WEST STREET

CAPITAL CORPORATION

2008 ANNUAL REPORT

Forward-Looking Information

This annual report contains forward-looking information concerning the company's business and operations. The words "continuing", "become", "endeavours", "principally", "generally", "often", "believe" and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "may", "can", "will", "would", or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking information. Forward-looking information in this annual report includes, among others, statements with respect to the company's securities portfolio as a source of stable cash flows and capital to support its operations and preferred share obligations, the company's ability to carry forward capital losses, foreign currency and market price risks, potential payments under indemnification agreements and guarantees, opportunities to increase investment returns and develop new business opportunities, the development and implementation of an International Financial Reporting Standards ("IFRS") conversion plan, and the impact of the adoption of IFRS on the company's reported financial position and results of operations.

Although the company believes that the anticipated future results or achievements expressed or implied by the forward-looking information and statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on the forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking information and statements.

Factors that could cause actual results to differ materially from those contemplated or implied by the forward-looking information include: the behavior of financial markets, including fluctuations in interest and exchange rates, availability of equity and debt financing and other risks and factors detailed from time to time in the company's other documents filed with the Canadian securities regulators.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to the company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the company undertakes no obligation to publicly update or revise any forward-looking information or statements, whether written or oral, that may be as a result of new information, future events or otherwise.

Cautionary Statement Regarding Use of Non-GAAP Accounting Measures

This annual report makes reference to net book value per preferred share and common share deficit per preferred share, and provides a full reconciliation between these measures and total assets, respectively, which the company considers to be the most directly comparable measures calculated in accordance with GAAP.

Financial Summary

AS AT AND FOR THE YEARS ENDED DECEMBER 31 *($thousands)*	***2008***	*2007*
Results of operations		
Net income before the undernoted	**$ 2,373**	$ 2,792
Investment losses	**—**	(6)
Income taxes	**(748)**	(945)
Net income	**$ 1,625**	$ 1,841
Shareholders' equity	**$ 42,374**	$ 46,235
Attributable to each Class E Preferred share, Series 1		
Net book value [1]	**$ 25.25**	$ 27.55

[1] Non-GAAP measure

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OVERVIEW

West Street Capital Corporation ("West Street" or the "company") reported net income of $1.6 million for the year ended December 31, 2008, compared to $1.8 million in 2007. Income prior to investment losses and income taxes was $2.4 million in 2008 compared to $2.8 million in 2007 and declined due to the impact of lower interest rates and foreign currency gains recorded in 2007. After providing for unpaid and unaccrued preferred share dividend obligations that accumulated during the year, the net loss per common share was $0.12 in 2008 compared to $0.10 per share in 2007.

The company classified investments within its security portfolio as available-for-sale financial instruments and accordingly records unrealized changes in market value of these investments in other comprehensive income. During 2008, unrealized losses recorded in other comprehensive income were $5.5 million after tax.

The comprehensive loss recorded by the company during 2008, which includes both net income and other comprehensive income, totalled $3.9 million, or $0.35 per share. As a result the net book value attributed to the preferred shares decreased to $42.4 million or $25.25 per preferred share.

The company is still unable to declare dividends on its preferred shares as the company has a significant deficit in its capital base. This deficit arose principally from the large losses arising from manufacturing investments owned by the company during the early 1990's. Therefore, in accordance with the terms of the preferred shares, the company's board of directors includes two directors elected by preferred shareholders.

There continues to be minimal intrinsic value attributable to the company's common shares. This is because the preferred shares are entitled to their redemption price and cumulative unpaid dividends in priority to the common shares. The redemption value of the preferred shares, including unpaid dividends of $50.6 million, was approximately $92.5 million as at December 31, 2008. The book value of the company's net assets as at the same date was approximately $42.4 million. Accordingly, the current deficit attributable to the company's common shares is approximately $50.1 million.

The following section presents management's analysis and review of the financial position of West Street, the results of its operations, liquidity and capital resources, business risks and future outlook. This section makes reference to the financial statements of the company which are presented on pages 7 through 16 of the company's annual report. Additional information regarding the company can be found on SEDAR at *www.sedar.com*.

