCoopers LLP
Vancouver, British Columbia