



WESTSHORE TERMINALS INCOME FUND

ANNUAL REPORT

2009

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

Westshore Terminals Income Fund (Consolidated)

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

	2009	2008
Tonnage (in thousands)	20,053	21,079
Revenue		
Coal	\$ 203,927	\$ 260,096
Other	\$ 3,851	\$ 3,986
	<hr/> \$ 207,778	<hr/> \$ 264,082
Earnings before depreciation, interest, foreign exchange and income taxes	\$ 122,077	\$ 162,926
Cash Distributions declared	\$ 92,070	\$ 133,650
Cash Distributions per unit	\$ 1.24	\$ 1.80
Units outstanding at December 31	74,250,016	74,250,016
Trading Statistics		
High	\$ 14.75	\$ 20.14
Low	\$ 7.02	\$ 7.80
Close	\$ 14.30	\$ 9.60
Volume	57,003,800	53,988,043



Westshore Terminals Income Fund

Trustees' Letter and Report to Unitholders

Dear Unitholder:

For the twelve months ending December 31, 2009, the Fund declared cash distributions to Unitholders of \$92,070,020 (\$1.24 per unit). This compares to the cash distributions declared in 2008 of \$133,650,028 (\$1.80 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 rates per tonne charged by Westshore and Westshore's costs. During 2009, Westshore loaded 20.1 million tonnes of coal as compared to 21.1 million tonnes shipped in 2008. Based on information available, Westshore anticipates volumes in 2010 in excess of 22 million tonnes.

Westshore has reviewed its cash reserves built up over 2008 and 2009 during uncertain economic times, and has determined that based on current circumstances a lesser reserve is adequate. As a result, it is anticipated that quarterly cash distributions from 2010 operations will be supplemented throughout 2010.

The Fund's consolidated earnings before depreciation, interest, foreign exchange and income taxes for 2009 were \$122.1 million compared to \$162.9 million in 2008. Coal loading revenue decreased 21.6% from \$260.1 million in 2008 to \$203.9 million in 2009. A lower average loading rate and lower throughput were primarily responsible for the decrease. In both 2008 and 2009 the loading rates for a substantial portion of Westshore's throughput were determined by reference to coal prices, so Westshore's revenues and net income were significantly impacted by variations in coal price. With the conclusion of a new agreement with Teck Coal relating to coal from its Elkview, Cheviot and Line Creek Mines at fixed rates, the percentage of Westshore's throughput shipped at rates that vary with the price of coal will be reduced in 2010 and will be reduced further in 2011.

As part of the new agreement with Teck Coal, Teck has agreed not to pursue a rate review under the Port Services Agreement, which had been initiated in 2006.

Westshore has completed the capital upgrade to its existing equipment at a cost of approximately \$49 million. The upgrade is estimated to have increased Westshore's throughput capacity to approximately 29 million tonnes per annum.

In December 2009, Westshore reached an agreement with Westar Management Ltd. that confirmed the first renewal option under the Management Agreement, extending the term to January 31, 2017. A number of modifications were made to the terms of the Management Agreement and related agreements.

The Fund is also continuing to explore available options in regard to converting from an income trust as a result of tax law changes which will take effect on January 1, 2011.

Audited consolidated financial statements for the Fund are attached.

For the Board of Trustees,


William W. Stinson Vancouver, B.C.
Chairman of the Board of Trustees March 29, 2010



Westshore Terminals Income Fund

Management's Discussion & Analysis of

Financial Condition and Results of Operations

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 22. 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. Additional information and disclosure relating to the Fund can be found on SEDAR at www.sedar.com. Unless otherwise indicated, the information presented in this Annual Report is stated as at March 29, 2010.

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. Forward-looking statements are based on information available at the time they are made, assumptions 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, 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 information included or incorporated by reference in this document include statements with respect to expected prices for metallurgical coal, expected Terminal throughput volumes, the proportion of throughput expected to be shipped at variable rates, the effect of U.S. - Canadian dollar exchange rate on loading rates, customer contract renegotiations, the anticipated level of distributions, and the Fund's approach to federal taxation of trusts.

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. Specific risk factors include global demand and competition in the supply of seaborne coal, the ability of Westshore's customers to maintain or increase sales or deliver coal to the Terminal, fluctuations in exchange rates, and the Fund's ability to renegotiate key customer contracts on favourable terms or at all. See also the risk factors outlined in the Fund's annual information form.

General

The cash inflows of the Fund are wholly dependent on the results of Westshore. Westshore's results are determined largely by the volumes of coal shipped by different coal mines for sale in the export market, the rates per tonne charged by Westshore and have recently, to a lesser extent to the Canadian - U.S. dollar exchange rate and Westshore's costs. In the period 2005 - 2009, a substantial portion of Teck Coal's throughput was handled at loading rates that varied with the price of coal. Throughout that period, coal prices have been at substantially higher levels than prior to 2005, and in the 2008/9 coal year reached extremely high levels. Prices for hard coking coal were significantly reduced in the 2009/10 coal year, which resulted in Teck Coal achieving lower average settlement prices for the 2009/10 coal year (ending March 31, 2010) compared to the 2008/09 coal year (ended March 31, 2009). As a result of a recently concluded agreement with Teck Coal, a smaller portion of Teck's throughput will be at variable loading rates in 2010, and for the 2011/12 coal year none of the contracts with Teck will provide for variable pricing.



Westshore Terminals Income Fund

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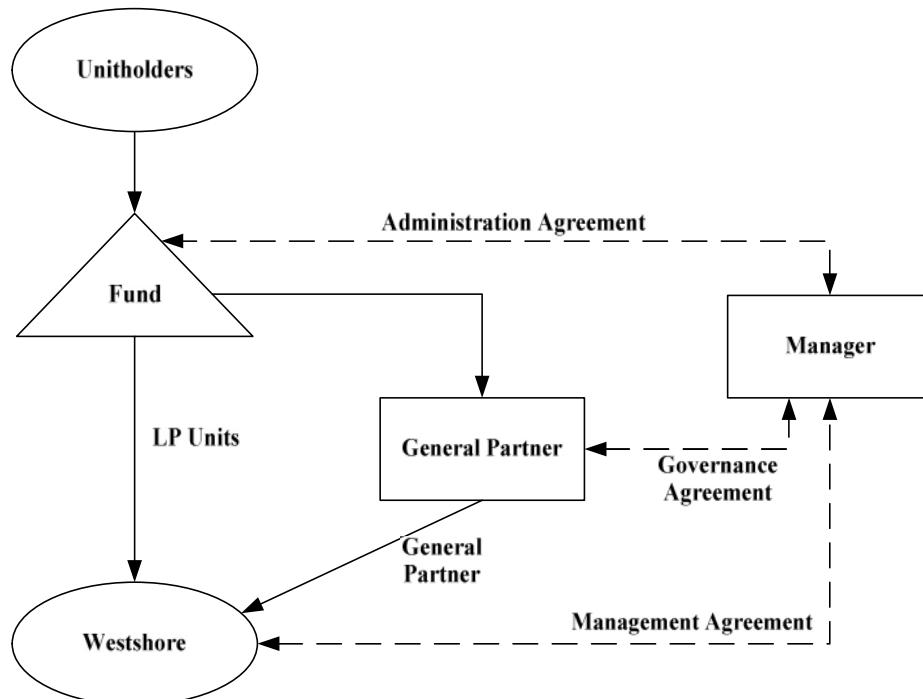
Because of exposure to fluctuations in exchange rates (as a result of the pricing mechanisms under certain customer contracts), Westshore has historically put in place some currency hedging to offer partial protection to Westshore from material short-term swings in the Canadian/US dollar exchange rate.

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. (See Note 2 to the financial statements on page 25.)

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 useful information in understanding the results of the Fund 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 Westshore and the General Partner and administrative services to the Fund and, pursuant to the Governance Agreement between the Manager and the General Partner, nominates three of the directors of the General Partner.





Westshore Terminals Income Fund

Management's Discussion & Analysis of

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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, 2009, 2008 and 2007, which were prepared in Canadian dollars using Canadian GAAP.

(In thousands of Canadian dollars except per unit amounts)

	2009	2008	2007
Coal loading revenues	\$ 203,927	\$ 260,096	\$ 156,717
Other revenues	3,851	3,986	5,037
	207,778	264,082	161,754
Net Earnings	107,130	124,865	58,286
Net Earnings per unit ⁽¹⁾	1.443	1.682	0.792
Standardized Distributable Cash	108,175	123,319	80,736
Cash Distributions declared	92,070	133,650	86,131
Cash Distributions per unit	1.240	1.800	1.160
Distributions of units in lieu of cash ⁽²⁾	14,415	13,544	-
Distributions of units in lieu of cash per unit ⁽²⁾	0.194	0.182	-
Total Assets	608,763	614,893	606,300
Total Long Term Liabilities	30,798	29,800	26,102

(1) The weighted average units outstanding for 2009 were 74,250,016 (2008 - 74,250,016, 2007 – 73,587,701)

(2) In 2009 and 2008, 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.

