



# **WESTSHORE TERMINALS INCOME FUND**

**ANNUAL REPORT**

**2007**

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 limited partnership units of Westshore Terminals Limited Partnership (“Westshore”).

Westshore operates a bulk coal handling terminal located in British Columbia. Distributions received by the Fund from Westshore, net of expenses, are 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)*

	2007	2006
Tonnage (in thousands)	21,160	18,958
Revenue		
Coal	\$ 156,717	\$ 157,854
Other <sup>(1)</sup>	8,956	3,699
	<b>165,673</b>	<b>161,553</b>
Earnings before depreciation and income taxes	87,328	87,418
Cash Distributions declared	86,131	84,809
Cash Distributions per unit	\$ 1.160	\$ 1.205
Units outstanding at December 31	<b>74,250,016 <sup>(2)</sup></b>	<b>70,381,111</b>
Trading Statistics		
High	\$ 15.96	\$ 13.50
Low	\$ 10.53	\$ 9.25
Close	\$ 14.49	\$ 11.79
Volume	<b>48,723,436</b>	<b>47,705,637</b>

(1) Other revenue in 2007 includes \$3.9 million of realized gains (\$7.0 million of realized gains in 2006) offset by a \$1.5 million decrease in unrealized gains (\$6.5 million decrease in unrealized gains in 2006) on forward exchange contracts.

(2) In March 2007, the Fund concluded an equity offering comprising of a \$20 million rights offering and a \$20 million private placement. The funds are being used as part of the funding for a \$49 million capital upgrade (see "Equipment Addition and Upgrade" on p. 10).



# Westshore Terminals Income Fund

## Trustees' Letter and Report to Unitholders

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Dear Unitholder:

For the twelve months ending December 31, 2007, the Fund declared cash distributions to Unitholders of \$86.1 million (\$1.160 per unit).

Distributions by the Fund are 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. During 2007, Westshore loaded 21.2 million tonnes of coal as compared to 19.0 million tonnes shipped in 2006.

The Fund's consolidated earnings before depreciation and income taxes were \$87.3 million compared to prior year at \$87.4 million. Revenues decreased 1% from \$157.9 million in 2006 to \$156.7 million in 2007. A lower average loading rate was offset by higher throughput volumes. Under Westshore's arrangements with the Elk Valley Coal Partnership (the "Coal Partnership"), the loading rate for approximately half of the coal loaded by Westshore in 2007 was a function of the price in Canadian dollars realized by the Coal Partnership for that coal. The pricing of coal for the 2008/9 coal year has not yet been concluded.

Westshore is fully underway with a capital upgrade to its existing equipment which is anticipated to cost approximately \$49 million. The upgrade is expected to be completed in late 2009 and will increase Westshore's throughput capacity to approximately 29 million tonnes. Funding for the capital upgrade has been provided through a \$20 million rights offering to unitholders and \$20 million private placement which were concluded in March 2007. The balance of the funds required will be sourced from Westshore's cash on hand. At this time, the capital upgrade project remains on schedule and on budget.

During the year, Westshore successfully concluded collective agreements with locals 502 and 511 (longshoremen and clerical) for four year terms expiring January 31, 2011. Negotiations with local 514 (foreman) were completed in February 2008 resulting in an agreement for the same four year term.

As of mid-December 2007, substantially all Westshore's currency hedges had expired and as a result, the Fund is currently unhedged and exposed to Canadian dollar fluctuations against the US dollar. Historically, the Fund had in place hedges that were approximately equivalent to 50% of the anticipated US dollar linked (related)-revenues. For the coming coal year, given the uncertainty as to pricing and the unprecedented volatility in coal markets, the Fund has delayed putting hedges in place until more information is available.

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 28, 2008



# Westshore Terminals Income Fund

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

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*The following discussion and analysis should be read in conjunction with information contained in the Consolidated Financial Statements and the notes thereto starting on page 19. This discussion and analysis has been based upon financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). This discussion and analysis is the responsibility of management of Westshore. Unless otherwise indicated, the information presented in this Annual Report is stated as at March 26, 2008.*

*All amounts are presented in Canadian dollars unless otherwise noted.*

### **Caution Concerning Forward-Looking Statements**

*This Annual Report contains certain forward-looking statements, which reflect the current expectations of the Fund and Westshore with respect to future events and performance. The words "anticipate," "believe," "expect," "estimate," "intend," "plan," "may," "will," "should," "would," "could" and similar words or expressions often identify forward-looking statements.*

*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 inherent risks and uncertainties, including those outlined in the Fund's annual information form filed on [www.sedar.com](http://www.sedar.com), that could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.*

*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. There is significant risk that estimates, predictions, forecasts, conclusions and projections will not prove to be accurate, that assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Readers of this Annual Report should not place undue reliance on forward-looking statements as a number of factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.*

*All forward-looking statements of the Fund or Westshore, including those set out in this Annual Report, are expressly qualified in their entirety by this cautionary statement. In addition, the forward-looking statements are made only as of the date of this Annual Report, and the Fund and Westshore undertake no obligation to update or supplement forward-looking statements to reflect new information, subsequent events or otherwise.*

### **General**

The cash inflows of the Fund are based on the distributions received from the operations of Westshore. The earnings and distributable cash of the Fund are wholly dependent on the results of Westshore. Westshore's results are determined largely by the volume of coal shipped by its coal mine customers for sale in the export market, the rate per tonne charged by Westshore and Westshore's costs. Westshore's loading rates for 43% of the throughput in 2007 were based on the prices received by the Elk Valley Coal Partnership (the "Coal Partnership"). Lower prices for hard coking coal resulted in Westshore's customers achieving lower average settlement prices for the 2007/08 coal year (ending March 31, 2008) compared to the 2006/07 coal year (ending March 31, 2007).

As Westshore has some exposure to fluctuations in exchange rates (as a result of the pricing mechanisms under most of its customer contracts), Westshore has historically put in place some currency hedging which is intended to offer partial protection to Westshore from material short-term swings in the Canadian/US dollar exchange rate. All of such currency hedges expired in mid December 2007.

In accordance with CICA Accounting Guideline 15 "Consolidation of Variable Interest Entities", the Fund consolidates Westshore as the Fund will absorb Westshore's expected losses and receive its expected residual return.



# Westshore Terminals Income Fund

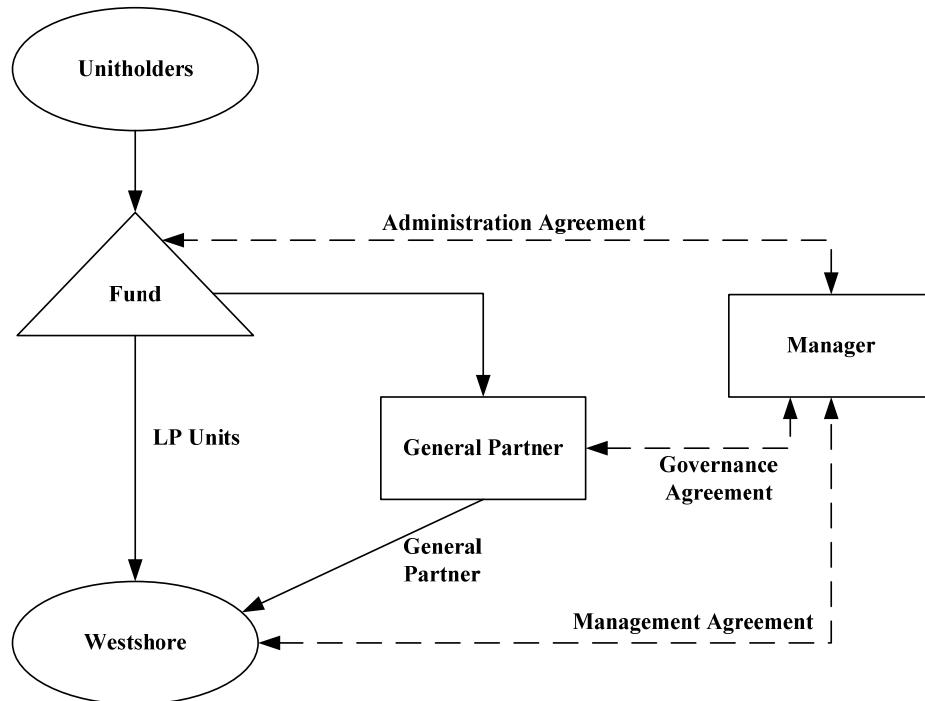
## Management's Discussion & Analysis of Financial Condition and Results of Operations

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 22.)