ANALYSIS OF NET INCOME

FOR THE YEARS ENDED DECEMBER 31 *($thousands)*	***2008***	*2007*
Investment income	**$ 2,578**	$ 3,019
Operating and legal expenses	**205**	227
Net income prior to investment losses and taxes	**2,373**	2,792
Investment losses	**—**	(6)
Current taxes	**(611)**	(570)
Future taxes	**(137)**	(375)
Net income	**$ 1,625**	$ 1,841

Investment Income

The company earned investment income of $2.6 million in 2008 (2007 - $3.0 million). Investment income consists principally of dividends and interest earned on the company's securities portfolio, in addition to interest earned on cash and equivalents. The decrease in investment income is a result of lower interest rates and dividend income and decreased foreign exchange gains. The composition of the securities portfolio is outlined on page 3 of the Management's Discussion and Analysis and in Note 4 of the Notes to the Financial Statements on page 13.

Income Taxes

Income tax expense decreased during the year primarily due to a reduction in the carrying value of capital losses carried forward recognized as a result of a decline in the value of the unrealized gains on the company's securities portfolio.

As at December 31, 2008, the company has no non-capital losses and capital losses of $267.8 million (2007 -

$267.4 million). As the ability of the company to utilize the capital losses is unlikely, no recognition has been given in these financial statements to the potential tax benefits associated with these items.

ASSET ANALYSIS

Securities

The company holds a portfolio of securities which provides stable cash flows and a source of capital to support its operations and preferred share obligations. The portfolio's fair value at the end of 2008 was $25.4 million, a decrease of $5.1 million compared to the balance at the end of 2007, which is the result of a reduction in unrealized gains in the carrying value of securities since December 31, 2007.

The company's securities portfolio is comprised principally of high grade fixed income securities and income trust units of public corporations. The composition of the company's securities portfolio is summarized below:

AS AT DECEMBER 31 *($thousands)*	***2008***	2007
Security Type		
High grade	**$ 21,061**	$ 23,430
Income trusts	**4,331**	7,030
	$ 25,392	$ 30,460

AS AT DECEMBER 31 *($thousands)*	***2008***	*2007*
Industry Sector		
Financial services	**$ 7,259**	$ 7,948
Natural resources	**5,353**	6,361
Real estate	**12,780**	16,151
	$ 25,392	$ 30,460

LIQUIDITY AND CAPITAL RESOURCES

The company's ongoing operating cash requirements are currently limited to the payment of operating expenditures and it currently operates with a positive operating cash flow. There have been no changes in the capital structure or number of shares outstanding of the company since December 31, 2008.

Preferred share dividends have not been declared or paid since November 1991 as the company has a large common share deficiency. In addition, the company currently has no plans to fund the deficiency. At December 31, 2008, dividends in arrears amounting to $50.6 million (2007 – $47.6 million) were not accrued in the company's financial statements, representing $30.12 per preferred share (2007 – $28.38 per preferred share).

The net book value attributable to the company's Class E Preferred Shares, Series 1 decreased to $25.25 per share at December 31, 2008 compared with $27.55 at the end of the preceding year primarily due to a decrease in the fair value of the company's securities portfolio. There is a significant deficit attributable to the common shareholders, as illustrated in the following table:

AS AT DECEMBER 31 *($thousands, except per share amounts)*	***2008***		*2007*	
	Total	**Per Preferred Share**[1]	Total	Per Preferred Share[1]
Book value of net assets and liabilities	**$ 42,374**	**$ 25.25**	$ 46,235	$ 27.55
Less amounts attributable to preferred shares				
Redemption value	**41,887**	**24.96**	41,887	24.96
Unaccrued dividends in arrears	**50,560**	**30.12**	47,628	28.38
	92,447	**55.08**	89,515	53.34
Common share deficit	**$ (50,073)**	**$ (29.83)**	$ (43,280)	$ (25.79)

1 Non-GAAP measure.

BUSINESS RISKS AND OUTLOOK

Business Profile
West Street is an investment holding company and, accordingly, its principal business risks relate to its investment holdings.

West Street's investment portfolio consists principally of preferred shares, income trust units and debentures. The securities, while ranking ahead of common shares of the issuers, are still subject to risks including issuer specific credit risks and fluctuations in interest rates. Surplus funds are invested in highly rated money market instruments and deposits pending future deployment. These securities are intended to provide the company with the financial resources to develop new business opportunities when they become available.