As shown above, cash distributions declared to Unitholders for 2009 were \$92,070,020 (\$1.24 per unit) compared to \$133,650,028 (\$1.80 per unit) for 2008, the decrease resulting primarily from a lower average loading rate in 2009 compared to the prior year. Distributions were made quarterly during 2009 and 2008. The total distributions from the Fund in 2009 and 2008 to Unitholders were considered income for income tax purposes.

References to "Standardized Distributable Cash" are to cash from operating activities less capital expenditures, both measures recognized under GAAP. Standardized Distributable Cash is a non-GAAP 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.



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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, 2009 and 2008 respectively.

<i>(In thousands of Canadian dollars except per unit amounts)</i>	3 Months Ended		12 Months Ended	
	Dec 31		Dec 31	
	2009	2008	2009	2008
Cash flows from operating activities	\$18,648	\$42,697	\$123,573	\$131,471
Less: Capital expenditures	(3,926)	(3,467)	(15,398)	(8,152)
Standardized Distributable Cash	14,722	39,230	108,175	123,319
Cash Distributions declared	29,700	39,353	92,070	133,650
Basic and diluted Standardized Distributable Cash per unit	0.198	0.528	1.457	1.661
Cash Distributions per unit	0.400	0.530	1.240	1.800

Annual and quarterly cash distributions will typically differ from Standardized Distributable Cash as the Fund bases its distributions on taxable income and does not adjust them for fluctuations in working capital. Quarterly cash distributions are also impacted by the Fund's desire to provide smoother distributions throughout the year and by adjustments for prior quarters' results coming in above or below estimates.

For the twelve months ended December 31, 2009, cash distributions and Standardized Distributable Cash were lower than in the prior year primarily as a result of lower revenues compared to 2008 when coal prices were at record levels. Cash distributions for the twelve months ended December 31, 2009 were lower than Standardized Distributable Cash primarily because of the decrease in working capital over the prior year, which increased cash flows from operating activities. Without the working capital change, the cash flows from operating activities and Standardized Distributable Cash for 2009 would have been lower. The level of cash distributions was reduced as the Fund made a modest addition to its cash reserves during 2009 in view of uncertainties and recent volatility in markets for metallurgical coal.

Because the Fund's investments 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. 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. The amount of any such distributions is then added to the cost base of the units.



Westshore Terminals Income Fund

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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 Canadian dollars except per unit amounts)</i>	12 Months Ended		Three Months Ended			
	Dec 31, 2009 \$	Mar 31, 2009 \$	June 30, 2009 \$	Sept 30, 2009 \$	Dec 31, 2009 \$	
Revenue						
Coal loading	203,927	53,647	57,375	46,460	46,445	
Other	3,851	1,050	939	833	1,029	
	207,778	54,697	58,314	47,293	47,474	
Expenses						
Operating	75,712	17,624	16,593	19,323	22,172	
Administration	9,989	2,324	1,290	1,862	4,513	
	85,701	19,948	17,883	21,185	26,685	
Earnings before the undernoted	122,077	34,749	40,431	26,108	20,789	
Interest Income	373	155	73	74	71	
Depreciation	(21,379)	(5,401)	(5,281)	(5,281)	(5,416)	
Foreign exchange gain (loss)	6,047	(3,002)	8,704	(219)	564	
Earnings before income taxes	107,118	26,501	43,927	20,682	16,008	
Income tax expense (recovery)	(12)	827	1,121	446	(2,406)	
Net earnings	107,130	25,674	42,806	20,236	18,414	
Net earnings per unit⁽¹⁾	1.443	0.346	0.576	0.273	0.248	
Cash Distributions declared⁽²⁾	92,070	17,820	20,790	23,760	29,700	
Cash Distributions per unit	1.240	0.240	0.280	0.320	0.400	
Distribution of units in lieu of cash	14,415	2,790	3,255	3,720	4,650	
Distribution of units in lieu of cash per unit	0.194	0.038	0.044	0.050	0.062	

<i>(In thousands of Canadian dollars except per unit amounts)</i>	12 Months Ended		Three Months Ended			
	Dec 31, 2008 \$	Mar 31, 2008 \$	June 30, 2008 \$	Sept 30, 2008 \$	Dec 31, 2008 \$	
Revenue						
Coal loading	260,096	35,145	62,762	73,764	88,425	
Other	3,986	968	1,037	942	1,039	
	264,082	36,113	63,799	74,706	89,464	
Expenses						
Operating	76,996	18,521	19,534	20,470	18,471	
Administration	24,160	1,874	6,982	7,228	8,076	
	101,156	20,395	26,516	27,698	26,547	
Earnings before the undernoted	162,926	15,718	37,283	47,008	62,917	
Interest Income	1,913	610	434	530	339	
Depreciation	(22,289)	(5,572)	(5,572)	(5,572)	(5,573)	
Foreign exchange gain (loss)	(15,731)	858	(67)	(934)	(15,588)	
Earnings before income taxes	126,819	11,614	32,078	41,032	42,095	
Provision for income taxes	1,954	281	190	870	613	
Net earnings	124,865	11,333	31,888	40,162	41,482	
Net earnings per unit⁽¹⁾	1.682	0.153	0.429	0.541	0.559	



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(In thousands of Canadian dollars except per unit amounts)	12 Months Ended		Three Months Ended							
	Dec 31, 2008	\$	Mar 31, 2008	\$	June 30, 2008	\$	Sept 30, 2008	\$	Dec 31, 2008	\$
Cash Distributions declared⁽²⁾	133,650		20,790		34,897		38,610		39,353	
Cash Distributions per unit	1.800		0.280		0.470		0.520		0.530	
Distribution of units in lieu of cash	13,544		2,107		3,536		3,913		3,988	
Distribution of units in lieu of cash per unit	0.182		0.028		0.047		0.053		0.054	

(1) Weighted average units outstanding during 2009 and 2008 are 74,250,016.

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

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 from mines in the north-western United States. Coal shipped from the mines owned by Teck Coal, which is Westshore's largest customer, accounted for 73% of Westshore's throughput in 2009 (2008 – 79%).

Coal is delivered to the Terminal in unit trains operated by the Canadian Pacific, CN and BNSF Railways, and by Union Pacific 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)

	2009		2008		2007	
	Tonnes	%	Tonnes	%	Tonnes	%
Asia	16,306	81	14,591	69	13,004	61
Europe	3,030	15	5,488	26	7,144	34
S. America	317	2	628	3	747	4
Other	400	2	372	2	265	1
Total	20,053	100	21,079	100	21,160	100

During 2009, 74% of Westshore's volume was metallurgical coal (82% in 2008), with the remaining 26% being thermal coal (18% in 2008). The significant growth in the percentage of throughput destined for Asia was as a result of a significant increase in shipments to China (primarily metallurgical coal) and to Korea (where the increase was principally in shipments of thermal coal) offset by a reduction in metallurgical coal shipments to Japan. Shipment levels to these countries in 2009 were affected by world economic conditions.



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Westshore's customers compete with other suppliers of coal throughout the world. With respect to metallurgical coal, 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 2005/06 coal year. While prices declined somewhat in 2006 and 2007 as a result of a combination of factors, the price for metallurgical coal for the 2008/09 coal year increased significantly to US\$300 per tonne. 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 was further reduced as a result of flooding in Australia that disrupted shipments by several metallurgical coal producers, and severe winter weather in China disrupted supply within that country. For the 2009/10 coal year published coal prices were noticeably reduced because of the worldwide economic recession, but because of carry over tonnage and other factors, Teck Coal experienced a smaller reduction in prices realized for coal shipped through Westshore. For the 2010/11 coal year, it is anticipated, with improved worldwide economic activity that prices for metallurgical coal will increase from last year's pricing.

With its five mines in British Columbia and one in Alberta, Teck Coal is by far Westshore's largest customer. It is the second largest supplier of seaborne hard coking coal in the world. From April 1, 2010, Westshore will have two contracts with Teck Coal covering six mines. The Port Services Agreement ("PSA"), which was entered into in 2003 and covers the Fording River, Greenhills and Coal Mountain mines, runs to February 29, 2012. It provides that, subject to minor exceptions relating to customer preferences, all the coal shipped from those three mines through West Coast ports must be shipped through Westshore. The loading rates for a portion of the tonnage from the Fording River and Greenhills mines in the 2010/11 coal year is linked to the price in Canadian dollars realized by Teck Coal for that coal.