This management's discussion and analysis refers to certain measures other than those prescribed by 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.

### Structure of the Fund

The following chart illustrates the Fund's primary structural and contractual relationships. The Fund holds all of the limited partnership units of Westshore. Westshore Terminals Ltd. (the "General Partner") is the general partner of Westshore. Westar Management Ltd. (the "Manager") provides management services to the General Partner and administrative services to the Fund and, pursuant to the Governance Agreement between the Manager and the General Partner, is entitled to nominate three of the five directors of the General Partner.





# Westshore Terminals Income Fund

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

### Selected Financial Information

The following financial data is derived from the Fund's audited consolidated financial statements for the years ended December 31, 2007, 2006 and 2005, which were prepared in Canadian dollars using Canadian GAAP.

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

	2007	2006	2005
Coal revenues	\$ 156,717	\$ 157,854	\$ 165,247
Other revenues	8,956	3,699	4,487
	<b>165,673</b>	161,553	169,734
Net Earnings	<b>58,286</b>	65,743	113,216 <sup>(2)</sup>
Net Earnings per unit <sup>(3)</sup>	<b>0.792</b>	0.934	1.609
Standardized Distributable Cash	<b>80,736</b>	82,980	75,692
Cash Distributions declared	<b>86,131</b>	84,809	81,994
Cash Distributions per unit	<b>1.160</b>	1.205	1.165
Distributions of units in lieu of cash <sup>(1)</sup>	-	6,194	1,540
Distributions of units in lieu of cash per unit <sup>(1)</sup>	-	0.088	0.022
Total Assets	<b>606,300</b>	571,762	594,914
Total Long Term Liabilities <sup>(2)</sup>	<b>6,738</b>	-	-

(1) In 2005 and 2006, the Fund allocated additional taxable income to Unitholders by issuing additional units. These additional units were automatically consolidated so that the number of units held by each Unitholder did not change. For additional information concerning distribution and consolidation of units in lieu of cash distributions, see the Fund's Annual Information Form available at [www.sedar.com](http://www.sedar.com).

(2) Refer to p. 11 for discussion of 2007 future income tax liability. Elimination of Total Long Term Liabilities in 2006/2005 was due to the elimination of future income tax liabilities, resulting in a non-cash future tax recovery of \$51,493,000 which was included in net earnings in 2005.

(3) Weighted average units outstanding for 2007 are 73,587,701 (2006 – 70,381,111 and 2005 – 70,381,111). Units outstanding as at December 31, 2007 are 74,250,016.

As shown above, cash distributions declared to Unitholders for 2007 were \$86,131,000 (\$1.160 per unit) compared to \$84,809,000 (\$1.205 per unit) for 2006, the reduction resulting primarily from the increase in the number of units outstanding. Distributions were made quarterly during 2007. The distributions from the Fund in 2007 to Unitholders for income tax purposes were comprised of income of \$84,736,000 (\$1.14122 per unit) and a return of capital of \$1,395,000 (\$0.01879 per unit). The total distributions from the Fund in 2006 to Unitholders were considered income for income tax purposes. The distributions from the Fund in 2005 to Unitholders for income tax purposes were comprised of income of \$74,446,000 (\$1.05775 per unit) and a return of capital of \$9,008,000 (\$0.12913 per unit).

References to "Standardized Distributable Cash" are to cash from operating activities less capital expenditures, both measures recognized under GAAP. Standardized Distributable Cash is a financial measure that indicates the Fund's ability to make distributions. It is a measure that has been recommended by the CICA's Canadian Performance Reporting Board for use by income funds in Canada as an indicator of financial performance. As one of the factors that may be considered relevant by investors is the cash available to be distributed by the Fund relative to the price of the Units, the Fund believes that Standardized Distributable Cash is a useful supplemental measure that may assist investors to assess an investment in the Units.



# Westshore Terminals Income Fund

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

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The Standardized Distributable Cash of the Fund is substantially comprised of distributions from Westshore which are impacted by the operating results of Westshore. The following table sets out the Standardized Distributable Cash calculation for the three and twelve month periods ended December 31, 2007 and 2006 respectively.

	3 months ended Dec 31 <b>2007</b>	12 months ended Dec 31 <b>2007</b>	12 months ended Dec 31 <b>2006</b>
Cash flows from operating activities	<b>23,522</b>	<b>20,757</b>	<b>106,370</b>
Less: Capital expenditures	<b>(7,701)</b>	<b>(1,171)</b>	<b>(25,634)</b>
Standardized Distributable Cash	<b>15,821</b>	<b>19,586</b>	<b>82,980</b>
Cash Distributions declared	<b>26,730</b>	<b>23,578</b>	<b>86,131</b>
Basic and diluted Standardized Distributable Cash per unit	<b>0.213</b>	<b>0.278</b>	<b>1.087</b>
Cash Distributions per unit	<b>0.360</b>	<b>0.335</b>	<b>1.160</b>
			1.205

For the three months ended December 31, 2007, cash distributions exceeded Standardized Distributable Cash as a result of significant capital expenditures on the equipment upgrade project. The equipment upgrade project has been substantially funded by proceeds of the issue of Units, not by operating cash flows, thereby allowing the Fund to make cash distributions in an amount close to cash flows from operating activities. The Fund plans distributions based on its annual results and expects that any particular quarterly distribution may vary somewhat from Standardized Distributable Cash for that quarter.

For the twelve months ended December 31, 2007, cash distributions and Standardized Distributable Cash are comparable to the prior year, despite the significant variations in cash flows from operating activities and capital expenditures. The large increase in cash flows from operating activities arises primarily from a decrease of \$16.7 million in working capital, which had been increasing steadily over the prior two years. The large increase in capital expenditures results from the equipment upgrade which has been funded by equity. Even without the decrease in working capital, the Fund's cash flows from operations in 2007 would have been sufficient to cover the 2007 distributions and maintenance capital expenditures. The Fund expects that annual cash distributions will vary from Standardized Distributable Cash as the Fund bases its distributions on the income of Westshore and does not adjust them for normal fluctuations in working capital.

Until the fourth quarter of 2005, the Fund could easily predict its exact taxable income for each period, as it was determined solely by the interest on the subordinated debt of Westshore Terminals that was then held by the Fund and any dividends paid by Westshore Terminals. Because the Fund's investments now consist of substantially all the limited partnership units of Westshore Terminals Limited Partnership, virtually all of the taxable income of Westshore for any year is automatically allocated to the Fund. While the Fund attempts both to estimate its taxable income for the year and to make distributions for the year as close as possible to that taxable income, it is normal for there to be some discrepancy between the taxable income of the Fund and cash distributions by the Fund. In order to deal with the situation where the taxable income of the Fund exceeds cash distributions, the Declaration of Trust provides that an amount equal to the excess will be distributed to unitholders in the form of additional trust units, which are then consolidated.