At year end, the average cumulative rate of return on West Street's investment portfolio was 5.9% compared to 7.1% at December 31, 2007. The company is continuing to look for opportunities to increase returns on the investment portfolio and to develop new business opportunities.

Use of Derivatives
West Street uses foreign exchange contracts to manage its exposure to the United States dollar. As a general policy, the company endeavours to maintain a balanced position. As at December 31, 2008, the company had $2.5 million of U.S. denominated securities and had US $2.5 million of foreign exchange contracts used to offset any revaluation gains or losses. During 2008, the company recorded $0.5 million of foreign currency losses in net income in respect of the contracts which was offset by $0.5 million of foreign exchange gains on the US denominated securities.

SUMMARY OF FINANCIAL INFORMATION

The following table summarizes selected financial information of the company for the years ended December 31, 2008, 2007 and 2006:

YEARS ENDED DECEMBER 31 *($thousands, except per share amounts)*	***2008***	*2007*	*2006*
Investment income	**$ 2,578**	$ 3,019	$ 2,551
Net income	**1,625**	1,841	2,250
Unpaid preferred share dividends	**(2,932)**	(2,932)	(2,932)
Net loss per common share	**(0.12)**	(0.10)	(0.06)
Total assets	**$ 42,432**	$ 46,767	$ 44,197

A summary of the eight recently completed quarters is as follows:

	2008				*2007*			
$thousands, except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment income	**$ 576**	$ 643	$ 669	$ 690	$ 669	$ 918	$ 837	$ 595
Net income	**413**	466	392	354	150	538	594	559
Net loss per share	**(0.03)**	(0.03)	(0.03)	(0.03)	(0.05)	(0.02)	(0.01)	(0.02)

Investment income has remained relatively consistent over the last eight quarters and consists principally of dividends and interest earned on the company's securities portfolio. The increase in the second and third quarter of 2007 relates to foreign currency gains. The decrease in the fourth quarter of 2008 reflects the impact of lower interest rates on floating rate investments. The variance in net income is due principally to income tax expenses.

RELATED PARTY TRANSACTIONS

A significant proportion of the company's securities and financing transactions are conducted with Brookfield Asset Management Inc. ("Brookfield") and associated companies. Brookfield owns approximately 93% of the company's preferred shares, Series 1 and, subsequent to January 31, 2009, 49% of the company's common shares. Brookfield provides management and administrative services to the company. West Street did not make any payments to Brookfield during 2008 and 2007 in respect of costs incurred on behalf of and services provided to the company.

At December 31, 2008, securities included $14.7 million (2007 – $20.1 million) of securities of public companies in which Brookfield or associates, have direct or indirect equity interests. Cash and equivalents includes funds on deposit with Brookfield totalling $4.6 million (2007 – $9.8 million), which bear interest at the prime rate and are available to the company on demand. Investment income from related party securities and deposits totalled $1.5 million (2007 – $1.2 million). A foreign exchange contract with a wholly-owned subsidiary of Brookfield is outstanding at December 31, 2008 with a notional amount of US$2.5 million which provides a hedge against U.S. denominated investments held by the company.

SIGNIFICANT ACCOUNTING POLICIES

Securities are classified as available-for-sale financial instruments and are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most active market for that instrument to which we have immediate access.

The company follows the asset and liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on temporary differences between the carrying amount and tax bases of assets and liabilities, and unused income tax losses are measured using the tax rates and laws substantively enacted at the balance sheet date.

CHANGE IN ACCOUNTING POLICIES

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation.* These standards replace Section 3861, Financial Instruments – Disclosures and Presentations and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective for the company on January 1, 2008, refer to Note 10.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures*. Section 1535 requires the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This new standard became effective for the company on January 1, 2008, refer to Note 11.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values; tax balances and other provisions; and fair values for recording and disclosure purposes.

Brian D. Lawson
President
April 9, 2009

Management's Responsibility for the Financial Statements

The accompanying financial statements and other financial information have been prepared by the company's management which is responsible for their integrity and objectivity. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate. These policies and procedures are designed to provide a high degree of assurance that relevant and reliable financial information is produced.

These financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying financial statements.

Deloitte & Touche LLP, the independent auditors appointed by the shareholders, have examined the financial statements in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the financial statements. Their report is set out below.

The financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management's financial reporting responsibilities and is responsible for reviewing and approving the financial statements.

B. D. Lawson

Brian D. Lawson
President
April 9, 2009

Auditors' Report

To the Shareholders of West Street Capital Corporation:

We have audited the balance sheets of West Street Capital Corporation as at December 31, 2008 and 2007 and the statements of operations, retained earnings, comprehensive (loss) income, accumulated other comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Toronto, Canada
April 9, 2009

Chartered Accountants
Licensed Public Accountants

Balance Sheets

AS AT DECEMBER 31 *($thousands)*	*Notes*	***2008***	*2007*
Assets			
Cash and equivalents	*3,9*	**$ 16,805**	$ 16,190
Securities	*4,9*	**25,392**	30,460
Interest receivable and other		**235**	117
		$ 42,432	$ 46,767
Liabilities			
Accounts payable and other provisions		**$ 58**	$ 532
Shareholders' equity	*5*	**42,374**	46,235
		$ 42,432	$ 46,767

See accompanying notes to financial statements.

On behalf of the Board,

Brian D. Lawson
Director

Frank N.C. Lochan
Director

Statements of Operations

FOR THE YEARS ENDED DECEMBER 31 *($thousands, except per share amounts)*	*Notes*	***2008***	*2007*
Investment income	*9*	**$ 2,578**	$ 3,019
Operating and legal expenses	*9*	**205**	227
Net income before investment losses and taxes		**2,373**	2,792
Investment losses		**—**	(6)
Net income before taxes		**2,373**	2,786
Current taxes	*7*	**(611)**	(570)
Future taxes	*7*	**(137)**	(375)
Net income		**$ 1,625**	$ 1,841
Net loss per common share	*8*	**$ (0.12)**	$ (0.10)

See accompanying notes to financial statements.

Statements of Retained Earnings

FOR THE YEARS ENDED DECEMBER 31 *($thousands)*	*Notes*	***2008***	*2007*
Retained earnings (deficit), beginning of year		**$ 459**	$ (1,909)
Transition adjustment - January 1, 2007		**—**	527
Net income		**1,625**	1,841
Retained earnings, end of year	*5*	**$ 2,084**	$ 459

Statements of Comprehensive (Loss) Income

FOR THE YEARS ENDED DECEMBER 31 *($thousands)*	***2008***	*2007*
Net income	**$ 1,625**	$ 1,841
Other comprehensive loss		
Unrealized loss on available-for-sale securities	**(5,623)**	(1,441)
Future income tax recovery on available-for-sale securities	**137**	375
	(5,486)	(1,066)
Comprehensive (loss) income	**$ (3,861)**	$ 775

Statements of Accumulated Other Comprehensive Loss

FOR THE YEARS ENDED DECEMBER 31 *($thousands)*	***2008***	*2007*
Balance, beginning of year	**$ (91)**	$ —
Transition adjustment - January 1, 2007	**—**	975
Other comprehensive loss	**(5,486)**	(1,066)
Balance, end of year	**$ (5,577)**	$ (91)

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31 *($thousands)*	*Notes*	***2008***	*2007*
Cash flow from operating activities			
Net income		**$ 1,625**	$ 1,841
Add (deduct) non-cash items			
Future income taxes	*7*	**137**	375
Changes in working capital and other		**(1,147)**	456
Investment losses		**—**	6
		615	2,678
Cash flow from investing activities			
Securities sold		**—**	2,994
		—	2,994
Increase in cash and equivalents		**615**	5,672
Cash and equivalents, beginning of year		**16,190**	10,518
Cash and equivalents, end of year		**$ 16,805**	$ 16,190

See accompanying notes to financial statements.

Notes to the Financial Statements

1. BUSINESS OPERATION

West Street Capital Corporation ("West Street" or the "company") is an investment holding company incorporated under the laws of Ontario with an investment portfolio consisting principally of preferred shares, income trust units and bonds. The company's principal business risks relate to the quality of its investment holdings.

