



**WESTSHORE TERMINALS  
INVESTMENT CORPORATION**

**ANNUAL REPORT**

**2022**

Westshore Terminals Investment Corporation (the “Corporation”) owns all of the limited partnership units of Westshore Terminals Limited Partnership, a partnership established under the laws of British Columbia (“Westshore”). It derives its cash inflows from its investment in Westshore by way of distributions on its limited partnership units. Westshore operates the coal storage and unloading/loading terminal at Roberts Bank, British Columbia (the “Terminal”), which is the largest coal loading facility on the west coast of the Americas. The principal office of the entities is located at 1800 - 1067 West Cordova Street, Vancouver, British Columbia, V6C 1C7.

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## Financial Highlights

*(In thousands of Canadian dollars except tonnage and share amounts)*

	2022	2021
Tonnage (in thousands)	23,340	28,855
Coal loading revenue	\$ 282,155	\$ 332,566
Profit before taxes	\$ 91,657	\$ 147,663
Profit for the year	\$ 66,838	\$ 107,813
Profit for the year per share	\$ 1.06	\$ 1.70
Dividends declared	\$ 170,668	\$ 88,561
Dividends declared per share	\$ 2.70	\$ 1.40
Funds applied to repurchase shares	\$ 10,086	\$ 1,817
Average price paid per repurchased share	\$ 23.54	\$ 15.53
Shares outstanding at December 31	62,829,459	63,257,835
Share Trading Statistics		
High	\$ 37.49	\$ 28.90
Low	\$ 21.59	\$ 15.21
Close	\$ 22.43	\$ 27.09
Annual Volume	34,436,000	47,921,100



# Westshore Terminals Investment Corporation

## Directors' Letter and Report to Shareholders

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Dear Shareholder:

Westshore had some significant operational challenges in 2022. The year started with low production levels due to extreme winter conditions, and unfortunately the year-end finished with similar weather. Extreme cold and heavy snow not only impacted terminal performance, but rail and mine activity as well. BNSF rail performance did not improve throughout the year as originally expected, negatively impacting our shipments for U.S. customers. Lastly, in September/October we had a 23-day labour disruption which ceased operations at the terminal for the duration of the strike. Total shipments in 2022 were 23.3 million tonnes, significantly less than our projection of 27.5 million tonnes given at the end of Q2 and 0.7 million tonnes less than our guidance of 24 million tonnes provided in December.

Total revenues of \$292.0 million compares to 2021 revenues of \$340.5 million reflecting the lower shipped volumes year over year. Profits before taxes of \$91.7 million was down 38% from \$147.7 million in 2021, and after-tax profit per share decreased by 38%.

2022 also had some positive outcomes.

We successfully negotiated a six-year labour agreement with Local 502 of the International Longshore and Warehouse Union (ILWU) which expires January 31, 2028. Negotiations with ILWU Local 514 have commenced and negotiations with ILWU Local 517 are expected to commence in Q1 of 2023.

In 2021 Westshore contracted with BHP to handle potash from their Jansen Mine in Saskatchewan commencing 2026. In 2022, the large-scale 4-year project to build the required infrastructure to handle the new commodity is on schedule and on budget, and the application process for all required operating permits is well underway. This diversification to handling substantial volumes of a second commodity is transformational for our business and will provide an additional revenue stream once shipment of potash commences.

The Corporation renewed its normal course issuer bid ("NCIB") effective April 13, 2022 for another year, allowing it to acquire up to 3,162,891 common shares until April 12, 2023. In 2021, 117,000 common shares were purchased for a total of \$1.8 million. During 2022, 428,376 common shares were purchased for a total of \$10.1 million.

The Corporation increased its regular quarterly dividends to shareholders in 2022, from \$0.25/share to \$0.30/share. We also paid a special dividend in Q1 of \$1.50/share.

The Corporation has published its second annual ESG (Environmental, Social, and Governance) report for 2022, which is available on the Corporation's website in conjunction with this report.

Although 2023 also started off with harsh winter weather, the year is off to a good start overall. Based on current information from our customers, performance year to date, and anticipated railway performance, volumes for 2023 are now expected to be approximately 26 million tonnes up from our original forecast of 23-24 million tonnes given in December 2022.



# Westshore Terminals Investment Corporation

## Directors' Letter and Report to Shareholders

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Following a review by the board of directors on March 10, 2023, the board determined to increase the quarterly dividend from \$0.30/share to \$0.35/share (\$1.40 annually) payable on or before April 15, 2023 to shareholders on record at the close of business on March 31, 2023.

For the Board of Directors,

(Signed) “William Stinson”

William Stinson

*Chairman of the Board of Directors*

Vancouver, B.C.