# Westshore Terminals Income Fund

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

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>	<b>12 Months Ended</b>	<b>Three Months Ended</b>			
	Dec 31, 2007 \$	Mar 31, 2007 \$	June 30, 2007 \$	Sept 30, 2007 \$	Dec 31, 2007 \$
<b>Revenue</b>					
Coal	\$ 156,717	36,553	45,790	36,937	\$ 37,437
Other	8,956	1,058	2,370	2,361	3,167
	165,673	37,611	48,160	39,298	40,604
<b>Expenses</b>					
Operating	70,035	17,113	17,906	16,870	18,146
Administration	8,310	1,947	1,583	1,798	2,982
	78,345	19,060	19,489	18,668	21,128
<b>Earnings before depreciation and income taxes</b>	<b>87,328</b>	<b>18,551</b>	<b>28,671</b>	<b>20,630</b>	<b>19,476</b>
Depreciation	22,304	5,553	5,552	5,553	5,646
<b>Earnings before income taxes</b>	<b>65,024</b>	<b>12,998</b>	<b>23,119</b>	<b>15,077</b>	<b>13,830</b>
Provisions for (recovery of) income taxes	6,738	-	6,589 <sup>(1)</sup>	413	(264)
<b>Net earnings</b>	<b>58,286</b>	<b>12,998</b>	<b>16,530</b>	<b>14,664</b>	<b>14,094</b>
<b>Net earnings per unit<sup>(1)</sup></b>	<b>\$ 0.792</b>	<b>\$ 0.182</b>	<b>\$ 0.223</b>	<b>\$ 0.197</b>	<b>\$ 0.190</b>
<b>Cash Distributions declared<sup>(2)</sup></b>	<b>86,131</b>	<b>19,305</b>	<b>18,563</b>	<b>21,533</b>	<b>26,730</b>
<b>Cash Distributions per unit</b>	<b>\$ 1.160</b>	<b>\$ 0.260</b>	<b>\$ 0.250</b>	<b>\$ 0.290</b>	<b>\$ 0.360</b>

<i>(In thousands of dollars except per unit amounts)</i>	<b>12 Months Ended</b>	<b>Three Months Ended</b>			
	Dec 31, 2006	Mar 31, 2006	Jun 30, 2006	Sep 30, 2006	Dec 31, 2006
<b>Income</b>					
Coal	\$ 157,854	\$ 38,463	\$ 41,583	\$ 36,741	\$ 41,067
Other	3,699	858	2,869	1,184	(1,212)
	161,553	39,321	44,452	37,925	39,855
<b>Expenses</b>					
Operating	65,262	15,739	15,256	17,980	16,287
Administration	8,873	1,739	2,577	1,857	2,700
	74,135	17,478	17,833	19,837	18,987
<b>Earnings before depreciation and income taxes</b>	<b>87,418</b>	<b>21,843</b>	<b>26,619</b>	<b>18,088</b>	<b>20,868</b>
Depreciation	21,684	5,405	5,404	5,405	5,470
<b>Earnings before income taxes</b>	<b>65,734</b>	<b>16,438</b>	<b>21,215</b>	<b>12,683</b>	<b>15,398</b>
Recovery of income taxes	(9)	-	-	(9)	-
<b>Net earnings</b>	<b>65,743</b>	<b>16,438</b>	<b>21,215</b>	<b>12,692</b>	<b>15,398</b>
<b>Net earnings per unit<sup>(1)</sup></b>	<b>\$ 0.934</b>	<b>\$ 0.234</b>	<b>\$ 0.301</b>	<b>\$ 0.180</b>	<b>\$ 0.219</b>
<b>Cash Distributions declared<sup>(2)</sup></b>	<b>84,809</b>	<b>20,410</b>	<b>19,003</b>	<b>21,818</b>	<b>23,578</b>
<b>Cash Distributions per unit</b>	<b>\$ 1.205</b>	<b>\$ 0.290</b>	<b>\$ 0.270</b>	<b>\$ 0.310</b>	<b>\$ 0.335</b>
<b>Distributions of units in lieu of cash</b>	<b>\$ 6,194</b>	-	-	-	<b>\$ 6,194</b>
<b>Distributions of units in lieu of cash per unit</b>	<b>\$ 0.088</b>	-	-	-	<b>\$ 0.088</b>

(1) Weighted average units outstanding for 2007 and the 2007 quarters ended June, September and December are 73,587,701 (2006 – 70,381,111). Weighted average units outstanding at March 31, 2007 were 71,498,794.

(2) Refer to page 6 for a comparison of Cash Distributions to Standardized Distributable Cash.



# 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 (the "Terminal") that 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, together with changes in customers' mine output, affect the volume of coal handled by Westshore. Westshore handles coal from mines in British Columbia and Alberta, as well as small quantities from mines in the north-western United States. Coal shipped from the mines owned by the Coal Partnership, which is by far Westshore's largest customer, accounted for 89% of Westshore's coal revenues in 2007.

Coal is delivered to the Terminal in unit trains operated by the Canadian Pacific, CN and BNSF Railways 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 Asia and Europe.

### *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)

	2007 Tonnes	2007 %	2006 Tonnes	2006 %	2005 Tonnes	2005 %
Asia	13,004	61	12,246	65	12,631	58
Europe	7,144	34	5,928	31	7,135	33
S. America	747	4	639	3	1,651	7
Other	265	1	146	1	457	2
Total	21,160	100	18,959	100	21,874	100

During 2007, 88% of Westshore's volume was metallurgical coal (87% in 2006), with the remaining 12% being thermal coal (13% in 2006). 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.

All of Westshore's customers compete with other suppliers of coal throughout the world. Australian coal mines are the most significant competitors. The last few years have seen significant variations in the supply-demand balance in seaborne metallurgical coal. Following a period of oversupply and consolidation, constrained supply in 2004 led to sharply higher prices in the 2005/6 coal year, which declined somewhat in the 2006/7 coal year. The outlook for metallurgical coal appears strong for the coal year commencing April 1, 2008. The seaborne metallurgical coal market was in tight supply at the end of 2007 because of growing demand and lower-than-expected growth in exports from Australian suppliers. Global supply has been further reduced as a result of flooding in Australia that has disrupted production for several metallurgical coal producers.

The Coal Partnership has stated its belief that the global metallurgical coal markets have entered a period of unprecedented volatility. While U.S. dollar prices are expected to increase significantly for the 2008 coal year due to short-



# Westshore Terminals Income Fund

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

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term supply constraints, a U.S. recession could adversely impact the metallurgical coal markets. Westshore understands that the current uncertainty in the metallurgical coal markets may delay the settling of prices for the 2008 coal year.

The Coal Partnership expects it will not see the benefit of higher 2008 coal year prices until possibly the third quarter of calendar 2008, and anticipates that a substantial portion of its sales in the second quarter of 2008 will be at 2007 pricing due to the carryover of tonnes from the 2007 coal year.

With its five mines in British Columbia and one in Alberta, four of which are covered by contracts with Westshore, the Coal Partnership is by far Westshore's largest customer. It is the second largest supplier of seaborne hard coking coal in the world. Because of the exclusivity provisions in its contractual arrangements with the Coal Partnership, Westshore expects to benefit from increased sales which the Coal Partnership is able to realize from the mines covered by Westshore's contracts. The variable rates based on coal prices for which these contracts provide have benefited the Fund since 2005.

From April 1, 2007 Westshore has contracts relating to four of the six metallurgical coal mines that are owned by the Coal Partnership. The other two mines are the Cardinal River/Cheviot mine and the Line Creek mine, which ship through Neptune or, under a swap tonnage arrangement, through Westshore. Westshore's contract relating to the Elkview mine runs to 2010, and the Port Services Contract, which covers the Fording River, Greenhills and Coal Mountain mines, runs to February 29, 2012. These contracts provide that, subject to minor exceptions relating to customer preferences, all of the coal shipped from those four mines through West Coast ports must be shipped through Westshore. The loading rates for coal shipped from the Elkview mine and for a portion of the tonnage from the Fording River and Greenhills mines are linked to the price in Canadian dollars realized by the Coal Partnership for that coal.

In late August 2006, the Coal Partnership sent notice to Westshore requesting a review of the charges under the Port Services Contract effective April 1, 2007. To date the matter has not been resolved and if future negotiations are unsuccessful, the matter would be determined by arbitration. Under the contract that governs coal from the Elkview mine (the "Elkview Contract"), the Coal Partnership gave notice on September 30, 2004 requesting a review of the loading rate, with a view to changing the rate effective April 1, 2005 for the balance of the contract to 2010. The loading rate under the Elkview Contract is a function of the Canadian dollar price received for such coal. The matter was heard before an arbitrator, as provided for in the Elkview Contract, and a decision was made in favour of Westshore in July 2006 confirming that there would be no changes to the formula for determining the loading rate through the end of the contract term on March 31, 2010. The Supreme Court of British Columbia granted the Coal Partnership leave to appeal the arbitrator's decision to the Supreme Court of British Columbia. Westshore appealed that decision, and its appeal was heard in February 2008. The decision of the Court of Appeal remains outstanding.

