



# **WESTSHORE TERMINALS INCOME FUND**

**ANNUAL REPORT**

**2004**

Westshore Terminals Income Fund (the “Fund”) is an open-ended trust which was created under the laws of British Columbia on December 2, 1996. The Fund owns all of the common shares and \$645 million aggregate principal amount of subordinated notes of Westshore Terminals Ltd. (“Westshore”).

Westshore operates a bulk coal handling terminal located in British Columbia. Income derived by the Fund from those securities, net of expenses, is distributed to Unitholders on a quarterly basis. The Fund does not conduct any active business.

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## Westshore Terminals Income Fund

### Financial Highlights

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#### Westshore Terminals Income Fund (Consolidated)

*(In thousands of dollars except per unit amounts and tonnage)*

	2004	2003
Tonnage (in thousands)	<b>21,245</b>	19,324
Income		
Coal	\$ 111,420	\$ 97,048
Other	15,269	8,973
	<b>126,689</b>	106,021
Operating Income	<b>56,170</b>	44,585
Fording Trust - Receipts and Net proceeds on Sales <sup>(1)</sup>	<b>11,860</b>	20,362
Distributions paid or declared during the period	<b>57,712</b>	57,169
Distributions per unit	\$ 0.820	\$ 0.812
Breakdown for Unitholder income tax purposes		
Income and capital gains	\$ 48,813	\$ 52,369
Per unit	\$ 0.69355	\$ 0.74408
Return of capital	\$ 8,899	\$ 4,800
Per unit	\$ 0.12645	\$ 0.06820
Units outstanding at December 31	<b>70,381,111</b>	70,381,111
Trading Statistics		
High	\$ 12.66	\$ 7.65
Low	\$ 6.15	\$ 4.35
Close	\$ 12.52	\$ 7.25
Volume	<b>44,754,836</b>	29,630,727

<sup>(1)</sup> Net of interest and principal repaid on debt incurred to acquire Fording Trust units



## **Westshore Terminals Income Fund**

### **Trustees' Letter and Report to Unitholders**

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Dear Unitholder:

For the twelve months ending December 31, 2004, Westshore Terminals Income Fund (the "Fund") declared distributions to Unitholders of \$57.7 million (\$0.820 per unit). The distributions for unitholder income tax purposes were comprised of income of \$48.8 million (\$0.69355 per unit) and a non-taxable amount of \$8.9 million (\$0.12645 per unit).

The Fund's distributions in 2004 consisted of a combination of amounts received from Westshore Terminals Ltd. ("Westshore") and proceeds on the sale of the Fund's investment in the Fording Canadian Coal Trust ("Fording Trust"). On February 28, 2003, the Fund acquired a 9.1% interest in the Fording Trust at a cost of \$150 million, which the Fund subsequently sold. 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 cash 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. The formation of the Fording Trust resulted in Westshore securing a long-term handling contract, which expires February 29, 2012, with the Elk Valley Coal Partnership ("Coal Partnership") covering three mines previously owned by Fording Inc.

As a result of the sale of the Fording Trust units, distributions by the Fund since Q2 2004 are again 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. In recent years, funds distributed to the Fund by Westshore have consisted principally of interest on Westshore's subordinated notes held by the Fund, the interest rate on which was computed as 85% of Westshore's EBITDA, subject to a floor and a ceiling. For 2004, the directors of Westshore and trustees of the Fund determined that Westshore should distribute an additional 5% of its EBITDA, with the result that the Fund's distributions should be based on 90% of Westshore's EBITDA, subject to an adjustment for unrealized hedging gains or losses.

During 2004, Westshore loaded 21.2 million tonnes of coal as compared to 19.3 million tonnes shipped in 2003. Lower tonnage levels in 2003 were due to Berth 2 being inoperative from January to August due to a windstorm accident. 2004 tonnage levels at Westshore were affected by a lack of coal inventory at the terminal, lower than normal levels of rail deliveries for various periods of the year and a one week tug strike in April. Westshore's operations in early 2005 continue to be impacted by lower levels of coal inventory than historical levels.

The Fund's consolidated earnings before depreciation, interest, income taxes, gain on sale of Fording Trust units and extraordinary gain for 2004 were \$56.2 million as compared to \$53.6 million in 2003. Of the \$53.6 million in 2003, \$9.0 million was represented by distributions by the Fording Trust, so that year over year earnings before depreciation, interest, income taxes, and extraordinary gain from the continuing Westshore operations increased by 26.0% from \$44.6 million in 2003 to \$56.2 million in 2004. Revenues, excluding Fording Trust distributions, increased from \$106.0 million in 2003 to \$126.7 million in 2004, an increase of 19.5%. The principal contributors to this increase were higher tonnage, a higher average loading rate and unrealized hedging gains of \$11.7 million. Offsetting this increase was an increase in expenses of 14.8% primarily resulting from higher wages, increased lease costs because of higher throughput, increased insurance costs and higher costs attributable to increased maintenance activity during the year.



## **Westshore Terminals Income Fund**

### **Trustees' Letter and Report to Unitholders**

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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 2004 was a function of the price in Canadian dollars realized by the Coal Partnership for that coal. In 2004, due to a combination of the adoption of a formal hedging program, the strength of the Canadian dollar and a change in accounting policy, Westshore recognized \$13.9 million of realized and unrealized gains on its forward exchange contracts for 2004. For purposes of basing its distribution policy on 90% of EBITDA, the Fund determined to exclude unrealized hedging gains or losses.

Recent significant strengthening in prices for hard coking coal has led to expectations of much higher average settlement prices for the 2005 coal year (April 1, 2005 to March 31, 2006). At these higher prices and based on anticipated tonnage levels of approximately 22.0 million tonnes for 2005, there will be a positive material effect on Westshore's distributable cash and therefore higher anticipated distributions in the second half of 2005 compared to 2004.

Audited consolidated financial statements for the Fund are attached.

For the Board of Trustees,

William W. Stinson

*Chairman of the Board of Trustees*

Vancouver, B.C.

March 31, 2005



# **Westshore Terminals Income Fund**

## **Management's Discussion & Analysis of Financial Condition and Results of Operations**

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### **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 \$645 million unsecured subordinated notes (“Notes”) and dividends or return of capital on the common shares of Westshore. The Notes include \$175 million principal amount of new Notes of Westshore bearing a fixed rate of interest of 8.5% per annum effective January 5, 2005. Distributions from the Fording Trust were received during 2003 and were in turn paid (net of debt service costs) to unitholders of the Fund. Upon sale of the Fording Trust units in late 2003 and early 2004, the proceeds of sale 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 cash 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. The cash gain of \$16.4 million in 2003 and 2004 combined is less than the combined gains for those years reported in the financial statements of approximately \$30.9 million. This is because certain amounts received from the Fording Trust (which were distributed to the Fund’s unitholders in 2003) were treated as a reduction of the Fund’s acquisition cost of its investment in the Fording Trust, with the result that the accounting gain was greater than the net proceeds received on the sale after repayment of the related debt.