March 10, 2023



# Westshore Terminals Investment Corporation

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

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The following discussion and analysis should be read in conjunction with information contained in the Consolidated Financial Statements of Westshore Terminals Investment Corporation ("the Corporation") and the notes thereto for the year ended December 31, 2022. This discussion and analysis has been based upon the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion and analysis is the responsibility of management of the Corporation. Additional information and disclosure can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Unless otherwise indicated, the information presented in this Management's Discussion and Analysis ("MD&A") is stated as at March 10, 2023.

All amounts are presented in Canadian dollars unless otherwise noted.

### Caution Concerning Forward-Looking Statements

*This MD&A contains certain forward-looking statements, which reflect the current expectations of the Corporation 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. They speak only as of the date of this MD&A, and are subject to inherent risks and uncertainties, including those risk factors outlined in the Annual Information Form of the Corporation filed on [www.sedar.com](http://www.sedar.com), that could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.*

*Forward-looking information included in this document includes statements regarding expected results, including future revenues, loading rates, strength of markets for metallurgical and thermal coal, throughput volumes, distribution of throughput by customer, and thermal coal representing a higher percentage of shipments for the foreseeable future; the absence of material impacts related to COVID-19; the timing of commencement of construction of potash infrastructure and shipments of potash; the absence of liquidity concerns; the effect of the Canadian/US dollar exchange rate; labour agreement negotiations, negotiations with ILWU Local 517 are expected to commence in the first quarter of 2023; the future cost of post-retirement benefits including the impact of interest rates; assumptions in connection with critical accounting estimates; and the anticipated level of dividends and share repurchases.*

*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 estimates, predictions, forecasts, conclusions or projections. Readers of this MD&A should not place undue reliance on forward-looking statements as a number of risk 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 customers to maintain or increase sales or deliver coal to the Terminal, fluctuations in exchange rates, and the Corporation's ability to renegotiate key customer contracts in the future on favourable terms or at all. See the risk factors outlined in the Annual Information Form referred to above.*



# Westshore Terminals Investment Corporation

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

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### General

Westshore Terminals Investment Corporation (the "Corporation") was incorporated under the Business Corporations Act (British Columbia) on September 28, 2010 and is domiciled in Canada. The registered and head office of the Corporation is located at Suite 1800, 1067 West Cordova Street, Vancouver, British Columbia V6C 1C7. The Corporation owns all of the limited partnership units of Westshore Terminals Limited Partnership ("Westshore"), a limited partnership established under the laws of British Columbia.

The Corporation derives its cash inflows from its investment in Westshore by way of distributions on Westshore's limited partnership units. Westshore operates a coal storage and unloading/loading terminal at Roberts Bank, British Columbia (the "Terminal"). Westshore's operating revenues are derived from rates charged for loading coal onto seagoing vessels. Westshore has commenced significant capital additions to the Terminal to allow it to handle potash for BHP Canada Inc., a subsidiary of BHP Group ("BHP").

Westshore's results are affected by various factors, including the volume of coal shipped by each customer, and their contracted rate per tonne, as well as Westshore's operating costs. Customer contracts continue to provide minimum volume commitments at fixed rates for a significant portion of the Terminal's estimated capacity.

This MD&A has been prepared by the Corporation to accompany the financial statements of the Corporation for the financial year ended December 31, 2022.