Westshore has a contract with Coal Valley Resources Ltd. (formerly Luscar Ltd.) which covers thermal coal from the Coal Valley mine and runs to 2017. During 2007, 2.1 million tonnes of thermal coal were shipped through the Terminal compared to 1.9 million tonnes in 2006. Westshore also has a contract with Grande Cache Coal Corporation for handling coal production from its Grande Cache operations in Alberta. This contract expires on March 31, 2013. Westshore loaded 1.3 million tonnes in 2007, compared to 0.7 million tonnes in 2006. The contracts with Coal Valley Resources Ltd. and Grande Cache Coal Corporation each have a pricing mechanism based on fixed rates (with escalation clauses).



# Westshore Terminals Income Fund

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

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### *Labour*

Labour agreements with all three locals of the International Longshore and Warehouse Union (the longshoremen, foreman and the clerical workers) expired on January 31, 2007 and new four year collective term agreements were successfully reached later in the year with the longshoremen and clerical workers expiring January 31, 2011. Negotiations with the foremen were successfully concluded in February 2008 resulting in an agreement for the same four year term.

### *Equipment Addition and Upgrade*

Westshore has commenced the upgrade of certain existing equipment and the addition of new equipment at the Terminal site, at an anticipated total cost of \$49 million. In conjunction with these expenditures, Westshore negotiated and signed a new lease of the Terminal site with VPA, the renewal terms under which are conditional upon the planned equipment upgrades being completed. The new lease provides for a 20-year term from the commencement date on January 1, 2007, with two 10-year renewal terms at the option of Westshore, and thus is capable of extension to December 31, 2046. The prior VPA Lease, including the final 10-year renewal, would have expired on February 28, 2022.

In 2005, Westshore conducted an assessment of the Terminal's throughput capacity. Part of the stimulus for the review were the announcements by Canadian Pacific Railway ("CPR") and Fording Trust to the effect that CPR was expending \$160 million to reduce bottlenecks in its western corridor in order to increase capacity, and that the Coal Partnership was making significant expenditures at its mines to increase output. The result of these announcements was that Westshore could reasonably expect to handle increased volumes of coal in future years. The study conducted by Westshore showed that the Terminal currently has a functional throughput capacity of 24 million tonnes per annum. In 1997, Westshore's record year to date, the Terminal handled 23.5 million tonnes, and the Terminal handled 23.3 million tonnes in 2001.

The Terminal has two incoming systems (the tandem and single rotary dumpers) and two outgoing systems (Berths 1 and 2), but only three stacker/reclaimers to operate between the incoming and outgoing systems. The design of the expanded terminal site in 1982 contemplated the addition of a fourth stacker/reclaimer, which, together with associated conveyor systems, is the principal addition now contemplated. Westshore will also convert the second barrel of the tandem rotary dumper to accommodate the shorter "US style" aluminum rail cars, the use of which has become the industry norm. The first barrel of the tandem dumper was converted for that purpose in 1998. These additions will make the Terminal site more productive and efficient, so that the waiting and unloading/loading times for trains and vessels will be reduced, avoiding congestion which would otherwise result from the anticipated increase in shipments. The upgrades will be within the existing Terminal site, and are not expected to result in any increase in the discharges governed by Westshore's environmental permits.

The anticipated cost of the upgrades will be funded principally by \$40 million in equity raised through the rights offering and private placement which were completed in March 2007, with the remainder funded from cash on hand. The upgrades are expected to be complete in late 2009. Westshore expects that it will be able to complete the upgrades without any material disruption of its throughput capacity in the implementation phase. To date, Westshore has experienced no material impact to throughput volumes from the equipment upgrade, even though for periods in the fourth quarter only half of the site was accessible because of the installation of new conveyors.



# Westshore Terminals Income Fund

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

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### *Taxation on Trusts in Canada*

Bill C-52 *Budget Implementations Act, 2007* which contains legislative provisions to implement the proposals to tax publicly traded income trusts in Canada became law on June 22, 2007. Under these rules, distributions declared by the Fund after January 1, 2011 will be taxed at a rate of 29.5% (2012 – 28%) and the distributions will be treated as taxable dividends in the hands of unitholders. Unitholders will be entitled to a dividend tax credit which will give credit for the level of taxation incurred by the Fund.

The Fund has not provided for current income taxes in 2007 as the income of the Fund is distributed to and taxed in the hands of unitholders. The future taxation of distributions makes relevant for accounting purposes the timing differences between the recognition of certain assets and liabilities for tax and accounting purposes. For the quarter ended June 30, 2007, the Fund provided for a future income tax expense of \$6.6 million. This was a non-cash item and was a one time charge to set up the provision for future taxes. An additional non-cash provision of \$0.1 million has been recorded in the quarter ended December 31, 2007 to reflect changes in assets and liabilities and their expected recognition for tax purposes. This future income tax expense does not affect current distributions.

## Results of Operations

Westshore loaded 21.2 million tonnes of coal during 2007 as compared to 19.0 million tonnes during 2006. Coal loading revenue decreased by 1% to \$156.7 million in 2007 compared with \$157.9 million in 2006. The slight decrease was due to a decrease of 11% in the average loading rate for the year as a whole, offset by the increase in volume loaded.

In 2007, the loading rates for 43% of the coal handled at Westshore were tied to the average price in Canadian dollars realized by the Coal Partnership for that coal. The average Canadian dollar coal price realized by the Coal Partnership for shipments through Westshore in the fourth quarter of 2007 was \$89 per tonne, which was down from \$125 per tonne in the fourth quarter of 2006. For the calendar year of 2007, the average realized coal price was \$105 per tonne which was down from \$127 per tonne in 2006. In the fourth quarter of 2007, loading revenue was \$37.4 million as compared to \$41.1 million in the fourth quarter of 2006, on shipments of 5.6 million tonnes in the fourth quarter of 2007, as compared to 5.2 million tonnes in the fourth quarter of 2006.

Other income increased to \$9.0 million in 2007 from \$3.7 million in 2006. Foreign exchange gains from hedging and interest income were the main factors affecting other income in 2007. Foreign exchange gains, which includes both realized gains and changes in the mark-to-market adjustment for unrealized gains, increased to \$2.4 million in 2007 from \$0.5 million in 2006. This increase was mainly caused by a much smaller reduction in the mark-to-market adjustment of the value of the forward exchange contracts, offset by realized foreign exchange gains decreasing by \$3.1 million from the prior year. Interest income for the year increased by \$1.4 million because the Fund has on hand the proceeds of the equity financings undertaken to fund the equipment upgrade project. Changes in the other elements included in other income, including the provision for demurrage costs, offset each other..

Operating and administrative expenses increased from \$74.1 million in 2006 to \$78.3 million in 2007. An increase in lease costs due to increased throughput, together with higher maintenance costs, was partially offset by a decrease in the incentive fee of \$0.7 million payable to the Manager (based on lower cash distributions to Unitholders).



# Westshore Terminals Income Fund

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

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Earnings before depreciation and income taxes were relatively flat in 2007, at \$87.3 million as compared to \$87.4 million in 2006. Earnings before depreciation and income taxes for the fourth quarter of 2007 were \$19.5 million, compared to \$20.9 million for the fourth quarter of 2006.

### Currency Fluctuations

The loading rates for approximately half of the coal loaded at Westshore depend on the Canadian dollar price realized for coal. Coal sales by Westshore's customers are priced on an annual basis in U.S. dollars, with the result that the Canadian dollar price received fluctuates within the year because of exchange rate movements. To mitigate the resulting risk, Westshore has engaged in periodic hedging activities. Westshore has adopted a policy under which it expects to hedge by April 30 of each year a portion of its anticipated US dollar related revenues for that coal year, based on the annual budget. Westshore will continue to review the need and opportunity for additional future hedging. As of mid-December 2007, all US dollar hedges that had been in place expired. For the coming coal year, given the uncertainty as to coal prices and unprecedented volatility in the coal markets, the Fund has delayed putting hedges in place until more information is available.