As a result of the sale of the Fording Trust units, distributions by the Fund have since Q2 2004 again been 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. The handling rate for a majority of the coal shipped by Westshore in 2004 was determined by a formula based on the Canadian dollar price received by the Coal Partnership for that coal. As a result, Westshore’s results depend significantly upon the US dollar denominated coal price received by the Coal Partnership and by the Canadian/US dollar exchange rate. Short term fluctuations in the exchange rate are to some extent mitigated by the hedging program adopted by Westshore in 2004.

For 2004, the Fund’s financial statements including 2003 comparatives are presented as a full consolidation of Westshore. For 2003 and prior years, the Fund accounted for its investment in Westshore using the equity method. This was because, even though the Fund owns all of Westshore’s issued common shares, Westar Group Ltd. is entitled to designate three of Westshore’s five directors. Prior annual reports of the Fund included separate audited financial statements for the Fund and Westshore. Effective December 31, 2004, the end of its 2004 fiscal year, the Fund adopted the standard set out in CICA Accounting Guideline 15 “Consolidation of Variable Interest Entities”. The Fund consolidates Westshore pursuant to this Guideline because the Fund will absorb the majority of Westshore’s expected losses and receive a majority of its expected residual return. Accordingly, this annual report includes only one set of financial statements, being the Fund’s consolidated financial statements containing a full consolidation of Westshore’s results. (See Note 2 to the financial statements on page 20)

Since 2000, the interest rate on \$470 million of 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. In 2004, the directors of Westshore and trustees of the Fund determined that the Fund’s distributions should be based on 90% of Westshore’s earnings before depreciation, interest, income taxes and extraordinary gain, subject to an adjustment for unrealized hedging gains. In December 2004, in view of the current trading price of the Fund’s units, the Trustees of the Fund and the Directors of Westshore reviewed Westshore’s capitalization and determined that the value of Westshore and the Fund support a higher component of debt. Concurrently with a return of capital by Westshore to the Fund, the Fund acquired \$175 million principal amount of new Notes of Westshore bearing a fixed rate of interest of 8.5% per annum. The recapitalization was effective January 5, 2005, and therefore had no impact on distributions in 2004.



# Westshore Terminals Income Fund

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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This management's discussion and analysis refers 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. Unless otherwise indicated, this information presented in this annual report is stated as at February 11, 2005.

For 2004, prior to the adoption of CICA Accounting Guideline 15, the Fund determined distributable cash by reference to the net cash received by the Fund that is available for distribution to the Fund's Unitholders. As had been the case in previous years, distributable cash of the Fund was therefore determined by reference to amounts received by the Fund from Westshore, rather than by direct reference to the financial results of Westshore. In 2003 and 2004, distributable cash also included receipts from the investment in the Fording Trust including net proceeds from the sale of Fording Trust units. On that basis, distributable cash was determined for the purpose of distributions in 2004 and 2003 as follows:

### Fund Distributable Cash

*(In thousands of dollars except per unit amounts)*

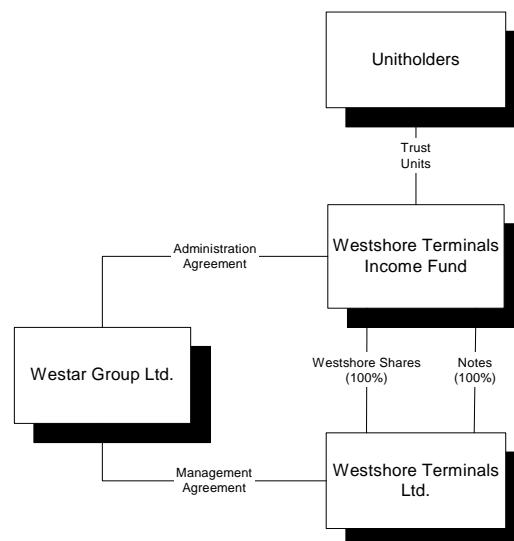
	2004	2003
Westshore – Interest <sup>(1)</sup>	\$ 43,692	\$ 36,683
Westshore – Share Distribution	2,265	-
Westshore – Total	45,957	36,683
Fording Trust – Receipts and Net proceeds on Sales <sup>(2)</sup>	11,860	20,362
<b>Total</b>	<b>57,817</b>	<b>57,045</b>

<sup>(1)</sup> Net of Fund's administration costs

<sup>(2)</sup> Net of interest and principal repaid on debt incurred to acquire Fording Trust units

## 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").





# Westshore Terminals Income Fund

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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### Selected Financial Information

The following financial data is derived from the Fund's audited consolidated financial statements for the years ended December 31, 2004 and 2003, and from management prepared financial information for fiscal 2002, which were prepared in Canadian dollars using Canadian GAAP.

*(In thousands of dollars except per unit amounts)*

	2004 Audited	2003 Audited	2002 Unaudited
Coal	111,420	97,048	109,581
Other	15,269	8,973	2,085
Fording distributions	-	9,040	-
	<b>126,689</b>	115,061	111,666
Earnings before extraordinary gain	<b>48,366</b>	49,985	38,337
Earnings before extraordinary gain per unit	<b>0.687</b>	0.710	0.545
Net Earnings	<b>48,366</b>	57,280	38,337
Net Earnings per unit	<b>0.687</b>	0.814	0.545
Distributable cash	<b>57,817</b>	57,045	43,354
Distributions declared	<b>57,712</b>	57,169	43,354
Distributions declared per unit	<b>0.820</b>	0.812	0.616
Total Assets	<b>590,581</b>	628,854	594,914
Total Long Term Liabilities	<b>51,493</b>	83,271	58,536

As shown above, cash distributions declared to Unitholders for 2004 were \$57,712,000 (\$0.820 per unit) compared to \$57,169,000 (\$0.812 per unit) for 2003. Distributions were made quarterly during 2004, with the final distribution declared on December 14, 2004 and paid on January 17, 2005. The distributions from the Fund in 2004 to Unitholders for income tax purposes were comprised of income of \$48,813,000 (\$0.69355 per unit) and a non-taxable amount of \$8,899,000 (\$0.12645 per unit). Of the total 2004 distributions, \$46.0 million or \$0.653 per unit was from Westshore and \$11.7 million or \$0.167 per unit (net of interest costs) was from proceeds on the sale of the Fording Trust units, as compared to \$36.7 million or \$0.5212 per unit from Westshore and \$20.5 million or \$0.2911 per unit from Fording Trust receipts and proceeds on the sale of Fording Trust units in 2003. As at March 31, 2005, 70,381,111 units are issued and outstanding.