Summary of Significant Accounting Policies

(a) Cash and equivalents

Cash and equivalents includes cash on deposit with financial institutions and demand deposits with related parties.

(b) Securities

Securities are classified as available-for-sale financial instruments and carried at fair value (see note 2).

(c) Income taxes

The company follows the asset and liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on temporary differences between the carrying amount and tax bases of assets and liabilities, and unused income tax losses are measured using the tax rates and laws substantively enacted at the balance sheet date.

(d) Derivative financial instruments

The company uses derivative financial instruments to manage foreign exchange risks. Gains and losses resulting from these transactions are included in income.

(e) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values; tax and other provisions; and fair values for disclosure purposes.

(f) Revenue recognition

Securities transactions and related revenues and expenses are accounted for on a trade date basis. Realized gains and losses from investment transactions are calculated on an average cost basis. Interest is recognized as revenue on the accrual basis and dividends are recognized on the ex-dividend date.

Changes in accounting policies

Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation.* These standards replace Section 3861, Financial Instruments - Disclosures and Presentations and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These standards became effective for the company on January 1, 2008, refer to note 10.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures*. Section 1535 requires the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This standard became effective for the company on January 1, 2008, refer to note 11.

Future Accounting Policies

The AcSB confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company is in the process of developing and implementing an IFRS conversion plan that will address changes in accounting policy, the restatement of comparative periods, organizational and internal control, the modification of existing systems and the training and awareness of staff, in addition to other related business matters. Overall responsibility for the implementation and success of the Company's conversion plan rests with the

Company's senior financial management who report to and are overseen by the Company's Audit Committee.

IFRS are premised on the conceptual framework similar to Canadian GAAP, however, significant differences exits in certain matters of recognition, measurement and disclosure. The company's activities are generally limited to the ownership of investments and because of the similarities between Canadian GAAP and IFRS, management does not believe the adoption of IFRS will result in material changes to the reported financial position and results of operations of the company. A detailed analysis of the differences between IFRS and the company's current accounting policies under Canadian GAAP is currently in process.

2. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which we have immediate access.

Financial instruments classified or designated as held-for-trading and available-for-sale securities are carried at fair value on the balance sheet. Any changes in the fair values of financial instruments classified as held-for-trading and available-for-sale securities measured at fair value are recognized in net income and OCI, respectively. The cumulative changes in the fair values of available-for-sale securities previously recognized in AOCI are reclassified to net income when the underlying security is either sold or there is a decline in value that is considered to be other-than-temporary.

3. CASH AND EQUIVALENTS

Cash and equivalents are primarily comprised of cash and short term demand deposits that are readily convertible to cash. The breakdown of cash and equivalents is as follows:

AS AT DECEMBER 31 *($thousands)*	***2008***	*2007*
Cash and equivalents		
Cash deposits	**$ 6,305**	$ 11,190
Short-term investments	**10,500**	5,000
	$ 16,805	$ 16,190

4. SECURITIES

The company's securities are classified as available-for-sale financial instruments and accordingly are carried at fair value. The portfolio includes $14.7 million in securities of affiliates which are under common control. The company's securities portfolio consists of:

	December 31, 2008				*December 31, 2007*			
$thousands	***Bonds***	***Preferred Shares***	***Income Trust Units***	***Total***	*Bonds*	*Preferred Shares*	*Income Trust Units*	*Total*
Industry Sector								
Financial Services	**$ 2,671**	**$ 4,588**	**$ —**	**$ 7,259**	$ 2,771	$ 5,177	$ —	$ 7,948
Natural Resources	**—**	**3,463**	**1,890**	**5,353**	—	3,558	2,803	6,361
Real Estate	**8,025**	**2,314**	**2,441**	**12,780**	7,504	4,420	4,227	16,151
	$ 10,696	**$ 10,365**	**$ 4,331**	**$ 25,392**	$ 10,275	$ 13,155	$ 7,030	$ 30,460

Available-for-sale securities measured at fair value or cost are assessed for impairment at each reporting date. As at December 31, 2008, cumulative unrealized gains and unrealized losses in the fair values of available-for-sale financial instruments measured at fair value amounted to $nil (2007 – $990 thousand) and $5,161 thousand (2007 – $528 thousand) respectively. Unrealized gains and losses for debt securities are primarily due to changing interest rates and credit spreads and for income trust securities, are due to changes in market prices. As at December 31, 2008, the company did not consider any investments to be other than temporarily impaired.