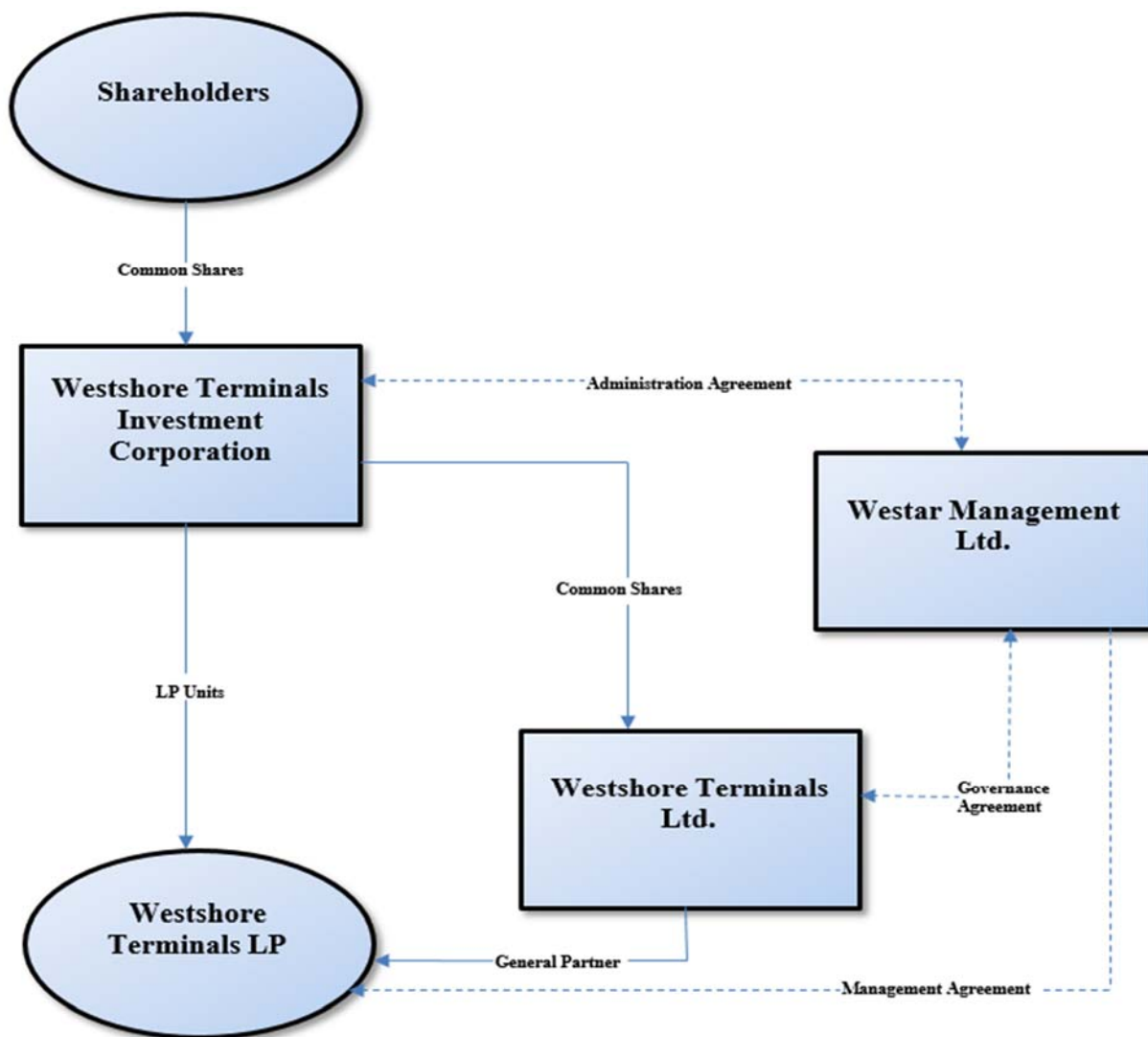
# Westshore Terminals Investment Corporation

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

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### Structure

The following chart illustrates the Corporation's primary structural relationships. The Corporation holds all of the limited partnership units of Westshore and all of the common shares of Westshore Terminals Ltd. (the "General Partner"), the general partner of Westshore. Westar Management Ltd. (the "Manager") provides management services to Westshore and administrative services to the Corporation and appoints three of the eight directors of the General Partner. Details of these arrangements will be included in the Information Circular for the Corporation's 2023 Annual Meeting.







# Westshore Terminals Investment Corporation

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

### Selected Financial Information

The following financial data is derived from the Corporation's audited consolidated financial statements for the years ended December 31, 2022, 2021 and 2020, which were prepared in Canadian dollars using IFRS.

	2022	2021	2020
	\$	\$	\$
Tonnage (000 tonnes)	23,340	28,855	29,267
Revenue	291,960	340,471	368,410
Profit before taxes	91,657	147,663	173,927
Profit for the year	66,838	107,813	126,916
Profit for the year per share <sup>(1)</sup>	1.06	1.70	1.96
Dividends declared	170,668	88,561	41,198
Dividends declared per share	2.70	1.40	0.64
Total assets	1,258,799	1,296,852	1,251,400
Total long term liabilities	467,317	433,051	434,305

(1) The weighted average number of Common Shares outstanding for 2022 was 63,232,185, for 2021 was 63,261,184, and for 2020 was 64,673,615.

The following tables set out selected consolidated financial information for the Corporation on a quarterly basis for the last eight quarters.