In the financial statements, the effect of currency fluctuations is shown as affecting coal loading revenues before taking into account the effect of hedging activities, the financial effect of which is accounted for as other revenue. As stated in the audited Financial Statements of the Fund for 2007, because Westshore's hedging transactions do not qualify for "hedge accounting" treatment, the value of Westshore's forward exchange contracts must be "marked to market" at each period end. On this basis, other revenue for the twelve months ended December 31, 2007 included a \$1.7 million reduction in unrealized gains on forward exchange contracts, compared to a \$6.5 million reduction in unrealized gains for 2006. Unrealized hedging gains or losses are non-cash items. The cash effect of the hedging activities is recognized in other revenue as the forward exchange contracts mature.

### 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 and administrative costs.

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 2008. The variance year over year will be ultimately impacted by the average coal price settled by the Coal Partnership and total volumes shipped through the terminal. Once these rates are announced, the Fund will be in a better position to provide guidance on distributions and sensitivities. Based on the information currently available to it, Westshore is budgeting for similar volumes in 2008 as compared to 2007, and a higher average loading rate to take effect mid year. If distributions for the calendar year 2008 exceed \$1.035 per unit, incentive fees will be payable by Westshore to the Manager under the Management Agreement, as was the case in 2007 and 2006.



# Westshore Terminals Income Fund

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

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### Liquidity and Capital Resources

The Fund is obliged to distribute to Unitholders its cash inflows, less administrative costs 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 from Westshore. It is not anticipated that the Fund will require significant capital resources to maintain its investment in Westshore on an ongoing basis. Westshore's facility is a mature facility which does not require additional periodic replacements of equipment. The cost of ongoing maintenance and refurbishment of the equipment is well within Westshore's financial capacity based solely on revenues less expenses without any need for financing. The current equipment addition and upgrade is being funded primarily from equity, which will avoid any liquidity concerns with debt service. As a result, the Fund does not anticipate any liquidity concerns with the ongoing operations of Westshore.

Westshore has in place with a Canadian chartered bank a \$1 million secured operating facility that, if required, can be utilized to meet working capital requirements. This facility was not used during the year and remained undrawn at December 31, 2007. Westshore's distribution policy involves leaving sufficient earnings before depreciation, interest and unrealized gains or losses on forward exchange contracts to cover expected cash requirements such as capital expenditures and special pension contributions.

Obligations under operating leases for the years ending December 31 are as follows:

	Terminal lease \$	Other \$	Total \$
2008	11,665	400	12,065
2009	11,665	400	12,065
2010	11,665	379	12,044
2011	11,665	-	11,665
2012	11,665	-	11,665
Thereafter to 2026	163,310	-	163,310

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

### Transactions with Related Parties

In 2007, Westshore paid \$2,393,000 (excluding GST) to the Manager for management services provided under the Management Agreement between Westshore and the Manager, comprised of the annual base management fee of \$750,000 (excluding GST) and an incentive fee of \$1,643,000 (excluding GST).

The Management Agreement provides for incentive fees to be payable by Westshore to the Manager in the event that distributions to the Fund from Westshore exceed certain amounts. Those fees are computed on the following basis: 15% of cash distributions between \$1.035 - \$1.125 per unit; 25% of cash distributions between \$1.125 - \$1.260 per unit; and 35% of cash distributions above \$1.260 per unit.

In 2007, the Fund also paid \$250,000 (excluding GST) to the Manager for administration services provided under the Amended Administration Agreement dated September 29, 2005 between the Fund and the Manager. Under the Amended



# Westshore Terminals Income Fund

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

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Governance Agreement dated September 29, 2005, the Manager is entitled to appoint a majority of the directors of the general partner of Westshore.

### **Significant Accounting Policies**

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

### **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.

#### *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.



# Westshore Terminals Income Fund

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

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### *Provisions for Estimated Liabilities*

Westshore makes certain provisions, 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 the Terminal. They also receive credits for early completion of loading, but only at half the hourly rate of the demurrage penalty. 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, which was prevalent in 2007, is if the coal to be loaded on the vessel is not at the Terminal when the vessel arrives. In 2007, Westshore incurred demurrage costs of \$0.6 million as compared to \$1.2 million in the prior year.

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 \$0.7 million in 2007 compared to \$0.3 million in 2006 (net of a \$0.4 million reduction in the train detention reserve from prior years).

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

### **Disclosure Controls And Procedures**

“Disclosure controls and procedures” are defined as follows in Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings:

“Disclosure controls and procedures” means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under provincial and territorial securities legislation is recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation and include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation is accumulated and communicated to the issuer's management, including its chief executive officers and chief financial officers (or persons who perform similar functions to a chief executive officer or a chief financial officer), as appropriate to allow timely decisions regarding required disclosure.”

The Chief Executive Officer and the Chief Financial Officer of the Fund, in conjunction with management of the General Partner, have evaluated the effectiveness of the design and operation of the disclosure controls and procedures of Westshore, the General Partner and the Fund as of December 31, 2007 and have concluded that such disclosure controls and procedures provide reasonable assurance that information required to be disclosed by the Fund in its annual filings, interim filings or other reports filed or submitted by it under provincial and territorial securities legislation is recorded, processed, summarized and reported within the time periods specified in such legislation.

Additional information relating to the Fund and Westshore, including the Fund's most recent annual information form, is available 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

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, 2007 and 2006 and the consolidated statements of earnings, comprehensive 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, 2007 and 2006 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.  
March 18, 2008



# Westshore Terminals Income Fund

## Consolidated Balance Sheets

As at December 31, 2007 and 2006

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

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	72,742	34,555
Accounts receivable	11,181	15,211
Inventories	6,162	6,102
Prepaid expenses	972	3,975
Other assets (note 12)	38	1,845
	<hr/>	<hr/>
	91,095	61,688
<b>Plant and equipment</b> (note 3)		
At cost	492,889	466,831
Accumulated depreciation	<hr/>	<hr/>
	(364,200)	(342,205)
	<hr/>	<hr/>
	128,689	124,626
<b>Employee future benefits</b> (note 9)		
Goodwill	20,975	19,907
	<hr/>	<hr/>
	365,541	365,541
	<hr/>	<hr/>
	606,300	571,762
<b>Liabilities and Unitholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	27,826	17,367
Distribution payable to unitholders (note 5)	<hr/>	<hr/>
	26,730	23,578
	<hr/>	<hr/>
	54,556	40,945
<b>Employee future benefits</b> (note 9)		
	19,364	17,760
<b>Future income taxes</b> (note 6)		
	<hr/>	<hr/>
	6,738	-
	<hr/>	<hr/>
	80,658	58,705
<b>Unitholders' equity</b>		
Capital contributions (note 4)	704,032	663,602
Cumulative earnings	494,385	436,099
Cumulative distributions declared	<hr/>	<hr/>
	(672,775)	(586,644)
	<hr/>	<hr/>
	525,642	513,057
	<hr/>	<hr/>
	606,300	571,762
<b>Contingencies and Commitments</b> (note 10)		



# Westshore Terminals Income Fund

## Consolidated Statements of Earnings, Comprehensive Earnings, and Cumulative Earnings

For the years ended December 31, 2007 and 2006

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

	<b>2007</b> \$	<b>2006</b> \$
<b>Revenue</b>		
Coal	156,717	157,854
Other (note 12)	8,956	3,699
	<hr/>	<hr/>
	165,673	161,553
<b>Expenses</b>		
Operating	70,035	65,262
Administrative	8,310	8,873
	<hr/>	<hr/>
	78,345	74,135
<b>Earnings before depreciation and income taxes</b>	87,328	87,418
<b>Depreciation</b>	<hr/>	<hr/>
<b>Earnings before income taxes</b>	22,304	21,684
<b>Provision for (recovery of) income taxes (note 6)</b>	<hr/>	<hr/>
	65,024	65,734
	<hr/>	<hr/>
<b>Net and comprehensive earnings for the year</b>	6,738	(9)
<b>Cumulative earnings - Beginning of year</b>	58,286	65,743
<b>Cumulative earnings - End of year</b>	<hr/>	<hr/>
<b>Basic and diluted earnings per trust unit</b>	436,099	370,356
	<hr/>	<hr/>
<b>Weighted average number of trust units outstanding</b>	494,385	436,099
	<hr/>	<hr/>
	0.792	0.934
	<hr/>	<hr/>
	73,587,701	70,381,111