Based on the current asset mix and business purpose, management does not consider the company to be an investment company as defined under the Canadian Institute of Chartered Accountants AcG-18 which would require, among other things, that changes in the market value of securities be recorded in net income, whereas the company records these changes in other comprehensive income.

5. SHAREHOLDERS' EQUITY

The company's authorized share capital consists of an unlimited number of Class E Preferred shares and an unlimited number of common shares.

The issued and outstanding share capital consists of:

$thousands	***2008***	*2007*
Preferred shares, Class E, Series 1		
1,678,465 issued and outstanding	**$ 41,887**	$ 41,887
Common shares		
10,926,997 issued and outstanding	**3,980**	3,980
	45,867	45,867
Accumulated other comprehensive income	**(5,577)**	(91)
Retained earnings	**2,084**	459
	$ 42,374	$ 46,235

The 7% cumulative, redeemable, convertible Class E Preferred shares, Series 1 are redeemable at the option of the company at $24.96 per share plus all accrued and unpaid dividends. The company suspended dividend payments on the Class E Preferred shares, Series 1 in November 1991. At December 31, 2008, undeclared dividends in arrears amounted to $50.6 million (2007 – $47.6 million).

6. DERIVATIVE FINANCIAL INSTRUMENTS

As at December 31, 2008, the company was a counterparty to a U.S. dollar foreign exchange forward contract, with a notional U.S. denominated liability of US$2.5 million (2007 – U.S. $2.5 million) at an average exchange rate of 1.22 (2007 – 1.00) and a maturity date of January 20, 2009. The company elected fair value hedge accounting for the foreign exchange forward contract to hedge an equivalent U.S. dollar investments.

7. INCOME TAXES

	2008	*2007*
Statutory income tax rate	**33.50%**	33.74%
Tax payable at statutory rate	**$ 805**	$ 933
Increase (reductions) in income tax expense resulting from:		
Dividends recorded not subject to tax	**(183)**	(204)
De-recognition of tax asset	**137**	340
Other	**(11)**	(124)
Tax expense recorded	**$ 748**	$ 945

The company has estimated available capital losses of $267.8 million (2007 – $267.4 million) which can be carried forward indefinitely. As it is unlikely for the company to utilize all of the capital losses, no recognition has been given in the financial statements to the potential tax benefits associated with this item.

8. NET LOSS PER COMMON SHARE

Net loss per common share of $0.12 (2007 – $0.10) is calculated after preferred share dividend obligations amounting to $2.9 million in 2008 (2007 – $2.9 million) and is based on 10,926,997 common shares being the weighted average number of common shares outstanding during each year.

9. RELATED PARTY TRANSACTIONS

A significant proportion of the company's securities and financing transactions are conducted with Brookfield Asset Management Inc. and its subsidiaries ("Brookfield"), and associated companies. Brookfield owns approximately 93% of the company's preferred shares, Class E Series 1 and, subsequent to January 31, 2009, 49% of the company's common shares. Brookfield provides management and administrative services to the company. West Street did not make any payments to Brookfield in 2008 and 2007 in respect of costs incurred on behalf of and services provided to the company.

At December 31, 2008, securities included $14.7 million (2007 – $20.1 million) of securities of public companies in which Brookfield and its affiliates have direct or indirect equity interests. Included in investment income is income from deposits with and securities of these affiliates of $1.5 million (2007 – $1.2 million). Cash and equivalents include $4.6 million (2007 – $9.8 million) of funds on deposit with Brookfield, which bear interest at the prime rate, compounded monthly, and are available to the company on demand. A foreign exchange contract with a wholly-owned subsidiary of Brookfield is outstanding at December 31, 2008 with a notional amount of US$2.5 million (see note 6), which provides a hedge against U.S. denominated investments held by the company.

10. RISK MANAGEMENT

The company is exposed to the following risks as a result of holding financial instruments: foreign currency risk, market price risk, interest rate risk and credit risk.