As announced on February 11, 2010, Westshore has concluded a new agreement with Teck Coal to handle a portion of the coal from Teck's Elkview, Cheviot and Line Creek Mines for the period April 1, 2010 to March 31, 2012. In calendar 2009 approximately 3,800,000 tonnes of coal were shipped under the contract that governs the Elkview mine that expires on March 31, 2010. Under the new agreement, Teck has committed to ship through Westshore 3,000,000 tonnes of coal in each of the next two contract years from the Elkview, Cheviot and Line Creek Mines in whatever proportions it chooses. The parties have agreed on a fixed rate for the committed tonnage for two years, with a slightly lower fixed rate for any tonnage that Teck chooses to ship through Westshore from those mines in excess of its commitments. In conjunction with this agreement, Teck has agreed not to pursue a rate review under the PSA that was initiated by Teck in 2006, and Westshore has agreed that for the final year of the PSA all the rates under that agreement will be fixed and will not vary with the coal price.

Since coal from the Elkview, Cheviot and Line Creek Mines will, commencing April 1, 2010, be shipped through Westshore at fixed rates, and all rates under the PSA will be fixed for the 2011/12 contract year, Westshore estimates that for the 2010/11 contract year (April 1, 2010 to March 31, 2011) 30% of its throughput will be shipped at rates that vary with the price of the product shipped, including some coal shipped by Westshore's US customers. For the 2011/12 contract year the throughput to be shipped at variable rates is expected to be less.

As a result of the new agreement, and based on higher volumes shipped during the first quarter of 2010 and on other information available to Westshore from its customers, Westshore currently anticipates that throughput levels for 2010 should be in excess of 22 million tonnes. Westshore anticipates shipping 6.1 million tonnes in the first quarter of 2010, as compared to 4.4 million tonnes in the first quarter of 2009.



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Westshore has a contract with Coal Valley Resources Ltd. (formerly Luscar Ltd.) which runs to 2017 and covers thermal coal from the Coal Valley mine and the recently reopened Obed mine. During 2009, Coal Valley shipped 2.5 million tonnes of thermal coal through the Terminal compared to 2.2 million tonnes in 2008. Westshore also has a contract with Grande Cache Coal Corporation for handling coal produced from its operations in Alberta, which expires on March 31, 2013. Westshore loaded 1.2 million tonnes under this contract in 2009, compared to 1.1 million tonnes in 2008. The contracts with Coal Valley Resources Ltd. and Grande Cache Coal Corporation each have a pricing mechanism based on fixed rates (with escalation clauses).

Since late 2007, Westshore has experienced renewed interest from US coal producers (primarily of thermal coal) in making shipments through Westshore, and has entered into a number of contracts with such producers. Shipments under those contracts accounted for approximately 9% of Westshore's throughput in 2009. The percentage of Westshore's overall shipments that were comprised of thermal coal increased from 18% in 2008 to 26% in 2009.

Labour

Labour agreements with all three locals of the International Longshore and Warehouse Union (the longshoremen, foreman and the clerical workers) are in place for four year terms which all expire January 31, 2011.

Equipment Addition and Upgrade

Westshore has completed the upgrade of certain existing equipment and the addition of new equipment at the Terminal site, at a total cost of \$49 million. In conjunction with these expenditures, Westshore negotiated a new lease of the Terminal site, which 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.

In 2005, Westshore conducted an assessment of the Terminal's throughput capacity. Part of the stimulus for the review was announcements by Canadian Pacific Railway ("CPR") and Fording Canadian Coal 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 mines were making significant expenditures 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 had 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 had 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 that has been completed. All four stacker/reclaimers are in the process of being automated which is expected to be complete in the first half of 2010. As part of this equipment upgrade project, Westshore converted the second barrel of the tandem rotary dumper to accommodate shorter "US style" aluminium 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 are expected to be reduced, avoiding congestion which would otherwise result from an increase in shipments. The upgrades are within the existing Terminal site, and are not expected to result in any increase in the discharges governed by Westshore's environmental permits.



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Taxation on Trusts in Canada

Bill C-52 *Budget Implementations Act*, 2007 contains legislative provisions to tax publicly traded income trusts in Canada. Under these rules, distributions declared by the Fund after January 1, 2011 will be taxed at a rate of 26.5% (2012 – 25%) 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 is currently exploring possible changes to its structure as a result of these rules. Further announcements of the Fund's intended actions will be provided at a later date when planning has been finalized.

The Fund has not provided for current income taxes in 2009 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 tax assets and tax liabilities for accounting purposes. A non-cash recovery of \$12,000 (2008 - \$2.0 million expense) has been recorded in the year ended December 31, 2009 to reflect changes in assets and liabilities and their expected recognition for tax purposes. The future income tax expense (recovery) does not affect current distributions.

Results of Operations

Westshore loaded 20.1 million tonnes of coal during 2009 as compared to 21.1 million tonnes during 2008. Coal loading revenue decreased by 21.6% to \$203.9 million in 2009 compared with \$260.1 million in 2008. The significant decrease was primarily due to a decrease of 17.6% in the average loading rate for the year as a whole.

In 2009, the loading rates for 39% of the coal handled at Westshore were tied to the average price in Canadian dollars realized by Teck Coal. The average Canadian dollar coal price realized by Teck Coal for shipments through Westshore in the fourth quarter of 2009 was approximately 50% of the average price per tonne realized in the fourth quarter of 2008. In the fourth quarter of 2009, Westshore's loading revenue was \$46.4 million as compared to \$88.4 million in the fourth quarter of 2008, on shipments of 5.2 million tonnes in the fourth quarter of 2009, the same as in the fourth quarter of 2008. For 2009 as a whole, the average coal price realized by Teck Coal for tonnage shipped through Westshore was 15% less than that compared to calendar year 2008.

Other income was consistent with that of the prior year and consisted mostly of wharfage income. Operating and administrative expenses decreased from \$101.2 million in 2008 to \$85.7 million in 2009, primarily resulting from a lower incentive fee payable to the Manager. This fee is determined under the Management Agreement pursuant to a pre-set formula. Interest income for the year decreased by \$1.5 million because of lower rates and expenditure of funds on the equipment upgrade project.

Foreign exchange gains, which includes both realized gains/losses and changes in the mark-to-market adjustment for unrealized gains/losses, increased to a \$6.0 million gain in 2009 from a \$15.7 million loss in 2008. This increase was mainly caused by significant changes in the mark-to-market adjustment of the value of the foreign exchange contracts (see Currency Fluctuations), offset by realized foreign exchange losses.

Earnings before depreciation, interest, foreign exchange and income taxes were lower in 2009, at \$122.1 million as compared to \$162.9 million in 2008. Earnings before depreciation, income, foreign exchange and income taxes for the fourth quarter of 2009 were \$20.8 million, compared to \$62.9 million for the fourth quarter of 2008.



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Currency Fluctuations

In recent years a substantial portion of Westshore's revenues has been realized through loading rates tied to the Canadian dollar price realized for coal by Westshore's customers. 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's policy has been to hedge by April 30 of each year a portion of its anticipated US dollar related revenues for that (April 1– March 31) coal year, based on the annual budget. Westshore will continue to review the need and opportunity for additional future hedging, particularly since the percentage of its throughput shipped at variable rates is expected to decline significantly over the next two years.

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 foreign exchange. During the year, Westshore realized foreign exchange losses of \$9.1 million compared to \$3.1 million in 2008. As 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, foreign exchange gains/losses for the year ended December 31, 2009 included \$15.1 million in unrealized gains on forward exchange contracts, compared to \$12.6 million in unrealized losses for 2008. Unrealized hedging gains or losses are non-cash items. The cash effect of the hedging activities is recognized in foreign exchange gains/losses 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 the volume of coal shipped through the Terminal, the rates charged to customers for that coal, and Westshore's operating and administrative costs.

Because of a combination of possible variations in tonnage and rates, the Fund cannot predict accurately the level of its distributions for 2010. The variance from 2009 will ultimately be impacted by various factors, including total volumes shipped through the Terminal, the distribution of throughput by mine, changes in contract rates and the average coal price settled by Teck Coal. Based on the information currently available to it, Westshore is now anticipating higher volume levels in 2010 as compared to 2009, at an average loading rate for 2010 as a whole that will be lower than the average for 2009 as a whole. For 2010, it is currently anticipated that distributions will be supplemented by some level of cash reserves (built up in 2008 and 2009) which are considered to be in excess of current needs. If cash distributions for the calendar year 2010 exceed \$1.035 per unit, incentive fees will be payable by Westshore to the Manager under the Management Agreement.