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

<i>(In thousands of dollars except per unit amounts)</i>	12 Months Ended		Three Months Ended			
	Dec 31, 2004	Mar 31, 2004	Jun 30, 2004	Sep 30, 2004	Dec 31, 2004	
<b>Income</b>						
Coal	\$ 111,420	\$ 23,382	\$ 30,267	\$ 28,448	\$ 29,323	
Other	15,269	1,627	3,110	4,985	5,547	
	<b>126,689</b>	<b>25,009</b>	<b>33,377</b>	<b>33,433</b>	<b>34,870</b>	
<b>Expenses</b>						
Operating	64,233	14,228	15,469	17,146	17,390	
Administration	6,286	1,753	1,403	1,405	1,725	
	<b>70,519</b>	<b>15,981</b>	<b>16,872</b>	<b>18,551</b>	<b>19,115</b>	



# Westshore Terminals Income Fund

## Management's Discussion & Analysis of Financial Condition and Results of Operations

<i>(In thousands of dollars except per unit amounts)</i>	12 Months Ended	Three Months Ended			
	Dec 31, 2004	Mar 31, 2004	Jun 30, 2004	Sep 30, 2004	Dec 31, 2004
<b>Earnings before depreciation, interest, income taxes and gain on sale of Fording Canadian Coal Trust units</b>					
Coal Trust units	<b>56,170</b>	9,028	16,505	14,882	15,755
Depreciation	23,222	5,791	5,791	5,790	5,850
Interest expense (recovery)	1,268	1,268	-	-	-
<b>Earnings before income taxes and gain on sale of Fording Canadian Coal Trust units</b>					
Fording Canadian Coal Trust units	<b>31,680</b>	1,969	10,714	9,092	9,905
Gain on sale of Fording Canadian Coal Trust units	11,986	11,986	-	-	-
<b>Earnings before income taxes</b>	<b>43,666</b>	13,955	10,714	9,092	9,905
Recovery of income taxes	4,700	1,801	312	303	2,284
<b>Net earnings</b>	<b>48,366</b>	15,756	11,026	9,395	12,189
<b>Distributions declared</b>	<b>57,712</b>	21,115	9,853	9,853	16,891
<b>Distributions declared per Unit</b>	<b>\$ 0.820</b>	\$ 0.300	\$ 0.140	\$ 0.140	\$ 0.240
<b>Net earnings per Unit</b>	<b>\$ 0.687</b>	\$ 0.224	\$ 0.157	\$ 0.133	\$ 0.173

<i>(In thousands of dollars except per unit amounts)</i>	12 Months Ended	Three Months Ended			
	Dec 31, 2003	Mar 31, 2003	Jun 30, 2003	Sep 30, 2003	Dec 31, 2003
<b>Income</b>					
Coal	\$ 97,048	\$ 23,922	\$ 23,282	\$ 21,125	\$ 28,719
Other	8,973	2,357	1,195	3,473	1,948
Fording Canadian Coal Trust Distributions	9,040	1,114	3,143	2,543	2,240
	115,061	27,393	27,620	27,141	32,907
<b>Expenses</b>					
Operating	54,508	11,896	13,416	13,322	15,874
Administration	6,928	1,383	1,610	1,983	1,952
	61,436	13,279	15,026	15,305	17,826
<b>Earnings before depreciation, interest, income taxes, gain on sale of Fording Canadian Coal Trust units and extraordinary gain</b>					
Fording Canadian Coal Trust units and extraordinary gain	<b>53,625</b>	<b>14,114</b>	<b>12,594</b>	<b>11,836</b>	<b>15,081</b>
Depreciation	22,644	5,654	5,654	5,652	5,684
Interest expense (recovery)	7,733	802	2,393	2,379	2,159
<b>Earnings before income taxes, gain on sale of Fording Canadian Coal Trust units and extraordinary gain</b>					
Fording Canadian Coal Trust units and extraordinary gain	<b>23,248</b>	<b>7,658</b>	<b>4,547</b>	<b>3,805</b>	<b>7,238</b>
Gain on sale of Fording Canadian Coal Trust units	18,898	-	-	-	18,898
<b>Earnings before income taxes</b>	<b>42,146</b>	<b>7,658</b>	<b>4,547</b>	<b>3,805</b>	<b>26,136</b>
Recovery of income taxes	7,839	1,294	2,632	1,809	2,104
<b>Earnings before extraordinary gain</b>	<b>49,985</b>	<b>8,952</b>	<b>7,179</b>	<b>5,614</b>	<b>28,240</b>
Extraordinary gain	7,295	6,908	(362)	459	290
<b>Net earnings</b>	<b>57,280</b>	<b>15,860</b>	<b>6,817</b>	<b>6,073</b>	<b>28,530</b>
<b>Distributions declared</b>	<b>57,169</b>	<b>14,428</b>	<b>11,965</b>	<b>11,965</b>	<b>18,811</b>
<b>Distributions declared per Unit</b>	<b>\$ 0.812</b>	\$ 0.205	\$ 0.170	\$ 0.170	\$ 0.267
<b>Net earnings per Unit</b>	<b>\$ 0.814</b>	\$ 0.225	\$ 0.097	\$ 0.086	\$ 0.406



# Westshore Terminals Income Fund

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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### *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 coal from mines in British Columbia, Alberta and the north-western United States. Coal shipped from the mines acquired by the Coal Partnership, which is now by far Westshore's largest customer, accounted for 93% of Westshore's revenues in 2004.

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.

Additionally, Westshore continues to seek to expand its operations through business development opportunities and potential acquisitions.

### *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)

	2004		2003		2002	
	Tonnes	%	Tonnes	%	Tonnes	%
Japan	5,635	27	6,823	35	6,896	35
Europe	6,371	30	5,669	29	5,469	28
S. Korea	3,384	16	2,856	15	3,787	20
S. America	2,464	12	1,696	9	2,064	11
Taiwan	960	4	1,004	5	809	4
China	1,764	8	531	3	-	-
Other	667	3	745	4	409	2
Total	21,245	100.0	19,324	100.0	19,434	100.0

With its five mines in British Columbia, the Coal Partnership is by far Westshore's largest customer. These mines shipped 92% of the terminal's throughput in 2004 as compared to 94% in 2003. 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 2004, 92% of Westshore's volume was metallurgical coal (91% in 2003), with the remaining 8% being thermal coal (9% in 2003).

All of Westshore's customers compete with other suppliers of coal throughout the world. Australia is the most significant competitor.

Recent years have seen a significant consolidation among producers of seaborne metallurgical coal, including, in Canada the closure of the Gregg River, Quintette, Bullmoose and Obed Mountain Mines. The most significant event from



# **Westshore Terminals Income Fund**

## **Management's Discussion & Analysis of Financial Condition and Results of Operations**

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Westshore's point of view was 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 expects to 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.

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 Fording River, Greenhills and Coal Mountain mines that were 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 in 2003 and 2004, were 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 also has a contract with Luscar Ltd. and covers the Obed Mountain and Coal Valley mines. The term of this contract has been extended to 2017. Luscar Ltd. suspended production at its Obed Mountain mine for an indefinite period effective April 2003.

In September 2004, Westshore secured a coal handling contract with Grande Cache Coal Corporation for handling coal production from its Grande Cache operations in Alberta. The contract expires on March 31, 2013 and has a pricing mechanism based on fixed rates (with escalation clauses). Westshore anticipates shipping approximately 1.3 million tonnes under this contract in 2005. In 2004, Westshore shipped 52,000 tonnes of Grande Cache coal.