# Westshore Terminals Income Fund

## Consolidated Statements of Cash Flows

For the years ended December 31, 2007 and 2006

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

	<b>2007</b> \$	<b>2006</b> \$
<b>Cash flows from operating activities</b>		
Net earnings and comprehensive earnings for the year	58,286	65,743
Items not affecting cash		
Movement in unrealized gain on forward exchange contracts (note 12)	1,808	6,449
Depreciation	22,304	21,684
Future income tax provision (note 6)	6,738	-
Increase (decrease) in deferred employee future benefits costs	536	(393)
	<hr/>	<hr/>
Change in non-cash working capital	89,672	93,483
	<hr/>	<hr/>
	16,698	(6,519)
	<hr/>	<hr/>
	106,370	86,964
<b>Cash flows from financing activities</b>		
Distributions paid to unitholders	(82,979)	(88,329)
Issuance of units, net of share issuance costs	40,430	-
	<hr/>	<hr/>
	(42,549)	(88,329)
<b>Cash flows from investing activities</b>		
Additions to plant and equipment	<hr/>	<hr/>
	(25,634)	(3,984)
<b>Increase (decrease) in cash and cash equivalents</b>	38,187	(5,349)
<b>Cash and cash equivalents - Beginning of year</b>	<hr/>	<hr/>
	34,555	39,904
<b>Cash and cash equivalents - End of year</b>	<hr/>	<hr/>
	72,742	34,555
<b>Supplemental cash flow information</b>		
Cash received for interest	<hr/>	<hr/>
	2,536	1,103
Income taxes recovered	<hr/>	<hr/>
	-	1,809
<b>Non-cash activities</b>		
Increase in accounts payable related to additions to plant and equipment	<hr/>	<hr/>
	733	-



# Notes to the Financial Statements

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## 1 Organization and basis of presentation

Westshore Terminals Income Fund (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. On January 5, 2005, an additional \$175 million of senior subordinated notes were issued to the Fund by Westshore.

The Fund completed a reorganization on October 2, 2005 under which it replaced its interest in Westshore with an interest in Westshore Terminals Limited Partnership (Westshore LP) which was formed under the laws of British Columbia. Following the completion of the reorganization, the Fund holds all of the limited partnership units of Westshore LP. The general partner is a newly incorporated company under the laws of British Columbia, now named Westshore Terminals Ltd. (the General Partner).

Westshore LP acquired and now operates the business (the Business) previously carried on by Westshore at the coal storage and loading facility located at Roberts Bank, British Columbia. The operations of the Business have not changed as a result of the reorganization and the Fund continues to own 100% of the Business. As before, the Fund carries on no business of its own, its activities being restricted to the ownership of properties including securities of other entities.

These consolidated financial statements include the accounts of the Fund and its variable interest entity, Westshore LP. All significant inter-entity transactions and balances have been eliminated on consolidation of Westshore LP.

## 2 Significant accounting policies

### Accounting principles

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

### Variable interest entities

Under Accounting Guideline 15, “Consolidation of Variable Interest Entities” (AcG-15), it was determined that the Fund’s investment in Westshore LP meets the criteria for being a Variable Interest Entity (VIE) and that the Fund is the primary beneficiary of this entity. 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. As a result, the Fund has consolidated Westshore LP.



# Notes to the Financial Statements

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## Financial instruments

Effective on January 1, 2007, the Fund adopted the following new accounting standards: Canadian Institute of Chartered Accountants (CICA) Handbook section 1530, Comprehensive Income; and CICA Handbook section 3855, Financial Instruments – Recognition and Measurement.

Section 3855 requires the Fund to account for financial assets as held for trading or available for sale at fair values. Loans, receivables and investments held to maturity are measured at amortized costs using the effective interest rate method.

Upon adoption of Section 3855, the Fund has classified its cash and cash equivalents as held for trading financial assets; accounts receivables as loans and receivables; accounts payable and accrued liabilities, distribution payable to unitholders as other financial liabilities.

Section 1530 requires a new consolidated statement of comprehensive earnings as part of the Fund's consolidated financial statements. Comprehensive earnings is the method used to record revenue, expenses, gains and losses on net financial assets that are not required to be included in earnings. The Fund's comprehensive earnings is the sum of earnings (loss) for the period plus other comprehensive earnings (loss).

These new standards do not have significant impact on the Fund's consolidated financial statements.

## Embedded derivatives

Certain contractual terms are considered to behave in a similar fashion to a derivative contract and parties to the contracts are therefore required to separate the accounting for these embedded derivatives from the accounting for the host contract. Once separated, these embedded derivatives are subject to the general derivative accounting guidelines outlined in CICA Section 3855. For the Fund, these terms typically relate to the currency in which the contract is denominated. There are exemptions for contracts that are written in a currency that is not the functional currency of one of the substantial parties to the contract but which is a currency in common usage in the economic environment of one of the contracting parties. The Fund has elected to use this exemption available in accounting for certain purchase agreements for equipment entered into with a supplier located in Sweden. The affected purchase agreements have payments denominated in Canadian dollars and Euros.

## Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of an owned or leased, tangible, long-lived asset. The Fund recognizes the fair value of an estimated asset retirement obligation when a legal obligation is present and a reasonable estimate of fair value can be made.

Westshore LP's terminal site is leased from the Vancouver Port Authority (the VPA). A new lease agreement was signed on November 2, 2006, which is effective January 1, 2007. The lease runs until December 31, 2026, and may be extended at Westshore LP's option for a further 20 years. At the expiry of the lease in 2046, assuming Westshore LP 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 LP to return the site to its original condition. Westshore LP believes that the probability that the VPA will elect to enforce site restoration is negligible and any liability related to an asset retirement obligation would not be material as at December 31, 2007.



# Notes to the Financial Statements

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## **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 straight-line method over the estimated useful life of the assets.

Automobiles	3 years
Conveyor belts	5 years
Computer software	3 years to 5 years
Mobile equipment	5 years to 25 years
Land improvements	15 years to 30 years
Buildings	8 years to 35 years
Fixed machinery	8 years to 35 years

## **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.

## **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 income of Westshore LP is taxed directly in the hands of the Fund and the General Partner. It is expected that the Fund and Westshore LP will operate so that substantially all net income of the Business will be taxed in the hands of the unitholders.

Legislative provisions proposed under Bill C-52 Budget Implementation Act 2007, to tax publicly traded income trusts in Canada became law on June 22, 2007. Under these rules, distributions declared by the Fund after January 1, 2011, will be taxed at a rate of 29.5% (2012 – 28%) and the distributions will be treated as taxable dividends in the hands of the unitholders.

The Fund has measured future income tax assets and liabilities associated with the change in legislation. Future income tax assets and liabilities have been recognized for temporary difference between the tax basis of an asset or liability and its carrying amount on the balance sheet. These balances are calculated using the substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.



# Notes to the Financial Statements

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## Employee future benefits

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

- The measurement date used for accounting purposes is December 31, 2007.
- 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.

## 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, train detention and ship demurrage costs, determination of actuarial assumptions and provision for contingencies. Actual results could differ from those estimates.

## New accounting pronouncements

The CICA has issued three new standards which may affect the financial disclosures and results of operations of the Fund for interim and annual periods beginning January 1, 2008. The Fund will adopt the requirements commencing in the interim period ending March 31, 2008 and is considering the impact this will have on the consolidated financial statements.