Liquidity and Capital Resources

The Fund generally distributes to Unitholders its income (net of administrative costs of the Fund), but the Fund has no fixed distribution requirements, distributions being primarily 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 or to meet its working capital requirements. Westshore's facility is a mature facility which does not require significant ongoing replacement of equipment. The costs of ongoing maintenance and refurbishment of the equipment and meeting variations in working capital are well within Westshore's financial capacity based solely on revenues less



Westshore Terminals Income Fund

Management's Discussion & Analysis of

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expenses, without any need for financing. 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 operating facility that, if required, can be utilized to meet working capital requirements. This facility was not used during 2009 or 2008 and remained undrawn at December 31, 2009. 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, special pension contributions and working capital requirements.

Westshore has post-retirement benefit obligations under its pension plans and other post-retirement benefit plans which it is required to fund each year. Westshore is anticipating its funding requirements in 2010 be consistent with 2009 levels. Westshore does not anticipate any problems in meeting these obligations.

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

	Terminal lease \$	Other \$	Total \$
2010	11,665	448	12,113
2011	11,665	246	11,911
2012	11,665	246	11,911
2013	11,665	-	11,665
2014	11,665	-	11,665
Thereafter to 2026	139,980	-	139,980

Westshore has a commitment of approximately \$2.8 million with respect to equipment purchases that are to be paid in 2010.

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

Transactions with Related Parties

In 2009, Westshore paid \$3.9 million (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 \$0.75 million (excluding GST), an amount unchanged since 1997, and an incentive fee of \$3.1 million (excluding GST).

In view of a number of critical matters facing Westshore and the Fund over the next few years, including several key customer contract renegotiations and the restructuring of the Fund itself, and given the Fund's full support of the Manager's successful efforts in managing the business of Westshore and the Fund over the last thirteen years, it was determined after discussions between the Fund and the Manager to confirm the first renewal option under the Management Agreement (and related agreements). As a result, the term will now extend to January 31, 2017.

In conjunction with the renewal, certain modifications were made to the Management Agreement including: no termination by the Manager until after June 30, 2013; the base fees, which were set in 1997 and which have not increased since, will remain as such until January 1, 2012 and then be adjusted to reflect an inflation increase since 1997 and to provide for similar escalations in the future; and a change in the basis for the computation of the incentive fees.



Westshore Terminals Income Fund

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Commencing January 1, 2011, the incentive fee will be based on a percentage of free cash flow above \$42 million, starting at 1.5% and rising to 6%, subject to an annual cap on the incentive fee of \$5 million.

In conjunction with the amendment to the Management Agreement described above, the Governance Agreement between the Fund and the Manager has also been modified. This agreement governs the composition of the board of directors of GPCo, the General Partner of Westshore. Effective January 1, 2011 (or earlier), the board of directors will consist of seven directors, three of whom will be nominated by the Manager.

The Management Agreement provides for incentive fees to be payable by Westshore to the Manager in the event that distributions exceed certain amounts. Those contingent 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. That basis for computation will remain in force for 2010 and then change effective January 1, 2011 as set out above.

In 2009, 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. This amount will also increase on January 1, 2012 to reflect inflation since 1997 and will escalate thereafter.

Changes In Accounting Policies

The Fund's changes in accounting policies are found in note 2 of Westshore's financial statements beginning on page 25.

Financial Instruments

On January 1, 2009, the Fund adopted the enhanced disclosure requirements of amended CICA Handbook Section 3862, *Financial Instruments - Disclosures*. Disclosures using a fair value hierarchy that reflects the significance of the inputs used in making the measurements are presented in Note 12 to the accompanying audited financial statements.

Goodwill and Intangible Assets

On January 1, 2009, the Fund adopted the new requirements of the CICA – issued Handbook Section 3064, *Goodwill and Intangible Assets*. This new accounting standard, which applies to the Fund commencing October 1, 2008, replaces Section 3062, *Goodwill and Other Intangible Assets*. Section 3064 expands on the standards for recognition, measurement, and disclosure of goodwill and intangible assets. The adoption of this new standard did not have any impact on the Fund's financial statements, disclosure, or results of operations.

Credit Risk and the Fair Value of Financial Assets and Liabilities

On January 23, 2009, the CICA Emerging Issues Committee (EIC) issued EIC-173, *Credit Risk and Fair Value of Financial Assets and Liabilities*. EIC-173 is effective for interim and annual financial statements for periods ending on or after January 20, 2009. EIC-173 provides guidance that an entity's own credit risk and the credit risk of counterparties should be taken into account in determining the fair value of financial assets and liabilities. Adoption of this guidance is to be applied retrospectively without restatement to prior periods. The Fund has evaluated the impact of this new standard and concluded that it does not have a material impact on its financial statements.



Westshore Terminals Income Fund

Management's Discussion & Analysis of

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Critical Accounting Estimates

The preparation of financial statements and related disclosures in accordance with GAAP requires the Fund to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, 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 straight line 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.



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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 in respect of certain mines, 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. In 2009, Westshore incurred demurrage costs of \$1.9 million as compared to \$0.5 million in the prior year. Under the new contract covering the Elkview, Line Creek and Cheviot mines, Westshore will not share demurrage (nor rail detention, referred to below), unlike under the Elkview contract which expires March 31, 2010.

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 in respect of certain mines. The cost to Westshore for train detention was \$0.6 million in 2009, the same as in 2008.

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.

International Financial Reporting Standards (IFRS)

The use of IFRS for financial reporting in Canada will be applicable for the fiscal year beginning January 1, 2011. The Fund's IFRS transition plan consists of three main phases – Scoping, Analysis and Implementation. The Scoping phase involves a high-level analysis of the significant accounting differences between IFRS and Canadian GAAP and determining the potential impact of the new accounting standards on business areas such as information technology, internal controls and disclosure controls. The Analysis phase involves a more comprehensive analysis of the accounting standards, including the development of accounting policies and the quantification of the conversion impact. The Implementation phase executes the changes identified in the Analysis phase.

The Fund has completed the Scoping phase, and both the Analysis and Implementation phases are in progress. The Fund has made an initial determination of which IFRS 1 elections will be utilized and which accounting policies will be adopted under IFRS. The financial impact on the opening balance sheet under IFRS on January 1, 2010 has been estimated but is not yet finalized. The fund is also analyzing how IFRS will impact financial statement disclosure and presentation. A more in-depth discussion of the expected accounting changes follows after the transition plan summary.



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The following table highlights some of the key activities in the transition plan and what has been accomplished as of December 31, 2009.

Key Activity	Milestones	Status
<i>Financial statement preparation</i>		
• Identification of significant accounting differences	Identification of major differences and accounting policy choices made by the end of 2009	Identification of major accounting differences completed
• Selection of accounting policy choices	Quantification and development of disclosure to occur through 2010	Completed initial determination of accounting changes as of January 1, 2010 and utilization of IFRS 1 elections
• Selection of choices available under IFRS 1 (first-time adoption)		Accounting policy choices made, subject to any future pronouncements issued by IASB
• Financial statement format		Detailed analysis required for financial statement disclosure options
• Changes in disclosure		
<i>Infrastructure</i>		
• Development of knowledge and resources	Major knowledge training completed by end of 2009; new developments monitored throughout 2010	Formal course training completed and more courses being attended throughout 2010
• IT impact assessment and conversion	IT systems ready to process information in parallel in 2010	Regular updates provided to the audit committee
		IASB activity being monitored on ongoing basis
		IT system ready to account for the Fund's activities under both Canadian GAAP and IFRS for 2010
<i>Control Environment</i>		
• Assessment of impact on ICFR and DC&P	Processes and documentation to be complete by end of 2010	Impact assessment started
• Changes in processes to accommodate IFRS		Processes and policies being evaluated and amended to accommodate accounting policy choices
• Documentation requirements		
<i>Business Policy</i>		
• Assessment of impact on financial covenants	Assessment to be complete by mid-2010	Initial impact assessment has been completed with respect to transition balance sheet
• Assessment of impact on capital adequacy		Impact assessment to be monitored throughout 2010



Westshore Terminals Income Fund

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Financial Statement Impact – IFRS 1

The Fund expects to use the IFRS 1 elections available for business combinations, leases, employee benefits, decommissioning liabilities and borrowing costs.