### *Labour*

Labour agreements with all three locals of the International Longshore and Warehouse Union (the longshoremen, foreman and the clerical workers) are in place and expire on January 31, 2007.

### **Results of Operations**

Westshore loaded 21.2 million tonnes of coal during 2004 as compared to 19.3 million tonnes during 2003 and 19.4 million tonnes in 2002. Lower volumes in 2003 were due to the windstorm incident which rendered Berth 2 inoperative from January to July 2003. In the fourth quarter of 2004, Westshore loaded 5.6 million tonnes of coal compared with 6.0 million tonnes in the last quarter of 2003. Since December 2003 through to the end of 2004, Westshore's throughput has been negatively impacted by a lack of coal inventory at the terminal and, in some periods, lower than normal levels of rail deliveries. At present, Westshore's throughput volume is anticipated to be 22.0 million in 2005 compared to 21.2 million in 2004.

In April 2004, Westshore's operations were impacted for approximately one week as the Canadian Merchant Service Guild Union (tugboat operators) went out on strike. During that week Westshore was unable to accept or release coal



# **Westshore Terminals Income Fund**

## **Management's Discussion & Analysis of Financial Condition and Results of Operations**

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ships at its berths. The result was that two ships, representing 230,000 tonnes of coal, were diverted to Neptune. In June, Westshore also suffered the loss of use of Berth 1 for one week due to a failure of a shiploader.

Coal loading revenue increased by 14.8% to \$111.4 million in 2004 compared with \$97.0 million in 2003. The increase was due to higher volumes (9.9% of the 14.8% increase) and higher average loading rates (4.9% of the 14.8% increase).

Subject to a floor rate, the loading rates for the majority of the coal handled at Westshore since April 1, 2003 have 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 May – December, 2004 was increased by reason of the increase to approximately US\$52 per tonne in the reference price for export metallurgical coal for the April, 2004 – March, 2005 coal year. The benefit of the higher price was not fully realized until May, 2004 because of carry over volumes that were sold at the previous year's coal price. The benefit of the higher US dollar denominated coal price was offset in part by the continuing strength of the Canadian dollar. In the fourth quarter, loading revenue was \$29.3 million as compared to \$28.7 million in the fourth quarter of 2003, on shipments of 5.6 million tonnes in the fourth quarter of 2004, as compared to 6.0 million tonnes in the fourth quarter of 2003.

Other income increased from \$9.0 million in 2003 to \$15.3 million in 2004. This was despite a reduction of \$5.0 million in the amount included for business interruption insurance from 2003 to 2004. By far the most significant factor was the inclusion of hedging gains, both realized gains in the amount of \$2.2 million and unrealized gains which increased to \$11.7 million as at December 31, 2004. Demurrage expense (which is netted again other income) was almost the same in 2004 and 2003. Wharfage revenue increased, offset by an increase in train detention charges.

Operating and administrative expenses increased from \$61.4 million in 2003 to \$70.5 million in 2004. The increase in operating expenses resulted principally from higher wages, increased lease costs because of higher throughput, increased insurance costs and higher costs attributable to increased maintenance activity during the year. Administrative expenses were lower than the prior year.

Westshore's earnings before depreciation, interest, income taxes, gain on sale of Fording Trust units and extraordinary gain for 2004 were \$56.2 million as compared to \$53.6 million in 2003. In 2003, earnings before depreciation, interest, income taxes, gain on sale of Fording Trust units and extraordinary gain included \$9.0 million on account of regular distributions by Fording Trust. Excluding those distributions, earnings before depreciation, interest, income taxes, gain on sale of Fording Trust units and extraordinary gain for 2003 were \$44.6 million, and rose by 26% to \$56.2 million in 2004.

### **Currency Fluctuations**

Since April 1, 2003, the loading rates under most of Westshore's long-term handling contracts have depended in whole or in part on the Canadian dollar price realized for coal handled by Westshore. To mitigate the resulting risk, Westshore engaged in periodic hedging activities in 2003 and the early part of 2004. In view of the continuing changes in the value of the Canadian dollar relative to the US dollar, and the exposure of Westshore's revenues to such uncertainty, in mid 2004 Westshore adopted a formal hedging policy with respect to the portion of Westshore's dollar revenue that it anticipates receiving based on the Canadian dollar equivalent of the US dollar price of coal (referred to as "Exposed Revenue"). The intent is to put in place hedging strategies so that, prior to the beginning of any calendar year, between 50% and 100% of Exposed Revenue is hedged for that calendar year. In addition, at least 25% of Exposed Revenue for the next two years should be hedged at any quarter end subject to a declining maximum percentage.



# **Westshore Terminals Income Fund**

## **Management's Discussion & Analysis of Financial Condition and Results of Operations**

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In the financial statements, the effect of currency fluctuations is shown as impacting coal loading revenues before taking into account the effect of hedging activities, the financial effect of which is accounted for as other income.

### **Outlook**

The Fund's cash inflows are entirely dependent on Westshore's operating results and are significantly influenced by four variables: the volume of coal shipped through the terminal; the US dollar denominated price received by Westshore's customers for that coal; the Canadian-US dollar exchange rate; and Westshore's operating costs.

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 late 2003, throughput at Westshore has been impacted by a lack of coal inventory and, in some periods, lower than normal levels of rail deliveries. 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 2005 is anticipated to be approximately 22.0 million tonnes compared to 21.2 million tonnes achieved in 2004.

On February 1, 2005, 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, 2005 to March 31, 2006 is expected to be approximately US\$122, over 100% higher than the average US dollar price realized in the coal year ending March 31, 2005. This represents sales for all products, not only those exported through Westshore. Such increase would lead to substantially higher loading rates for a portion of Westshore's throughput.

For the second half of 2005 after the increased loading rates are expected to become effective, tonnages shipped at fixed rates are expected to account for approximately 25% of the Terminal's throughput; tonnages shipped at variable rates but subject to a cap, which is expected to be applicable in the second half of 2005, are expected to account for approximately 30% of throughput; and finally, tonnages shipped at full variable rates are expected to account for approximately 45% of throughput at the Terminal.

Because of a combination of possible variations in tonnage, the US dollar denominated coal price and exchange rates, it is not possible for the Fund to predict accurately the level of its distributions for 2005. However, based on the most current information available to it, the Fund expects distributions in the first six months of 2005 to continue at levels closer to those of the last six months of 2004. For the last six months of 2005, when the higher coal prices are expected to be in effect for the new coal year, Westshore expects to enjoy materially higher throughput rates for approximately 45% of the coal shipped, with a resulting increase in the Fund's distributions. That increase would result in incentive fees becoming payable by Westshore to Westar under the Management Agreement. Also to the extent that EBITDA exceeds \$78 million, Westshore's tax liability could increase significantly.

Based on Westshore's current assumptions of volume per specific customer, US dollar coal price, exchange rates and throughput rates anticipated to be charged, in the second half of the year:

- for every 1,000,000 tonnes difference in throughput, the effect on distributions by the Fund is expected to be approximately 4¢ per unit;
- for every US\$10.00 change in the US dollar denominated coal price received by the Coal Partnership, the effect on distributions by the Fund is expected to be approximately 4¢ per unit; and



# **Westshore Terminals Income Fund**

## **Management's Discussion & Analysis of Financial Condition and Results of Operations**

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- for every US\$0.01 change in the value of the Canadian dollar, the effect on distributions by the Fund is expected to be approximately 0.3¢ per unit.