Foreign Currency Risk

The company's security portfolio contains a U.S. dollar denominated investment, which declares dividends in U.S. dollars. During the year ended December 31, 2008, a $0.01 appreciation in the U.S. dollar relative to the Canadian dollar would have decreased net income by $nil related to U.S. denominated interest received.

The company's U.S. dollar denominated investment exposes the company to fluctuations in the U.S. dollar relative to the Canadian dollar. As a result, the company uses foreign exchange contracts to manage its exposure to the U.S. dollar and elected fair value hedge accounting for the foreign exchange forward contract to hedge equivalent U.S. dollar investments. Changes in the value of the U.S. dollar relative to the Canadian dollar would increase the value of the U.S. dollar investment which would be offset by changes in the value of the foreign exchange forward contract, and would result in net income of $nil.

Market Price Risk

The company's security portfolio contains certain securities that are exposed to fair value changes with movements in equity prices and credits spreads. A 5% increase or decrease in the market price of securities held by the company would increase or decrease other comprehensive income by $1.3 million prior to taxes.

Interest Rate Risk

The company is exposed to changes in interest rates attributable to financial instruments whose cash flows are determined with reference to floating interest rates and changes in the value of financial instruments whose cash flows are fixed in nature.

The company's security portfolio and preference shares are composed of fixed rate and floating rate financial instruments. A 50 basis point increase in interest rates is estimated to have resulted in a corresponding increase in net income of $0.1 million before tax for the year ended December 31, 2008. The company's security portfolio is recorded at fair value and accordingly, changes in interest rates or credit spreads change the value of the company's fixed rate securities. A 50 basis point parallel increase in the yield curve on the security portfolio is estimated to have resulted in a corresponding decrease in other comprehensive income of $nil million, before tax for the year ended December 31, 2008.

Credit Risk

The company has no material counterparty risk as of December 31, 2008 other than the risks relating to term deposits with a Canadian Schedule I bank of $10.5 million and a hedge with a related party as described in Notes 6 and 9.

Liquidity Risk

The company's ongoing operating cash requirements are currently limited to the payment of operating expenditures and it currently operates with a positive operating cash flow. The company has not declared or paid preferred share dividends since 1991 as the company has a large common share deficiency. Currently, the company has no plans or requirements to fund the deficiency.

11. CAPITAL MANAGEMENT

The capital base managed by the company consists of common equity and the cumulative redeemable, convertible Class E Preferred shares, Series 1. Due to accrued and unpaid dividends, the book value of shareholders equity is attributable entirely to the Class E Preferred shares (see Note 5). There have been no material changes in the capital structure or number of shares outstanding and the company has complied with all covenants during the year ended December 31, 2008.

12. OTHER

Guarantees

In the normal course of operations, the company may execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions and the sale of assets. The nature of substantially all of the indemnification undertakings precludes the possibility of making a reasonable estimate of the maximum potential amount that the company could be required to pay to third parties as the agreements often do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically the company has not made any payments under such indemnification agreements and guarantees.

Corporate Information

DIRECTORS

James C. Bacon[1]
Corporate Director

Brian D. Lawson
Managing Partner and Chief Financial Officer
Brookfield Asset Management Inc.

David A. Lewis[1]
Chair of the Board
Green Shield Canada

Frank N.C. Lochan[1]
Corporate Director

1 Member of the Audit Committee

OFFICERS

Frank N.C. Lochan
Chairman

Brian D. Lawson
President

Derek E. Gorgi
Vice-President, Finance

Loretta M. Corso
Corporate Secretary

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STOCK EXCHANGE LISTING

TSX Venture Exchange:

WSC – Common Shares, Preferred Shares

TRANSFER AGENT

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Toronto, Ontario M5C 2W9
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(800) 387-0825 (toll free throughout North America)
Facsimile: (416) 643-5501
Web site: www.cibcmellon.com
E-mail: inquiries@cibcmellon.com

Annual Meeting

The Annual Meeting of Shareholders will be held on Wednesday, June 24, 2009 at 3:00 p.m. (Toronto time) in Rooms A&B, 2nd floor, OBA Conference Centre, 20 Toronto Street, Toronto, Ontario.

WEST STREET
CAPITAL CORPORATION

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