The employee benefits election will result in immediate recognition of all unamortized gains or losses on pension and non-pension post-retirement benefits with a corresponding adjustment to equity, thereby recognizing the plans' funded position on the balance sheet. This change will also have an impact on future income taxes.

The borrowing costs election allows the Fund to capitalize interest costs for constructed assets on a prospective basis. This will not have any immediate impact on the financial statements but could have a material effect if Westshore undertakes any significant capital projects using borrowed funds.

The remaining elections allow the Fund to avoid retrospective application for certain accounting standards and should not result in any material changes

IFRS – Accounting Policy Choices

To date, the Fund has identified one accounting policy choice which is significantly different from the Fund's current accounting policies. Under IAS 19 Employee Benefits, there are several options for the recognition of actuarial gains and losses. The Fund intends to recognize actuarial gains and losses immediately as they occur with changes being recorded through other comprehensive income. This is a departure from the Fund's current accounting practice of amortizing actuarial gains and losses over the average remaining service life of the employees.

In previous quarters, the Fund noted certain IFRS that could have an impact on the financial statements. The Fund does not expect any significant changes from the adoption of the following IFRS except as noted:

- *IAS 12 Income Taxes* – any future income taxes attributable to actuarial gains and losses on employee future benefits will be recorded through other comprehensive income
- *IAS 16 Property, Plant and Equipment*
- *IAS 36 Impairment of Assets*
- *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* – provisions must be disclosed separately

The accounting standards under IFRS continue to evolve and future changes could result in the identification of new financial statement impacts not previously noted or could require a revision to the financial statement impacts previously disclosed.

Internal Controls Over Financial Reporting

The Fund maintains a system of internal controls over financial reporting, as defined by National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, in order to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of financial information for external purposes in accordance with Canadian GAAP.



Westshore Terminals Income Fund

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The Chief Executive Officer and Chief Financial Officer of the Fund have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Fund's internal controls over financial reporting as of December 31, 2009. Based on that assessment, it was determined that the Fund's internal controls over financial reporting were appropriately designed and were operating effectively. No material changes were identified in the Fund's internal controls over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting.

It should be noted that a control system, including the Fund's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

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 officer and chief financial officer (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 tested the operation of the disclosure controls and procedures of Westshore, the General Partner and the Fund as of December 31, 2009 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.



Westshore Terminals Income Fund

Financial Reporting

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 KPMG 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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Chartered Accountants
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Internet www.kpmg.ca

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, 2009 and 2008 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
February 10, 2010

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WESTSHORE TERMINALS INCOME FUND

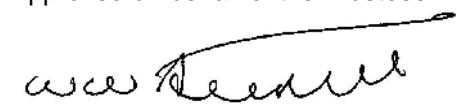
Consolidated Balance Sheets
(Expressed in thousands of Canadian dollars)

December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 81,486	\$ 75,034
Accounts receivable (note 11)	19,512	29,313
Inventories	6,284	6,478
Prepaid expenses	684	672
Other assets (note 12(c))	2,517	-
	110,483	111,497
Plant and equipment (note 3)	108,571	114,552
Employee future benefits (note 9)	24,168	23,303
Goodwill	365,541	365,541
	\$ 608,763	\$ 614,893
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,348	\$ 16,293
Distribution payable to unitholders (note 5)	29,700	39,353
Other liabilities (note 12(c))	-	12,590
	46,048	68,236
Employee future benefits (note 9)	22,118	21,108
Future income taxes (note 6)	8,680	8,692
Unitholders' equity:		
Capital contributions (note 4)	704,032	704,032
Cumulative earnings	726,380	619,250
Cumulative distributions declared (note 5)	(898,495)	(806,425)
	531,917	516,857
Contingencies and commitments (note 10)		
Subsequent events (notes 7 and 14)		
	\$ 608,763	\$ 614,893

See accompanying notes to consolidated financial statements.

Approved on behalf of the Trustees


William W. Stinson, Trustee


Dallas H. Ross, Trustee

WESTSHORE TERMINALS INCOME FUND

Consolidated Statements of Earnings, Comprehensive Earnings and Cumulative Earnings
(Expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

	2009	2008
Revenue:		
Coal loading	\$ 203,927	\$ 260,096
Other	3,851	3,986
	<u>207,778</u>	<u>264,082</u>
Expenses:		
Operating	75,712	76,996
Administrative (note 8)	9,989	24,160
	<u>85,701</u>	<u>101,156</u>
Earnings before the undernoted	122,077	162,926
Depreciation	(21,379)	(22,289)
Interest income	373	1,913
Foreign exchange gain (loss)	6,047	(15,731)
Earnings before income taxes	107,118	126,819
Income tax expense (recovery) (note 6)	(12)	1,954
Net earnings and comprehensive earnings for the year	107,130	124,865
Cumulative earnings, beginning of year	619,250	494,385
Cumulative earnings, end of year	<u>\$ 726,380</u>	<u>\$ 619,250</u>
Basic and diluted earnings per trust unit	\$ 1.443	\$ 1.682
Weighted average number of trust units outstanding	74,250,016	74,250,016

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INCOME FUND

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2009 and 2008

	2009	2008
Cash flows provided by (used in) operating activities:		
Net earnings for the year	\$ 107,130	\$ 124,865
Items not affecting cash:		
Unrealized loss (gain) on foreign exchange contracts (note 12)	(15,107)	12,628
Depreciation	21,379	22,289
Future income tax provision (recovery) (note 6)	(12)	1,954
Employee future benefits asset/liability	145	(584)
	113,535	161,152
Changes in non-cash working capital:		
Accounts receivable	9,801	(18,132)
Inventories	194	(316)
Prepaid expenses	(12)	300
Accounts payable and accrued liabilities	55	(11,533)
	123,573	131,471
Cash flows used in financing activities:		
Distributions paid to unitholders	(101,723)	(121,027)
Cash flows used in investing activities:		
Additions to plant and equipment	(15,398)	(8,152)
Increase in cash and cash equivalents	6,452	2,292
Cash and cash equivalents, beginning of year	75,034	72,742
Cash and cash equivalents, end of year	\$ 81,486	\$ 75,034
Supplemental cash flow information:		
Cash received for interest	\$ 373	\$ 1,913

See accompanying notes to consolidated financial statements.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

1. Organization and basis of presentation:

Westshore Terminals Income Fund (the Fund) is an open-ended trust that was established on December 2, 1996 under the laws of British Columbia. The Fund owns all of the limited partnership units of Westshore Terminals Limited Partnership (the Partnership), a partnership established under the laws of British Columbia.

The Fund does not conduct any active business of its own, its activities being restricted to the ownership of securities of other entities. The Fund, directly or indirectly, derives its cash inflows from its investment in the Partnership by way of distributions on the Partnership's limited partnership units and distributes to its unitholders (Unitholders) on a quarterly basis available cash received from the Partnership less the Fund's expenses.

The Partnership operates a coal storage and loading terminal at Roberts Bank, British Columbia (the Business), which is the largest coal loading facility on the west coast of the Americas. Westshore Terminals Ltd. (the General Partner), a wholly owned subsidiary of the Fund, is the general partner of Westshore. Westar Management Ltd. (Westar Management) is an entity related to the Fund and provides certain management and administrative services to the General Partner and the Fund.

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

2. Significant accounting policies:

(a) Accounting principles:

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

(b) Variable interest entities:

Under Accounting Guideline 15, *Consolidation of Variable Interest Entities* (AcG-15), it was determined that the Fund's investment in the Partnership 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 consolidates the Partnership.

(c) Financial instruments:

The Fund's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and distributions payable to unitholders. The carrying amounts of these financial instruments recorded on the consolidated balance sheets are reasonable estimates of their fair values due to the relatively short periods to maturity and the commercial terms of these instruments.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

Cash and cash equivalents are classified as held-for-trading and are recorded at fair value on the consolidated balance sheets. Accounts receivable are classified as loans and receivables and are recorded at amortized cost. Accounts payable and distributions payable to unitholders are classified as other financial liabilities and are recorded at amortized cost.

The Fund's financial instruments also include foreign exchange contracts, which are derivative instruments that are classified as held-for-trading and are recorded at fair value. Fair value is determined based on valuations obtained from the counterparty. The mark-to-market value is determined by the counterparty by multiplying the notional amount of the trade with the difference between the forward rate and the contract rate and discounting the resultant asset or liability by an applicable discount factor. The asset or liability is recorded in either other assets or other liabilities, respectively. The changes in fair value are recorded in foreign exchange gain (loss).