The above sensitivities factor in the anticipated effects of Westshore's hedges currently in place. These sensitivities are expected to be applicable only for the last six months of 2005 and are based on Westshore's current assumptions. Sensitivities for any other period would depend upon the appropriate assumptions at the relevant time.

The foregoing statements concerning tonnages, coal prices, loading rates, taxation and variability of distributions are forward-looking statements but reflect the current expectations of the Fund and Westshore with respect to future events and performance. Wherever used, the words "may," "will," "anticipate," "intend," "expect," "plan," "believe," and similar expressions identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at which, such performance or results will be achieved.

Forward-looking statements are based on information available at the time they are made, assumptions made by management, and management's good faith belief with respect to future events, and are subject to the risks and uncertainties outlined in the Fund's annual information form that could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.

All forward-looking statements will be impacted by and are subject to the risks set out under Risk Factors in the Fund's annual information form.

### **Liquidity and Capital Resources**

The Fund is obliged to distribute to Unitholders its cash inflows, 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.

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, 2004. Westshore's distribution policy leaves 10% of earnings after interest on the New Notes but before depreciation, interest, income taxes, and unrealized gains or losses on forward exchange contracts to cover cash requirements such as capital expenditures and special pension contributions.

Obligations under operating leases for the years ending December 31 (assuming the lease rates are not adjusted) are as follows:



# Westshore Terminals Income Fund

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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	Terminal lease \$	Other \$	Total \$
2005	11,665	150	11,815
2006	11,665	150	11,815
2007	11,665	-	11,665
2008	11,665	-	11,665
2009	11,665	-	11,665
Thereafter to 2012	34,995	-	34,995

The Fund does not have any long-term debt, capital lease obligations, or other long-term obligations.

### Transactions with Related Parties

In 2004, Westshore paid \$750,000 (excluding GST) to Westar for management services provided under the Management Agreement dated January 30, 1997 between Westshore and Westar, and 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. Under the Governance Agreement, Westar is entitled to appoint a majority of the directors of Westshore.

The Management Agreement referred to above provides for incentive fees to be payable by Westshore to Westar in the event that distributions to the Fund from Westshore exceed certain amounts. If loading rates reach the levels that are indicated by coal prices which the Fording Trust has announced the Coal Partnership is expected to receive in 2005, the level of distributions would result in such incentive fees being payable. Those fees are computed on the following basis: 15% of Fund distributable cash between \$1.035 - \$1.125 per unit; 25% of Fund distributable cash between \$1.125 - \$1.260 per unit; and 35% of Fund distributable cash above \$1.260 per unit.

### Significant Accounting Policies

The Fund's significant accounting policies are found in note 2 of Westshore's financial statements beginning on page 20.

### Changes in Accounting Policies

#### *Variable interest entities*

In September 2004, CICA issued Accounting Guidelines 15, "Consolidation of Variable Interest Entities" (AcG-15) relating to the accounting for Variable Interest Entities (VIEs). A VIE is any type of legal structure not controlled by voting equity but rather by/or through contractual or other financial arrangements. This guideline requires the Fund to identify VIEs in which it has an interest, determine whether it is the primary beneficiary of such entities and, if so, to consolidate the VIE. A primary beneficiary is an enterprise that will absorb a majority of the VIE's expected losses, receive a majority of its expected residual return, or both. AcG-15 is effective for annual and interim periods beginning on and after November 1, 2004. It was determined that the Fund's investment in Westshore meets the criteria for being a VIE and that the Fund is the primary beneficiary of the entity. As a result, the Fund must consolidate Westshore.



# Westshore Terminals Income Fund

## Management's Discussion & Analysis of Financial Condition and Results of Operations

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### *Financial instruments*

The Fund uses forward exchange contracts to mitigate its exposure to fluctuations in foreign exchange rates. Effective January 1, 2004, the Fund adopted the CICA Guideline 13, "Hedging Relationships". This guidance addresses the identification, designation, documentation and effectiveness of hedging relations for purposes of applying hedge accounting. Under the new guideline, any hedging transactions that do not qualify for hedge accounting must be marked to market at each period end with any resulting gains or losses recorded in earnings. The Fund's forward exchange contracts do not qualify for hedge accounting.

### *Asset retirement obligations*

Effective January 1, 2004, the Fund has adopted the CICA Handbook Section 3110, "Asset Retirement Obligations". Under this accounting recommendation, the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred assuming a credit-adjusted risk-free rate. In subsequent periods, an accretion expense is charged to earnings to increase the liability due to the passage of time. The asset retirement cost is capitalized as part of the related long-lived asset's carrying amount and amortized over the asset's useful life.

Westshore's terminal site is leased from the Vancouver Port Authority (the VPA). The current lease runs until February 29, 2012 and may be extended at Westshore's option for a further 10 years. At the expiry of the lease in 2022, assuming Westshore has not been successful in further extending the lease, the VPA has the option to acquire the assets of the terminal at fair value or require Westshore to return the site to its original condition. Westshore management believes that the probability that the VPA will elect to enforce site restoration is negligible and therefore no liability has been recorded as at December 31, 2004.

## Critical Accounting Estimates

The preparation of financial statements and related disclosure in accordance with GAAP requires the Fund 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.

The following is a discussion of the accounting estimates of Westshore that are significant in determining Westshore's financial results.

### *Plant and equipment / Depreciation*

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. A change in the estimated useful lives of plant and equipment could result in either a higher or lower depreciation charge to net earnings.



# **Westshore Terminals Income Fund**

## **Management's Discussion & Analysis of Financial Condition and Results of Operations**

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### *Goodwill*

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired, by comparing the fair value of Westshore to its carrying value, including goodwill. If the fair value of Westshore is less than its carrying value, a goodwill impairment loss is recognized as the excess of the carrying value of the goodwill over the fair value of the goodwill. The determination of fair value requires management to make assumptions and estimates about future coal prices, operating costs, foreign exchange rates and discount rates. Changes in any of these assumptions, such as lower coal prices, an increase in operating costs or an increase in discount rates could result in an impairment of all or a portion of the goodwill carrying value in future periods.

### *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.

Westshore's customers incur demurrage penalties if a ship being loaded with their coal is not loaded within a specified number of hours after it is ready to load at Westshore's terminal (the "Terminal"). They also receive credits for early completion of loading, but only at half the hourly rate of the demurrage penalty. Since 1992, Westshore shares these penalties and credits with its customers, except in certain situations where the customer bears the entire penalty and receives the entire credit. One such situation is if the coal to be loaded on the vessel is not at the Terminal when the vessel arrives. The demurrage cost to Westshore in 2004 was \$2.1 million, about the same as incurred in 2003.