### Section 1535 – Capital Disclosures

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard an entity will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

- a) qualitative information about its objectives, policies and processes for managing capital;
- b) summary quantitative data about what it manages as capital;
- c) whether during the period it complied with any externally imposed capital requirements, to which it is subject;



# Notes to the Financial Statements

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d) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

## Section 3031 – Inventories

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

## Section 3862 Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires disclosures to be made, including the criteria for:

- a) designating financial assets and liabilities as held for trading;
- b) designating financial assets as available-for-sale; and
- c) determining when impairment is recorded against the related financial asset or when an allowance account is used.

## 3 Plant and equipment

	2007		
	Cost \$	Accumulated depreciation \$	Net \$
Buildings and land improvements	34,255	26,026	8,229
Machinery and equipment	447,806	335,511	112,295
Deferred preproduction costs	2,663	2,663	-
Construction in progress	8,165	-	8,165
	<hr/>	<hr/>	<hr/>
	492,889	364,200	128,689



**2006**

	<b>Cost</b> \$	<b>Accumulated depreciation</b> \$	<b>Net</b> \$
Buildings and land improvements	33,345	24,906	8,439
Machinery and equipment	428,243	314,735	113,508
Deferred preproduction costs	2,663	2,564	99
Construction in progress	2,580	-	2,580
	<hr/>	<hr/>	<hr/>
	466,831	342,205	124,626

## 4 Trust units

The Declaration of Trust provides that an unlimited number of trust units may be issued. Each unit represents an equal and undivided beneficial interest in any distribution from the Fund and in the net assets in the event of termination or 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.

Westshore Terminals Holdings Trust (the Trust) has been established as an unincorporated open-ended limited purpose trust under the laws of British Columbia with the Fund as the sole holder of trust units of the Trust. The Fund, the Trust and Westshore LP have entered into an exchange agreement (the Exchange Agreement) under which the Fund will have the right to transfer Westshore LP units to the Trust in consideration for the issuance by the Trust of Trust notes.

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. Redemptions in excess of \$250,000, assuming no waiving of the limitation, shall be paid by way of a distribution of a pro-rata number of Trust notes.

During 2007, the Fund completed a \$20 million private placement and a \$20 million rights offering. The Fund issued 3,868,905 units and received \$40,430,000 in proceeds.

Capital contributions are as follows:

	<b>Number of units</b>	<b>Capital contributions</b> \$
December 31, 2007	74,250,016	704,032
December 31, 2006	70,381,111	663,602



# Notes to the Financial Statements

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## 5 Distributions payable to unitholders

Distributions to unitholders are made quarterly.

During the year ended December 31, 2007, the Fund declared cash distributions to unitholders of \$86,131,000 (2006 - \$84,809,000) or \$1.160 (2006 - \$1.205) per unit. The amounts and record dates of the distributions were as follows:

	<b>2007</b>	<b>2006</b>
	Total \$	Per unit \$
March 31	19,305	0.260
June 30	18,563	0.250
September 30	21,533	0.290
December 31	26,730	0.360
	<hr/>	<hr/>
	86,131	1.160
	<hr/>	<hr/>
	84,809	1.205

The distribution of \$26,730,000 (\$0.0.360 per unit) payable to unitholders of record on December 31, 2007 was paid on or before January 16, 2008.

In 2006, an additional non-cash distribution of \$0.088 per unit was made to allocate the income of the Fund that exceeded the cash distributions declared during the year. As provided by the Fund's Declaration of Trust, the distribution automatically occurred on December 31, 2006 by way issuance of additional trust units with the same value. These units were immediately consolidated so that each unitholder continued to hold the same number of units that existed before the distribution.

The distributions declared in 2007 and 2006 have been allocated as follows for income tax purposes:

	<b>2007</b>	<b>2006</b>
	Total \$	Per unit \$
Cash distributions		
Income	84,736	1.141
Return of capital	1,395	0.019
	<hr/>	<hr/>
Total cash distributions	86,131	1.160
Non-cash distributions	-	-
	<hr/>	<hr/>
Total distributions	86,131	1.160
	<hr/>	<hr/>
	91,003	1.293

## 6 Income taxes

The tax bases of the Fund's consolidated assets and liabilities are less than, on a net basis, the carrying amounts by \$70,942,637 (2006 - \$92,695,042).



## Notes to the Financial Statements

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

	<b>2007</b> \$	<b>2006</b> \$
Income tax expense at statutory Canadian rate	28,415	28,430
Future income tax balance charged to income	6,738	-
Fund distributions deductible for tax purposes	(37,029)	(39,445)
Non-deductible expenses	32	129
Temporary differences not recorded through future income tax expense	<u>8,582</u>	<u>10,877</u>
Income tax provision (recovery)	<u>6,738</u>	<u>(9)</u>
Represented by:		
Current income tax recovery	-	(9)
Future income tax provision	<u>6,738</u>	<u>-</u>
	<u>6,738</u>	<u>(9)</u>

The temporary differences are as follows:

	<b>2007</b> \$
<b>Future income tax liability</b>	
Plant and equipment	21,897
Pension assets	5,970
Other assets	11
Non-pension post-retirement liability	(5,512)
Accounts payable and accrued liabilities	<u>(2,173)</u>
	20,193
Expected reversal of temporary differences prior to January 2011	<u>(13,455)</u>
	<u>6,738</u>

Based on a current estimate of the income tax liability at the beginning of 2011, the Fund has recorded a future income liability and corresponding non-cash future tax charge to net income. This non-cash charge is based on temporary differences between the accounting and tax basis of the assets and liabilities expected to reverse after January 1, 2011.

### 7 Bank operating facility

Westshore LP has a \$1 million (2006 - \$1 million) operating facility which is secured by an unconditional guarantee by the Fund. No amounts were outstanding on this facility as at December 31, 2007 and 2006. Westshore LP 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.



# Notes to the Financial Statements

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## 8 Related party transactions

### Administration agreement

The Fund has an administration agreement with Westar Management Ltd. (Westar Management). Under the terms of the agreement, Westar Management is responsible for administering and managing the Fund. Westar Management 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 Management will also be reimbursed for such excess costs. The agreement can be terminated on 180 days' notice, or immediately under certain circumstances.

Westar Management earned a fee of \$250,000 for the year ended December 31, 2007 (2006 - \$250,000) under the administration agreement. These fees are included in administrative expense on the consolidated statements of earnings, comprehensive earnings and cumulative earnings.

### Management agreement

Westshore LP has a management agreement with Westar Management. Under the terms of the agreement, Westar Management is responsible for providing executive management and other services to Westshore LP. The initial term of the agreement is 15 years, and the agreement is renewed thereafter for successive five-year terms unless Westshore LP gives notice of non-renewal at least 12 months before the end of the relevant term. The management agreement may be terminated by Westshore LP in certain circumstances, and Westar Management can terminate the agreement at any time on 12 months' notice. Westar Management 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 Management to enhance the cash flow of Westshore LP, Westar Management is entitled to earn incentive fees that will be payable annually when the per-unit cash distributions to unitholders exceed certain defined levels.

Westar Management earned a base management fee of \$750,000 and an incentive fee of \$1,643,000 for the year ended December 31, 2007 (2006 - \$750,000 and \$2,358,000 respectively) under the management agreement. These fees are included in administrative expenses on the consolidated statements of earnings, comprehensive earnings and cumulative earnings. The incentive fee of \$1,643,000 is included in accounts payable and accrued liabilities on the consolidated balance sheets.

## 9 Employee future benefits

Westshore LP 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.