(d) 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 the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855. For the Fund, these embedded derivatives typically arise from purchase agreements with contractual terms denominated in foreign currency. 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.

(e) 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.

The Partnership's terminal site is leased from the Vancouver Fraser Port Authority (the VFPA). A new lease agreement was signed on November 2, 2006, and became effective as of January 1, 2007. The current lease runs until December 31, 2026, and may be extended at the Partnership's option for a further 20 years. At the expiry of the lease in 2046, assuming the Partnership has not been successful in further extending the lease, the VFPA has the option to acquire the assets of the terminal at fair value or require the Partnership to return the site to its original condition. The Partnership believes that the probability that the VFPA 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, 2009.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(f) 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.

(g) Inventories:

Inventories of spare parts and supplies are valued at the lower of cost less a provision for obsolescence and net realizable value. Cost is determined using the weighted average cost method and includes the invoiced cost and other directly attributable costs of acquiring the inventory.

(h) 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.

Asset	Term
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

Plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount for the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount that the carrying amount of the asset exceeds its fair value.

(i) 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. Any excess of the carrying value over fair value is charged to earnings in the period in which the impairment is determined.

(j) Revenue recognition:

Coal loading revenue is recognized when a customer's coal is loaded onto a ship and ready for export from the terminal site. Coal loading revenue is recorded based on contract specific loading rates. Other revenue consists primarily of wharfage fees which are recorded based upon the period of time a ship is at the port.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(k) Income taxes:

The income of the Partnership is taxed directly in the hands of the Fund and the General Partner. It is expected that the Fund and the Partnership will operate so that substantially all net income of the Business will be allocated to and taxed in the hands of the unitholders.

Legislative provisions under Bill C-52 Budget Implementation Act 2007, which requires tax to be paid by 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 26.5% (2012 - 25.0%) and the distributions will be treated as taxable dividends in the hands of 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 differences 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. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. The value of future income tax assets is limited to the amount that is more likely than not to be realized.

(l) Employee future benefits:

The Partnership 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, 2009 and 2008.
- 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 is based on best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected future 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 the amendments.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year is amortized over the average remaining service period of active employees.
- The discount rate used to value liabilities is based on AA Corporate bond yields.
- The expected weighted average remaining service life of employees covered by the defined benefit pension plan is ten years (2008 - ten years).

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(m) Foreign exchange:

The functional and reporting currency of the Fund and its subsidiaries is the Canadian dollar. Transactions which are denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. The carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date.

(n) 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of assets, useful lives of plant and equipment, asset retirement obligations, train detention and ship demurrage costs and accruals at period end, determination of actuarial assumptions, provision for contingencies and future income tax amounts. Actual results could differ from those estimates.

(o) New accounting standards:

(i) Financial instruments:

Effective January 1, 2009, the Fund has adopted the enhanced disclosure requirements of amended CICA Section 3862, *Financial Instruments - Disclosures*. Refer to note 12 for fair value measurement disclosures using a fair value hierarchy that reflects the significance of the inputs in making the measurements.

(ii) Goodwill and intangible assets:

On January 1, 2009, the Fund adopted the new requirements of the CICA Handbook Section 3064, *Goodwill and Intangible Assets*. This new accounting standard, which applies to fiscal years beginning on or after October 1, 2008, replaces Section 3062, *Goodwill and Other Intangible Assets*. Section 3064 expands on the standards for recognition, measurement, and disclosure of goodwill and intangible assets. The adoption of this new standard did not have any impact on the Fund's financial statements, disclosures, or results of operations.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(o) New accounting standards (continued):

(iii) Credit risk and the fair value of financial assets and liabilities:

On January 23, 2009, the CICA Emerging Issues Committee (EIC) issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Liabilities*. EIC-173 is effective for interim and annual financial statements ending on or after January 20, 2009. EIC-173 provides guidance that an entity's own credit risk and the credit risk of counterparties should be taken into account in determining the fair value of financial assets and liabilities. Adoption of this guidance is to be applied retrospectively without restatement to prior periods. The Fund has evaluated the impact of this new standard and concluded that it does not have a material impact on its financial statements.

(p) Future accounting standards:

(i) International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian generally accepted accounting principles (Canadian GAAP) will be converged with International Financial Reporting Standards (IFRS) for fiscal years commencing January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Fund for the first quarter of 2011 when the Fund will prepare both the current and comparative financial information using IFRS.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. While the effects of IFRS have not yet been fully determined, the Fund has identified a number of key areas which are likely to be impacted by changes in accounting policy and disclosures, including the accounting for employee future benefits and future income taxes.

(q) Comparative figures:

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

3. Plant and equipment:

2009	Cost	Accumulated depreciation	Net book value
Buildings and land improvements	\$ 34,041	\$ 28,165	\$ 5,876
Machinery and equipment	479,547	376,852	102,695
	\$ 513,588	\$ 405,017	\$ 108,571

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

3. Plant and equipment (continued):

2008	Cost	Accumulated depreciation	Net book value
Buildings and land improvements	\$ 34,041	\$ 27,154	\$ 6,887
Machinery and equipment	454,346	356,512	97,834
Construction in progress	9,831	-	9,831
	\$ 498,218	\$ 383,666	\$ 114,552

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.

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.

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 the Partnership have entered into an exchange agreement (the Exchange Agreement) under which the Fund will have the right to transfer Partnership units to the Trust in consideration for the issuance by the Trust of Trust notes.

Capital contributions are as follows:

	Number of units	Capital contributions
December 31, 2009	74,250,016	\$ 704,032
December 31, 2008	74,250,016	704,032

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

5. Distributions to unitholders:

Cumulative distributions declared to unitholders:

Cumulative distributions to December 31, 2007	\$ 672,775
Distributions declared in 2008	133,650

Cumulative distributions to December 31, 2008	806,425
Distributions declared in 2009	92,070

Cumulative distributions to December 31, 2009	\$ 898,495
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Distributions to unitholders are made quarterly.

During the year ended December 31, 2009, the Fund declared cash distributions to unitholders of \$92,070,000 (2008 - \$133,650,000) or \$1.24 per unit (2008 - \$1.80 per unit). The amounts and record dates of the cash distributions declared were as follows:

	2009		2008	
	Total	Per unit	Total	Per unit
March 31	\$ 17,820	\$ 0.24	\$ 20,790	\$ 0.28
June 30	20,790	0.28	34,897	0.47
September 30	23,760	0.32	38,610	0.52
December 31	29,700	0.40	39,353	0.53
	\$ 92,070	\$ 1.24	\$ 133,650	\$ 1.80

The distribution of \$29,700,000 (\$0.40 per unit) payable to unitholders of record on December 31, 2009 was paid on or before January 16, 2010.

Additional non-cash unit distributions totalling \$0.1941 (2008 - \$0.182) per unit were 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 units were immediately consolidated so that each unitholder continued to hold the same number of units that existed before the distribution.

The non-cash distribution of units for the year ended December 31, 2009 were as follows:

	Total	Per Unit
March 31	2,790	\$ 0.0376
June 30	3,255	0.0438
September 30	3,720	0.0501
December 31	4,650	0.0626
	14,415	\$ 0.1941

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

5. Distributions payable to unitholders (continued):

The distributions declared in 2009 and 2008 have been allocated as follows for income tax purposes:

	2009		2008	
	Total	Per unit	Total	Per unit
Total cash distributions	\$ 92,070	\$ 1.240	\$ 133,650	\$ 1.800
Non-cash distributions	14,415	0.194	13,544	0.182
Total taxable distributions	\$ 106,485	\$ 1.434	\$ 147,194	\$ 1.982

6. Income taxes:

	2009	2008
Represented by:		
Current income tax provision	\$ -	\$ -
Future income tax provision (recovery)	(12)	1,954
	\$ (12)	\$ 1,954

At December 31, 2009, the tax bases of the Fund's consolidated assets and liabilities are less than, on a net basis, the carrying amounts by \$52,721,424 (2008 - \$51,600,237).