The railways that deliver coal to the Terminal also claim detention charges from Westshore's customers in respect of any delays beyond a specified number of hours that occur between the commencement of loading at the mine and the completion of unloading at the Terminal. The railways also grant credits in respect of trains that complete the process in less than the specified number of hours. With certain exceptions, Westshore also shares these charges and credits equally with its customers. The cost to Westshore for train detention was \$745,000 in 2004, compared to \$83,000 in 2003.

While Westshore endeavours to ensure that provisions for contingencies are reasonable in the circumstances, actual costs may be greater or less than the provisions made for those costs.

Additional information relating to the Fund and Westshore, including the Fund's most recent annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).



# Westshore Terminals Income Fund

## Financial Reporting

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### Management's Report

The consolidated financial statements and other information in this annual report have been prepared by and are the responsibility of the management of the Fund. The consolidated 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 consolidated financial statements and annual report are reviewed and approved.

The consolidated 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

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### Auditors' Report

*To the Unitholders of Westshore Terminals Income Fund*

We have audited the consolidated balance sheets of **Westshore Terminals Income Fund** (the Fund) as at December 31, 2004 and 2003 and the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Vancouver, B.C.  
February 11, 2005



**Westshore Terminals Income Fund**  
**Consolidated Balance Sheets**  
**As at December 31, 2004 and 2003 (in thousands of dollars)**

	2004	2003
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	36,000	27,645
Accounts receivable (note 12)	3,764	13,540
Inventories	5,148	4,646
Prepaid expenses	2,791	2,779
Income taxes receivable (note 7)	2,648	-
Other assets (note 14)	5,013	-
	<u>55,364</u>	<u>48,610</u>
<b>Plant and equipment</b>		
At cost	458,932	458,247
Accumulated depreciation	<u>(298,170)</u>	<u>(274,948)</u>
	<u>160,762</u>	<u>183,299</u>
<b>Employee future benefits</b>		
	2,236	2,156
<b>Investment in Fording Canadian Coal Trust (note 3)</b>		
	-	29,248
<b>Goodwill</b>		
	365,541	365,541
<b>Other assets (note 14)</b>		
	<u>6,678</u>	-
	<u>590,581</u>	<u>628,854</u>
<b>Liabilities and Unitholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	21,296	16,170
Distribution payable to unitholders (note 6)	16,891	18,811
Income taxes payable (note 7)	<u>-</u>	<u>355</u>
	<u>38,187</u>	<u>35,336</u>
<b>Long-term debt (note 4)</b>		
	-	29,374
<b>Future income taxes (note 7)</b>		
	<u>51,493</u>	<u>53,897</u>
	<u>89,680</u>	<u>118,607</u>
<b>Unitholders' equity</b>		
Capital contributions (note 5)	663,602	663,602
Cumulative earnings	257,140	208,774
Cumulative distributions declared	<u>(419,841)</u>	<u>(362,129)</u>
	<u>500,901</u>	<u>510,247</u>
	<u>590,581</u>	<u>628,854</u>

**APPROVED BY THE TRUSTEES:**

William W. Stinson  
Trustee

M. Dallas H. Ross  
Trustee



**Westshore Terminals Income Fund**  
**Consolidated Statements of Earnings and Cumulative Earnings**  
**For the years ended December 31, 2004 and 2003**  
(in thousands of dollars, except unit amounts)

	2004 \$	2003 \$
<b>Revenue</b>		
Coal	111,420	97,048
Other (note 14)	15,269	8,973
Fording Canadian Coal Trust distributions	-	9,040
	<hr/> 126,689	<hr/> 115,061
<b>Expenses</b>		
Operating	64,233	54,508
Administrative	6,286	6,928
	<hr/> 70,519	<hr/> 61,436
<b>Earnings before depreciation, interest, income taxes, gain on sale of Fording Canadian Coal Trust units and extraordinary gain</b>	56,170	53,625
<b>Depreciation</b>	23,222	22,644
<b>Interest expense (note 4)</b>	<hr/> 1,268	<hr/> 7,733
<b>Earnings before income taxes, gain on sale of Fording Canadian Coal Trust units and extraordinary gain</b>	31,680	23,248
<b>Gain on sale of Fording Canadian Coal Trust units</b>	<hr/> 11,986	<hr/> 18,898
<b>Earnings before income taxes and extraordinary gain</b>	43,666	42,146
<b>Recovery of income taxes (note 7)</b>	<hr/> 4,700	<hr/> 7,839
<b>Earnings before extraordinary gain</b>	48,366	49,985
<b>Extraordinary gain (note 13)</b>	<hr/> -	<hr/> 7,295
<b>Net earnings for the year</b>	48,366	57,280
<b>Cumulative earnings - Beginning of year</b>	<hr/> 208,774	<hr/> 151,494
<b>Cumulative earnings - End of year</b>	<hr/> 257,140	<hr/> 208,774
<b>Earnings before extraordinary gain per trust unit</b>	<hr/> 0.687	<hr/> 0.710
<b>Basic and diluted earnings per trust unit</b>	<hr/> 0.687	<hr/> 0.814
<b>Weighted average number of trust units outstanding</b>	<hr/> 70,381,111	<hr/> 70,381,111



# Westshore Terminals Income Fund

## Consolidated Statements of Cash Flows

For the years ended December 31, 2004 and 2003 (in thousands of dollars)

	2004	2003
	\$	\$
<b>Cash flows from operating activities</b>		
Net earnings for the year	48,366	57,280
Items not affecting cash		
Unrealized gain on forward exchange contracts (note 14)	(11,691)	-
Depreciation	23,222	22,644
Future income tax recovery (note 7)	(2,405)	(8,640)
Gain on sale of Fording Canadian Coal Trust units	(11,986)	(18,898)
Extraordinary gain (note 13)	-	(7,295)
Increase in deferred employee future benefits costs	(80)	(1,095)
	<u>45,426</u>	<u>43,996</u>
Decrease in non-cash working capital	5,655	4,877
	<u>51,081</u>	<u>48,873</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	-	150,000
Repayment of long-term debt	(29,374)	(120,626)
Distributions paid to unitholders	<u>(59,632)</u>	<u>(49,337)</u>
	<u>(89,006)</u>	<u>(19,963)</u>
<b>Cash flows from investing activities</b>		
Additions to plant and equipment	(685)	(18,816)
Property damage insurance proceeds received - net of disposal costs (note 13)	5,731	12,750
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	<u>41,234</u>	<u>125,161</u>
	<u>46,280</u>	<u>(16,416)</u>
<b>Increase in cash and cash equivalents</b>	<b>8,355</b>	<b>12,494</b>
<b>Cash and cash equivalents - Beginning of year</b>	<b>27,645</b>	<b>15,151</b>
<b>Cash and cash equivalents - End of year</b>	<b>36,000</b>	<b>27,645</b>
<b>Supplemental cash flow information</b>		
Cash paid for interest	1,560	7,491
Cash received for interest	454	874
Income taxes paid (recovered)	<u>1,568</u>	<u>(1,641)</u>



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

### 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.

These consolidated financial statements include the accounts of the Fund and its variable interest entity, Westshore. All significant inter-entity transactions and balances have been eliminated on consolidation of Westshore. Historically, the Fund accounted for its investment in Westshore using the equity method (note 2).