## Notes to the Financial Statements

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Information about Westshore LP's defined benefit pension plans and other benefit obligations using a measurement date of December 31, 2007 is as follows:

	<b>Pension plan benefits</b>		<b>Other benefits</b>	
	<b>2007</b> \$	<b>2006</b> \$	<b>2007</b> \$	<b>2006</b> \$
Accrued benefit obligation				
Balance - Beginning of year	64,562	63,086	26,139	24,535
Current service cost	995	1,000	982	698
Interest cost	3,246	3,152	1,403	1,266
Benefits paid	(3,077)	(3,250)	(1,671)	(909)
Actuarial (gains) losses	(2,807)	243	(663)	549
Plan Improvements	4,142	331	504	-
Balance - End of year	67,061	64,562	26,694	26,139
Plan assets				
Fair value - Beginning of year	74,676	65,108	-	-
Actual return on assets	1,754	9,752	-	-
Employer contributions	596	3,066	1,671	909
Benefits paid	(3,077)	(3,250)	(1,671)	(909)
Fair value - End of year	73,949	74,676	-	-
Balances - December 31				
Funded status - plan surplus (deficit)	6,888	10,114	(26,694)	(26,139)
Unamortized net actuarial losses	8,012	7,329	6,238	7,455
Unamortized past service costs	6,075	2,464	1,092	924
Accrued benefit asset (liability)	20,975	19,907	(19,364)	(17,760)

All pension plans are fully funded by Westshore LP. 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 funding valuations:

	<b>Most recent valuation date</b>	<b>Date of next required valuation</b>
Pension plan	January 1, 2007	January 1, 2008
Retirement plan	January 1, 2007	January 1, 2010



## Notes to the Financial Statements

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

	<b>2007</b>			<b>2006</b>
	<b>Pension benefits %</b>	<b>Other benefits %</b>	<b>Pension benefits %</b>	<b>Other benefits %</b>
Benefit obligations				
Discount rate	5.50	5.50	5.00	5.00
Rate of increase in future compensation	3.00	3.00	3.00	3.00
Benefit costs				
Discount rate	5.00	5.00	5.00	5.00
Rate of increase in future compensation	3.00	3.00	3.00	3.00
Expected long-term rate of return on plan assets	7.25	-	7.25	-

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

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered extended health care benefits was assumed over the first ten years and 5% 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:

	<b>1% decrease</b>	<b>1% increase</b>
Effect on benefit costs	(291)	376
Effect on benefit obligation	(2,556)	3,186



## Notes to the Financial Statements

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

	2007 %	2006 %
Cash and fixed income	34	33
Canadian equities	22	22
Foreign equities	44	45
	<hr/>	<hr/>
	100	100

Contributions for the year ended December 31:

	2007 \$	2006 \$
Contributions to funded pension plans	596	3,066
Benefits paid directly to beneficiaries for other non-funded post-employment benefits	<hr/>	<hr/>
	1,671	909
	<hr/>	<hr/>
	2,267	3,975

Westshore LP's net benefit plan expense (income) for the years ended December 31, 2007 and 2006 is as follows:

	2007			2006		
	Incurred in year \$	Deferral and amortization adjustments <sup>(1)</sup> \$	Recognized in year \$	Incurred in year \$	Deferral and amortization adjustments <sup>(1)</sup> \$	Recognized in year \$
<b>Pension plan benefits</b>						
Current service cost	995	-	995	1,000	-	1,000
Interest cost	3,246	-	3,246	3,152	-	3,152
Expected return on plan assets	(1,754)	(3,570)	(5,324)	(9,752)	5,038	(4,714)
Net actuarial (gains) losses	(2,807)	2,887	80	243	531	774
Past service costs	-	531	531	-	508	508
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(320)	(152)	(472)	(5,357)	6,077	720
<b>Other benefits</b>						
Current service cost	982	-	982	698	-	698
Interest cost	1,403	-	1,403	1,266	-	1,266
Net actuarial (gains) losses	(663)	1,217	554	549	69	618
Past service costs	-	336	336	-	280	280
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,722	1,553	3,275	2,513	349	2,862

(1) The net impact of deferral and amortization adjustments to recognize the long-term nature of employee future benefits.



## 10 Contingencies and Commitments

In 2004, Elk Valley Coal Partnership (the Coal Partnership) gave notice to Westshore LP under the contract for one of its operations requesting a review of the loading rate effective April 1, 2005. Under the terms of the contract, the loading rate is linked to the Canadian dollar price received for coal. In 2006, an arbitrator decided in favour of Westshore LP confirming that there would be no changes to the loading rate in the contract. The Supreme Court of British Columbia granted the Coal Partnership leave to appeal the decision. Westshore LP appealed that decision. The appeal was heard February 5, 2008. The decision of the Court of Appeal remains outstanding. Westshore LP will have exposure to losses if any significant changes are made to rates charged under this agreement.

In August 2006, the Coal Partnership sent notice to Westshore LP requesting a review of the loading rate charged under the Port Services Contract that governs coal from the Fording, Greenhills and Coal Mountain mines, effective April 1, 2007. Discussions concerning the possibility of change in the loading rate commenced as provided for under the agreement. If the matter cannot be resolved between the parties, the matter would be determined by arbitration.

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

Westshore LP's terminal site is leased (the Lease) from the VPA. Charges payable by Westshore LP under the Lease comprise an annual base land and waterlot rental fee of \$5,206,531 (2006 - \$5,172,460) and an annual participation rental based on the volume of coal shipped. A minimum participation rental per tonne of \$6,494,400 (2006 - \$6,494,400) 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. Westshore LP paid \$3,436,818 (2006 - \$1,311,378) in relation to the higher participation rental.

In 2006, Westshore LP signed a new lease with the VPA effective January 1, 2007. The term of the lease is until December 31, 2026, with further options to extend the term to December 31, 2046. Unless Westshore LP completes an equipment upgrade within 36 months of the permit issuance at a cost of at least approximately \$42 million, the VPA has the right to cancel the renewal options. Westshore LP commenced this equipment upgrade in 2007.

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 \$
2008	11,665	400	12,065
2009	11,665	400	12,065
2010	11,665	379	12,044
2011	11,665	-	11,665
2012	11,665	-	11,665
Thereafter to 2026	163,310	-	163,310



## 11 Significant customers

Fording Trust holds a 60% interest in the Coal Partnership. During the year ended December 31, 2007, approximately 89% (2006 - 92%) of Westshore LP's revenue was earned from the mines of the Coal Partnership. As at December 31, 2007, the receivable from the Coal Partnership was \$6.9 million (2006 - \$12.4 million).

## 12 Financial instruments

### Foreign exchange risk

The loading rate for approximately half of the Coal Partnership's coal handled by Westshore LP in 2007 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 LP's revenues will be affected by the conversion of the U.S. dollar sales to Canadian dollars.

Westshore LP uses forward exchange contracts to mitigate exposure to fluctuations in the relative exchange rates. During December 2007, Westshore LP's hedges expired.

### Fair value of financial instruments

Fair value estimates for foreign exchange contracts are based on quoted market prices for comparable contracts and represent the amount Westshore LP would have received from or paid to, a counterparty to unwind the contracts at the market rate in effect at December 31. Westshore LP's forward exchange contracts were marked to market and had a fair value of \$38,456 at December 31, 2007. Other revenue on the consolidated statements of earnings and cumulative earnings includes a mark to market loss of \$1,463,000 (2006 - \$6,510,000).



## 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**Dallas H. Ross**

Partner

Kinetic Capital Partners

**Jim G. Gardiner**

Corporate Director

### *Executive Officers*

**William W. Stinson***Chief Executive Officer***Doug Souter***Chief Financial Officer*

### *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*

The Toronto Stock Exchange

### *Trading Symbol*

WTE.UN

### *Annual General Meeting*

The Annual General Meeting of Unitholders  
will be held on Tuesday, June 17, 2008 at  
9:00 a.m. at the Marriott Pinnacle Hotel,  
Vancouver, British Columbia

## Westshore Terminals Ltd. (general partner of Westshore Terminals Limited Partnership)

### *Officers*

**William W. Stinson**

President

**Denis Horgan**

Vice-President and General Manager

**Nick Desmarais**

Secretary

### *Directors*

**Glen Clark**

Executive Vice President

The Jim Pattison Group

**Nick Desmarais**Managing Director, Legal Services  
The Jim Pattison Group**Dallas H. Ross**

Partner, Kinetic Capital Partners

**Doug Souter**

Corporate Director

**William W. Stinson**

Corporate Director