A reconciliation of income taxes at the statutory tax rate of 30% (2008 - 31.0%) to actual income taxes is as follows:

	2009	2008
Income tax expense at statutory Canadian rate	\$ 32,135	\$ 39,314
Tax effect of deduction for net income of the Fund distributed to Unitholders	(32,135)	(39,314)
Tax effect of change in temporary difference expected to reverse after 2010 and other	320	2,427
Change in future income tax rate	(332)	(473)
Income tax provision (recovery)	\$ (12)	\$ 1,954

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

6. Income taxes (continued):

The temporary differences are as follows:

	2009	2008
Future income tax liability:		
Plant and equipment	\$ 12,535	\$ 16,240
Pension assets	6,081	6,107
Other assets (liabilities)	215	(3,293)
Non-pension post-retirement liability	(5,566)	(5,532)
	13,265	13,522
Expected reversal of temporary differences prior to January 2011	(4,585)	(4,830)
Total	\$ 8,680	\$ 8,692

Based on a current estimate of the future income tax liability at the beginning of 2011, the Fund has recorded a future income tax liability and corresponding non-cash future tax expense. The future income tax liability is based on temporary differences between the accounting and tax basis of the assets and liabilities estimated to exist at January 1, 2011 and to reverse thereafter.

7. Bank operating facility:

The Partnership has a \$1,000,000 (2008 - \$1,000,000) operating facility. No amounts were outstanding on this facility as at December 31, 2009 and 2008. The Partnership 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. The term of the credit facility was extended to February 10, 2011 subsequent to December 31, 2009.

8. Related party transactions:

(a) 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 by the Fund on 180 days' notice, or immediately under certain circumstances.

Westar Management earned a fee of \$250,000 for the year ended December 31, 2009 (2008 - \$250,000) under the administration agreement. These fees are included in administrative expense on the consolidated statements of earnings, comprehensive earnings and cumulative earnings.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

8. Related party transactions (continued):

(b) Management agreement:

The Partnership 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 the Partnership. In 2009, the first renewal option of the agreement was confirmed, extending the term to January 31, 2017. The initial term of the agreement was 15 years up to January 30, 2012, with automatic renewals for successive five-year terms unless the Partnership gives notice of non-renewal at least 12 months before the end of the relevant term. The management agreement may be terminated by the Partnership 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 flows of the Partnership, 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 \$3,131,000 for the year ended December 31, 2009 (2008 - \$750,000 and \$17,552,000, respectively) under the management agreement. These fees are included in administrative expense on the consolidated statements of earnings, comprehensive earnings and cumulative earnings.

Certain modifications were made to the Management Agreement in conjunction with the renewal, including: no termination by the Manager until after June 30, 2013; the base fees, will remain at current levels until January 1, 2012 and then be adjusted to reflect an inflation increase since 1997 and to provide for similar escalations in the future; and a change in the basis for the computation of the incentive fees, commencing January 1, 2011.

Pursuant to the amendment to the Management Agreement described above, the Governance Agreement between the Fund and Westar Management has also been modified, so that the board of the General Partner will, effective January 1, 2010 or sooner, consist of seven directors, three of which will be nominated by Westar Management commencing January 1, 2011.

Westar Management is also related to an entity that is a significant unitholder of the Fund.

(c) The Partnership paid \$246,000 (2008 - \$240,000) to an entity related to Westar Management in respect of market-based automobile leases.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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Years ended December 31, 2009 and 2008

9. Employee future benefits:

The Partnership 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 the Partnership's defined benefit pension plans and other benefit obligations using a measurement date of December 31, 2009 and 2008 respectively is as follows:

	Pension plan benefits		Other benefits	
	2009	2008	2009	2008
Accrued benefit obligation:				
Balance, beginning of year	\$ 59,820	\$ 67,061	\$ 22,789	\$ 26,694
Current service cost	819	1,062	688	941
Interest cost	4,295	3,794	1,667	1,507
Benefits paid	(3,686)	(3,777)	(1,611)	(1,412)
Actuarial (gains) losses	8,449	(10,156)	5,994	(4,941)
Plan improvements	-	1,836	-	-
Balance, end of year	\$ 69,697	\$ 59,820	\$ 29,527	\$ 22,789
Plan assets:				
Fair value, beginning of year	\$ 54,507	\$ 73,949	\$ -	\$ -
Actual return on assets	11,709	(18,792)	-	-
Employer contributions	4,834	3,127	1,611	1,412
Benefits paid	(3,686)	(3,777)	(1,611)	(1,412)
Fair value, end of year	\$ 67,364	\$ 54,507	\$ -	\$ -
Balances, December 31:				
Funded status - plan surplus (deficit)	\$ (2,333)	\$ (5,313)	\$ (29,527)	\$ (22,789)
Unamortized net actuarial losses	20,688	21,814	6,871	925
Unamortized past service costs	5,813	6,802	538	756
Accrued benefit asset (liability)	\$ 24,168	\$ 23,303	\$ (22,118)	\$ (21,108)

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

9. Employee future benefits (continued):

The pension plans are entirely funded by the Partnership. The Partnership's contributions to the pension plans are based on independent actuarial valuations. The other benefit plans have no assets and an annual expense is recorded on an accrual basis based on independent actuarial determinations, considering among other factors, health care cost escalation.

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

	Most recent valuation date	Date of next required valuation
Pension plan	January 1, 2009	January 1, 2010
Retirement plan	January 1, 2007	January 1, 2010

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

	2009		2008	
	Pension benefits	Other benefits	Pension benefits	Other benefits
	%	%	%	%
Benefit obligations:				
Discount rate at December 31	6.00	6.00	7.25	7.25
Rate of increase in future compensation	3.00	-	3.00	-
Benefit costs:				
Discount rate at January 1	7.25	7.25	5.50	5.50
Rate of increase in future compensation	3.50	3.50	3.50	3.50
Expected long-term rate of return on plan assets	7.00	-	7.00	-

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 seven years and 5% thereafter. The annual rates of increase in the per capita cost of medical service plan and dental benefits are 0% and 3%, respectively.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

9. Employee future benefits (continued):

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	\$ (366)	\$ 469
Effect on benefit obligation	(3,545)	4,419

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

	2009	2008
	%	%
Cash and fixed income	32	43
Canadian equities	32	25
Foreign equities	36	32
	100	100

The Partnership's contributions for the years ended December 31 are as follows:

	2009	2008
Contributions to funded pension plans	\$ 4,834	\$ 3,127
Benefits paid directly to beneficiaries for other non-funded post-employment benefits	1,611	1,412
	\$ 6,445	\$ 4,539

WESTSHORE TERMINALS INCOME FUND

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Years ended December 31, 2009 and 2008

9. Employee future benefits (continued):

The Partnership's net benefit plan expense (income) for the years ended December 31, 2009 and 2008 is as follows:

	2009			2008		
	Incurred in year	Deferral and amortization adjustments ⁽¹⁾	Recognized in year	Incurred in year	Deferral and amortization adjustments ⁽¹⁾	Recognized in year
Pension plan benefits:						
Current service cost	\$ 819	\$ -	\$ 819	\$ 1,062	\$ -	\$ 1,062
Interest cost	4,295	-	4,295	3,794	-	3,794
Expected return on plan assets	(11,709)	7,853	(3,856)	18,792	(24,130)	(5,338)
Net actuarial losses (gains)	8,449	(6,727)	1,722	(10,156)	10,328	172
Past service costs	-	989	989	-	1,109	1,109
	\$ 1,854	\$ 2,115	\$ 3,969	\$ 13,492	\$ (12,693)	\$ 799
Other benefits:						
Current service cost	\$ 688	\$ -	\$ 688	\$ 941	\$ -	\$ 941
Interest cost	1,667	-	1,667	1,507	-	1,507
Net actuarial losses (gains)	5,994	(5,946)	48	(4,941)	5,313	372
Past service costs	-	218	218	-	336	336
	\$ 8,349	\$ (5,728)	\$ 2,621	\$ (2,493)	\$ 5,649	\$ 3,156

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

10. Contingencies and commitments:

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

The Partnership's terminal site is leased (the Lease) from the VFPA. Charges payable by the Partnership under the Lease comprise an annual base land and waterlot rental fee of \$5,207,000 (2008 - \$5,207,000) and an annual participation rental based on the volume of coal shipped. A minimum participation rental of \$6,494,000 (2008 - \$6,494,000) 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. In 2009, the Partnership paid \$2,368,000 (2008 - \$3,359,000) in relation to the higher participation rental.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

10. Contingencies and commitments (continued):

In 2006, the Partnership signed a new lease with the VFPA effective January 1, 2007. The term of the lease is until December 31, 2026, with the Partnership having further options to extend the term to December 31, 2046.

Future minimum operating lease payments for the years ending December 31 (assuming minimum annual tonnes) are as follows:

	Terminal lease	Other	Total
2010	\$ 11,665	\$ 448	\$ 12,113
2011	11,665	246	11,911
2012	11,665	246	11,911
2013	11,665	-	11,665
2014	11,665	-	11,665
Thereafter to 2026	139,980	-	139,980

The Partnership has a commitment of approximately \$2,802,000 with respect to equipment purchases that are to be paid in 2010.