### 2 Significant accounting policies

#### Accounting principles

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

#### Changes in accounting policies

##### (a) Variable interest entities

In September 2004, CICA issued Accounting Guidelines 15, "Consolidation of Variable Interest Entities" (AcG-15) relating to the accounting for Variable Interest Entities (VIEs). A VIE is any type of legal structure not controlled by voting equity but rather by/ or through contractual or other financial arrangements. This guideline requires the Fund to identify VIEs in which it has an interest, determine whether it is the primary beneficiary of such entities and, if so, to consolidate the VIE. A primary beneficiary is an enterprise that will absorb a majority of the VIE's expected losses, receive a majority of its expected residual return, or both. AcG-15 is effective for annual and interim periods beginning on and after November 1, 2004. It was determined that the Fund's investment in Westshore meets the criteria for being a VIE and that the Fund is the primary beneficiary of the entity. As a result, the Fund must consolidate Westshore.

The Fund has elected to early adopt this standard effective for the year ended December 31, 2004 with retroactive restatement of the prior years. The adoption of this standard resulted in the Fund's investment in Westshore Terminals Ltd. being replaced by the net assets of Westshore as detailed below:

	2004	2003
	\$	\$
Current assets	38,830	29,524
Plant and equipment	160,762	183,299
Other long-term assets	8,914	2,156
Goodwill	365,541	365,541
Current liabilities	(21,185)	(16,126)
Future income taxes	(51,492)	(53,897)
Investment in Westshore	<hr/> 501,370	<hr/> 510,497

This adoption did not result in a change in the net assets of the Fund as at December 31, 2004 and 2003. The Fund's net earnings for the years ended December 31, 2004 and 2003 have not been affected by this change.



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

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(b) Financial instruments

The Fund uses forward exchange contracts to mitigate its exposure to fluctuations in foreign exchange rates. Effective January 1, 2004, the Fund adopted the CICA Guideline 13, "Hedging Relationships". This guidance addresses the identification, designation, documentation and effectiveness of hedging relations for purposes of applying hedge accounting. Under the new guideline, any hedging transactions that do not qualify for hedge accounting must be marked to market at each period end with any resulting gains or losses recorded in earnings. The Fund's forward exchange contracts do not qualify for hedge accounting.

(c) Asset retirement obligations

Effective January 1, 2004, the Fund has adopted the CICA Handbook Section 3110, "Asset Retirement Obligations". Under this accounting recommendation, the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred assuming a credit-adjusted risk-free rate. In subsequent periods, an accretion expense is charged to earnings to increase the liability due to the passage of time. The asset retirement cost is capitalized as part of the related long-lived asset's carrying amount and amortized over the asset's useful life.

Westshore's terminal site is leased from the Vancouver Port Authority (the VPA). The current lease runs until February 29, 2012 and may be extended at Westshore's option for a further 10 years. At the expiry of the lease in 2022, assuming Westshore has not been successful in further extending the lease, the VPA has the option to acquire the assets of the terminal at fair value or require Westshore to return the site to its original condition. Westshore management believes that the probability that the VPA will elect to enforce site restoration is negligible and therefore no liability has been recorded as at December 31, 2004.

### 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.

### Goodwill

Effective January 1, 2002, goodwill arising on the acquisition of Westshore is not amortized. Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

### 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.



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

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### 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 2004 and 2003, 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.

### Employee future benefits

Westshore 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.
- 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.

### Investment in Fording Canadian Coal Trust

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

### 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.

### Comparative figures

Certain comparative figures have been reclassified in order to conform with the current year's financial statement presentation.



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

### 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 60% 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 was distributed to unitholders.

During 2004, the Fund sold its remaining interest in Fording Trust for \$41.2 million resulting in a gain of \$12.0 million. The Fund used the proceeds to repay the remaining outstanding term bank loans and the remainder was distributed to unitholders.

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

	2004	2003
	\$	\$
Balance - Beginning of year	29,248	-
Investment in Fording Trust	-	150,000
Distributions received	-	(428)
Regular distributions in excess of Fund's share of earnings	-	(6,414)
Special distributions	-	(7,647)
Special receipt	-	(29,248)
Sale of units	-	(106,263)
Balance - End of year	-	29,248

### 4 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 \$30 million loan from an affiliate of Westar was repaid in full during 2003, as well as \$90.6 million of the term bank loans (note 3). During 2004, the Fund repaid all of the outstanding balance of the \$120 million term bank loans.

Interest expense for the year ended December 31, 2004 on these loans was \$121,000.

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, which is included in interest expense.



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

### 5 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, 2004 are as follows:

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

### 6 Distributions to unitholders

Distributions to unitholders are made quarterly.

During the year ended December 31, 2004, the Fund declared cash distributions to unitholders of \$57,712,000 (2003 - \$57,169,000) or \$0.820 (2003 - \$0.812) per unit. The amounts and record dates of the distributions were as follows:

	2004		2003	
	Total \$	Per unit \$	Total \$	Per unit \$
March 31	21,115	0.300	14,428	0.205
June 30	9,853	0.140	11,965	0.170
September 30	9,853	0.140	11,965	0.170
December 31	<u>16,891</u>	<u>0.240</u>	<u>18,811</u>	<u>0.267</u>
	<u>57,712</u>	<u>0.820</u>	<u>57,169</u>	<u>0.812</u>

The distribution of \$16,891,000 (\$0.240 per unit) payable to unitholders of record on December 31, 2004 was paid on or before January 17, 2005.



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

The distributions declared in 2004 and 2003 have been allocated as follows for income tax purposes:

	2004		2003	
	Total \$	Per unit \$	Total \$	Per unit \$
Cash distributions				
Income and capital gains	48,813	0.694	52,369	0.744
Return of capital	8,899	0.126	4,800	0.068
Total distribution	57,712	0.820	57,169	0.812

## 7 Income taxes

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

	2004 \$	2003 \$
Income tax recovery at statutory Canadian rate	(15,554)	(15,855)
Large corporations tax	(126)	(262)
Reduction in future income tax rate	-	2,696
Prior year tax recoveries at higher tax rate	470	-
Fund distributions deductible for tax purposes	17,387	19,701
Non-taxable income	2,446	1,712
Other	77	(153)
Income tax recovery	4,700	7,839
Represented by:		
Current income tax recovery (provision)	2,295	(801)
Future income tax recovery	2,405	8,640
	4,700	7,839

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

	2004 \$	2003 \$
Plant and equipment	47,042	53,938
Other assets	4,164	-
Accounts payable and accrued liabilities	(509)	(809)
Employee future benefits	796	768
Future income tax liability	51,493	53,897

## 8 Bank operating facility

Westshore has a \$10 million (2003 - \$10 million) secured operating facility. No amounts were outstanding on this facility as at December 31, 2004 and 2003. Westshore 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.



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

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### 9 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, 2004 (2003 - \$250,000) under the administration agreement. These fees are included in administrative expenses on the statements of earnings and cumulative earnings.

Accounts payable and accrued liabilities include \$nil (2003 - \$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, 2004 (2003 - \$750,000) under the management agreement. These fees are included in administrative expenses on the statement of earnings and cumulative earnings.

Also see notes 3 and 4.

### 10 Employee future benefits

Westshore has two defined benefit pension plans (the Retirement Plan and the Pension Plan) and provides other retirement and post-employment benefits for most of its employees. Other retirement and post-employment benefits include a severance benefit plan, life insurance, dental, extended health and medical services plan.

Information about Westshore's defined benefit pension plans and other benefit obligations using a measurement date of December 31, 2004 is as follows:



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

	Pension plan benefits		Other benefits	
	2004 \$	2003 \$	2004 \$	2003 \$
Accrued benefit obligation				
Balance - Beginning of year	51,862	44,369	19,070	16,232
Actuarial losses	3,828	3,017	1,677	1,258
Current service cost	809	709	473	482
Interest cost	3,253	3,037	1,207	1,153
Benefits paid	(2,955)	(1,832)	(1,162)	(668)
Plan improvements	-	2,562	-	613
Balance - End of year	56,797	51,862	21,265	19,070
Plan assets				
Fair value - Beginning of year	51,860	44,721	-	-
Actual return on assets	5,909	5,286	-	-
Benefits paid	(2,955)	(1,832)	(1,162)	(668)
Employer contributions	2,662	3,685	1,162	668
Fair value - End of year	57,476	51,860	-	-
Balances - December 31				
Funded status - plan (deficit) surplus	679	(2)	(21,265)	(19,070)
Unamortized net actuarial losses	12,599	11,635	5,627	4,246
Unamortized past service costs	3,112	3,583	1,484	1,764
Accrued benefit asset (liability)	16,390	15,216	(14,154)	(13,060)

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

The financial information with respect to the defined benefit pension plans and other benefit obligations is based on the following valuations and extrapolations:

	Most recent valuation date	Date of next required valuation
Pension plan	January 1, 2004	January 1, 2005
Retirement plan	January 1, 2004	January 1, 2007
Other benefit obligations	January 1, 2004	-

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



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

	2004		2003	
	Pension benefits %	Other benefits %	Pension benefits %	Other benefits %
Benefit obligations				
Discount rate	5.75	5.75	6.25	6.25
Rate of increase in future compensation	3.75	3.75	4.00	3.50
Benefit costs				
Discount rate	6.25	6.25	6.75	6.75
Rate of increase in future compensation	3.75	3.75	4.00	3.50
Expected long-term rate of return on plan assets	7.5	-	7.5	-

The average rate of compensation increase is expected to be inflation with an adjustment for merit and productivity gains.

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 first ten 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 impact of a 1% point change in assumed drug and other health benefit costs would have the following effects:

	1% decrease	1% increase
Effect on benefit costs	(197)	253
Effect on benefit obligation	(2,159)	2,683

Westshore's defined benefit plans' weighted-average asset allocations at the measurement date, by asset category, are as follows:

	2004 %	2003 %
Cash and fixed income	31	30
Canadian equities	45	53
Foreign equities	24	17
	100	100

Westshore's contributions for the year ended December 31:

	2004 \$	2003 \$
Company contributions to funded pension plans	2,662	3,685
Benefits paid directly to beneficiaries for other non-funded post-employment benefits	1,162	668
	3,824	4,353



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

Westshore's net benefit plan expense (income) for the years ended December 31, 2004 and 2003 is as follows:

	Pension plan benefits		Other benefits	
	2004 \$	2003 \$	2004 \$	2003 \$
Current service cost	809	709	473	482
Interest cost	3,253	3,037	1,207	1,153
Expected return on plan assets	(3,878)	(3,651)	-	-
Amortization of net actuarial losses	833	804	296	219
Amortization of past service costs	471	225	280	280
Net benefit plan expense	1,488	1,124	2,256	2,134

## 11 Commitments

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

Westshore's terminal site is leased (the Lease) from the Vancouver Port Authority (the VPA). Charges payable by Westshore 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. Westshore 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. For the next rental term, being March 1, 2005 to February 29, 2008, Westshore and the VPA have agreed that the land and waterlot rental rate remain the same, but the VPA has yet to set the participation rates. The VPA has the right to change the lease rates every three years during the renewal period. Westshore 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 \$
2005	11,665	150	11,815
2006	11,665	150	11,815
2007	11,665	-	11,665
2008	11,665	-	11,665
2009	11,665	-	11,665
Thereafter to 2012	34,995	-	34,995

## 12 Significant customers

Fording Trust holds a 60% 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



# Westshore Terminals Income Fund

## Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

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exclusivity agreements, will continue in effect. During the year ended December 31, 2004, approximately 93% (2003 - 94%) of Westshore's revenue was earned from the mines acquired by the Coal Partnership. As at December 31, 2004, the net receivable from the Coal Partnership was \$0.7 million.

### 13 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 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.

During 2003, for accounting purposes, the Fund recorded an extraordinary gain of \$7,295,000, which represented Westshore's estimated insurance proceeds to replace the damaged equipment less the equipment's carrying value, disposal cost and related future income taxes. The extraordinary gain comprises:

	\$
Westshore - extraordinary gain	10,412
The Fund - extraordinary loss	(3,117)
	<hr/>
	7,295

During 2004, Westshore received the final insurance payments of \$6.5 million. In total, Westshore received insurance proceeds of \$24.7 million (\$17.7 million - property damage, \$7.0 million - business interruption).

### 14 Financial instruments

#### Foreign exchange risk

In 2004, the loading rate for most of the Coal Partnership's coal handled by Westshore was 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, Westshore's revenues will be affected by the conversion of the U.S. dollar sales to Canadian dollars.

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

Fair value estimates for foreign exchange contracts are based on quoted market prices for comparable contracts and represent the amount Westshore would have received from or paid to, a counterparty to unwind the contracts at the market rate in effect at December 31. Westshore's forward exchange contracts were marked to market at December 31, 2004. Consequently, Westshore has recorded an asset of \$11,691,000 on the consolidated balance sheet. Other revenue on the consolidated statement of earnings and cumulative earnings includes an unrealized gain on forward exchange contracts of \$11,691,000.



### 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

**Jim G. Gardiner**

Corporate Director

*Secretary***Nick Desmarais**Managing Director, Legal Services  
The Jim Pattison Group*Auditors*

PricewaterhouseCoopers LLP

Vancouver, British Columbia

*Principal Office*

1800 – 1067 West Cordova Street

Vancouver, British Columbia V6C 1C7

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 and Special Meeting of Unitholders will be held on Tuesday, June 14, 2005 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, Legal Services  
The Jim Pattison Group**M. Dallas H. Ross**

Partner, Kinetic Capital Partners

**William W. Stinson**

Corporate Director

*Officers***William W. Stinson**

President

**Denis Horgan**

Vice-President and General Manager

**Nick Desmarais**

Secretary

*Auditors*

PricewaterhouseCoopers LLP

Vancouver, British Columbia