11. Significant customers:

Teck Resources Limited holds a 100% interest in Teck Coal Partnership. During the year ended December 31, 2009, approximately 73% (2008 - 79%) of the Partnership's throughput was from mines owned by the Coal Partnership. As at December 31, 2009, the receivable from the Coal Partnership was \$15,588,000 (2008 - \$22,100,000).

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

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Years ended December 31, 2009 and 2008

12. Financial instruments:

The Fund is exposed to various risks associated with its financial instruments, which include credit risk, liquidity risk, and market risk.

(a) Credit risk:

Credit risk is the risk of financial loss to the Fund if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from accounts receivable and cash and cash equivalents. Credit risk can also arise on foreign currency contracts held by the Fund.

The Fund's exposure to credit risk is influenced by the profitability of coal mining companies, which are heavily impacted by the price of the coal. The accounts receivable are concentrated with one customer, The Coal Partnership, as this customer represented approximately 73% of Westshore's throughput in 2009 (2008 - 79%). Westshore does not have any collateral or security over receivables. Westshore monitors the financial health of its customers and regularly reviews its accounts receivable for impairment. As at December 31, 2009 and 2008, there were no trade accounts receivable past due which were considered uncollectible and no reserve in respect of doubtful accounts was recorded.

The Fund limits its exposure to credit risk arising from cash equivalents by only investing in money market funds with a major Canadian financial institution. The Fund does not expect any credit losses in the event of non-performance by counterparties to its foreign exchange contracts as the counterparties are major Canadian financial institutions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is:

Cash and cash equivalents	\$ 81,486
Accounts receivable	19,512
Other assets - foreign currency contracts	2,517
<hr/>	
	\$ 103,515

(b) Liquidity risk:

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The Fund continually monitors its financial position to ensure that it has sufficient liquidity to discharge its obligations when due. The Fund's distribution obligation to unitholders is funded from operating income and the recent equipment upgrade was funded with additional equity.

The financial liabilities of the Fund, which include accounts payable and accrued liabilities and distributions payable have a contractual maturity of less than one year. The Fund's foreign exchange contracts have maturities ranging from one month to ten months as at December 31, 2009.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

12. Financial instruments (continued):

(b) Liquidity risk (continued):

Westshore also maintains a \$1,000,000 operating facility that can be drawn down to meet short-term financing needs. No amounts were outstanding on this facility at December 31, 2009 and 2008. The term of credit facility has been extended to February 10, 2011.

(c) Market risk:

The significant market risk exposures affecting the financial instruments held by the Fund are those related to foreign currency exchange rates and interest rates:

(i) Foreign currency exchange rates:

The fair value of the Fund's outstanding foreign currency contracts at December 31, 2009 is an asset of \$2,517,000 (2008 - liability of \$12,590,000). The fair market value of the Fund's foreign currency contracts has increased by \$15,107,000 in 2009. The Fund is exposed to foreign currency exchange rate risk on its foreign currency contracts. The value of these financial instruments fluctuate with changes in the CAD/US dollar exchange rate. As at December 31, 2009, the Fund has put options with notional amounts totaling \$29 million to exchange US dollars for Canadian dollars with a strike price ranging from \$1.0375 to \$1.218. The counterparty has call options with notional amounts totaling \$29 million to exchange US dollars for Canadian dollars with a strike price ranging from \$1.1175 to \$1.29. A \$0.01 increase in the US/Canadian exchange rate at December 31, 2009 would have reduced the value of the US dollar foreign exchange contracts by approximately \$267,000 for the year ended December 31, 2009. The impact would have resulted in a reduction in net earnings and comprehensive earnings by \$267,000 for the year ended December 31, 2009. From the beginning of 2009 to December 31, 2009, the US dollar has weakened by approximately 15% against the Canadian dollar.

(ii) Interest rates:

The Fund has limited exposure to interest rate risk on its cash equivalents (short-term investments). Money market fund returns are correlated with Canadian T-bills and Bankers' Acceptances of major Canadian financial institutions. Based on the cash balance at December 31, 2009, a 1% change in interest rates would have impacted net earnings and comprehensive earnings by approximately \$815,000 for the year ended December 31, 2009.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

12. Financial instruments (continued):

(d) Fair values in the consolidated balance sheet:

The carrying amounts reported in the consolidated balance sheet for short term financial assets and liabilities, which includes accounts receivable, accounts payable and accrued liabilities and distributions payable to unitholders, approximate fair values due to the immediate or short-term maturities of these financial instruments.

Following is a classification of fair value measurements recognized in the consolidated balance sheet using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

	Fair value measurement at reporting date using:			
	Quoted prices in active markets December 31, 2009 (Level 1)	Significant other identical assets (Level 2)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:				
Held-for trading securities:				
Cash and cash equivalents	\$ 81,846	\$ 81,846	\$ -	\$ -
Derivative instruments:				
Foreign exchange contracts	2,517	-	2,517	-
Total	\$ 84,363	\$ 81,846	\$ 2,517	\$ -

Cash and cash equivalents are classified as held for trading and therefore are recorded at fair value.

The carrying amounts of foreign exchange contracts are equal to fair value, which is based on valuations obtained from the counterparty. The mark-to-market value is determined by the counterparty by multiplying the notional amount of the trade with the difference between the forward rate and the contract rate and discounting the resultant asset or liability by an applicable discount factor.

WESTSHORE TERMINALS INCOME FUND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian dollars, except unit amounts)

Years ended December 31, 2009 and 2008

13. Capital disclosure:

The capital of the Fund consists solely of unitholders' equity which includes issued trust units and cumulative earnings less cumulative distributions.

The objective of the Fund is to maintain a stable capital base and ensure that the capital structure does not interfere with the Fund's ability to meet its distribution requirements on the trust units. The Fund's Declaration of Trust provides that an amount equal to the net income of the Fund will be distributed each year to Unitholders in order to eliminate the Fund's net income. To the extent that the net income of the Fund exceeds the cash distributed during the year, the Fund will allocate non-cash distribution of units to Unitholders which will be immediately consolidated so that each Unitholder continues to hold the same number of Trust Units that existed before the distribution. In 2010, the Fund does not expect to use debt or capital to fund its quarterly distributions to unitholders.

The trust units are governed by the Second Amended and Restated Declaration of Trust dated September 29, 2005, which provides that non-residents of Canada may not own more than 49% of the trust units at any time. The Fund continually monitors non-resident ownership levels to the best of its ability given the practical limitations regarding beneficial ownership interest. The Fund believes that it has always had substantially less than 49% non-Canadian ownership.

The Fund is not subject to externally imposed capital requirements. There have been no changes in how the Fund manages its capital during the period ended December 31, 2009.

14. Subsequent events:

Subsequent to year end, Westshore Terminals Limited Partnership reached an agreement with Teck Coal Limited (Teck) to handle a portion of the coal from Teck's Elkview, Cheviot and Line Creek Mines for the period April 1, 2010 to March 31, 2012. The existing contract that covers coal from the Elkview mine expires on March 31, 2010. Under the new agreement, Teck has committed to ship through Westshore 3,000,000 tonnes of coal in each of the next two contract years from the Elkview, Cheviot and Line Creek Mines in whatever proportions it chooses. The parties have agreed on a fixed rate for the committed tonnage for two years, with a slightly lower fixed rate for any tonnage that Teck chooses to ship through Westshore from those three mines in excess of its commitments.

Teck and Westshore are also parties to a Port Services Agreement (PSA) that covers coal from Teck's Fording River, Greenhills and Coal Mountain Mines. The PSA runs to February 29, 2012, and provides that substantially all coal from those three mines shipped through west coast ports will be shipped through Westshore. In conjunction with the agreement reached, Teck has agreed not to pursue a rate review under the PSA that was initiated by Teck in 2006, and Westshore has agreed that for the final year of the PSA (the 2011/12 contract year) all the rates under that agreement will be fixed and will not vary with the coal price.



Westshore Terminals Income Fund

Trustees

William W. Stinson*Chairman*

Corporate Director

Gordon Gibson

Corporate Director

Michael J. KorenbergManaging 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 DesmaraisManaging Director, Legal Services
The Jim Pattison Group

Auditors

KPMG 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 Wednesday, June 16, 2010 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 DesmaraisManaging Director, Legal Services
The Jim Pattison Group**Dallas H. Ross**

Partner, Kinetic Capital Partners

Doug Souter

Corporate Director

William W. Stinson

Corporate Director