	Three Months Ended			
	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
	\$	\$	\$	\$
Tonnage (000 tonnes)	4,355	5,443	6,789	6,753
Revenue	54,372	66,617	82,720	88,251
Profit before taxes	1,776	20,493	34,104	35,284
Profit for the period	1,247	14,950	24,898	25,743
Profit for the period per share	0.02	0.24	0.39	0.41
Dividends declared	18,849	18,978	18,977	113,864
Dividends declared per share	0.30	0.30	0.30	1.80
Shares repurchased (000 shares)	428	-	-	-
Cost of shares repurchased	10,086	-	-	-



# Westshore Terminals Investment Corporation

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

(In thousands of Canadian dollars except per share amounts and where noted)

	Three Months Ended			
	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
	\$	\$	\$	\$
Tonnage (000 tonnes)	6,460	7,449	6,913	8,033
Revenue	84,674	86,016	78,452	91,329
Profit before taxes	34,614	39,213	33,353	40,483
Profit for the period	25,289	28,624	24,347	29,553
Profit for the period per share	0.40	0.45	0.39	0.47
Dividends declared	15,814	15,814	12,652	44,281
Dividends declared per share	0.25	0.25	0.20	0.70
Shares repurchased (000 shares)	-	-	-	117
Cost of shares repurchased	-	-	-	1,817

## Summary Description of Business

### *General*

Westshore operates a coal storage and unloading/loading facility at Roberts Bank, British Columbia that is the largest coal loading facility in North America. Westshore receives handling charges from its customers for throughput volume. Westshore does not take title to the coal it handles. Market conditions for both thermal and metallurgical coal affect the competitiveness of Westshore's customers and, therefore, may affect the volume of coal handled by Westshore. Westshore has contracts to ship coal from mines in British Columbia, Alberta and the United States.

Coal is delivered to the Terminal in unit trains operated by Canadian Pacific Railway, BNSF Railway, and Canadian National Railway. The product is unloaded and either directly loaded onto a ship or stockpiled for future ship loading. The loaded ships are destined around the globe to approximately 16 different countries, with the largest volumes being shipped to Asia.

Westshore is in the early stages of the potash capital project, which is progressing on schedule and on budget. The construction phase will take approximately four years and Westshore expects to start handling potash in 2026. This is a very significant diversification for Westshore to handle another product for the long term.



# Westshore Terminals Investment Corporation

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

### *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)*

	<b>2022</b>		<b>2021</b>		<b>2020</b>	
	<b>Tonnes</b>	<b>%</b>	<b>Tonnes</b>	<b>%</b>	<b>Tonnes</b>	<b>%</b>
Japan	11,572	50	10,640	37	8,743	30
South Korea	7,588	33	9,196	32	8,578	29
China and Hong Kong	1,045	4	3,767	13	3,399	12
South America	923	4	1,041	3	709	2
India	696	3	1,637	6	3,046	10
Europe	613	3	1,299	4	2,697	9
Other	429	2	165	1	441	2
Taiwan	344	1	1,110	4	1,324	5
Vietnam	130	1	-	-	330	1
Total	23,340	100	28,855	100	29,267	100

During 2022, 68% of Westshore's volume was thermal coal (53% in 2021), 31% was metallurgical coal (46% in 2021) and 1% was petroleum coke (1% in 2021). Westshore expects that thermal coal will continue to represent a higher percentage of shipments for the foreseeable future.

Westshore operates under term contracts with its customers. In 2022, Westshore shipped product for eight different customers. Current contracts with Westshore's four largest customers accounted for 92% of Westshore's throughput in 2022. The remaining term of these contracts is between two and four years.

In August 2021 Westshore entered into an agreement with BHP to provide port services to BHP's Jansen Potash Mine in Saskatchewan. Pursuant to the agreement, Westshore is required to construct the necessary infrastructure at the Terminal to enable it to handle potash, with BHP substantially funding the construction. The agreement provides for a shipping term commencing in 2026 and running until 2051, which is subject to extension, minimum annual throughput and a fixed loading rate that is indexed annually to changes in CPI.

### *Labour*

During 2022, Westshore renegotiated the collective agreement with Local 502 of the International Longshore and Warehouse Union. The new six-year agreement expires on Jan 31, 2028. Negotiations with ILWU Local 514 have commenced and negotiations with ILWU Local 517 are expected to commence in Q1 of 2023.



# Westshore Terminals Investment Corporation

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

### Results of Operations

(In thousands of Canadian dollars)

	Three Months Ended		Years Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Revenue:				
Coal loading	53,099	82,192	282,155	332,566
Other	1,273	2,482	9,805	7,905
	54,372	84,674	291,960	340,471
Expenses:				
Operating	48,984	43,646	177,912	168,154
Administrative	1,584	3,803	12,700	14,983
	50,568	47,449	190,612	183,137
Other:				
Foreign exchange gain (loss)	(304)	36	(1,375)	871
Gain on disposal of property, plant and equipment	-	-	357	116
Net finance costs	(1,724)	(2,647)	(8,673)	(10,658)
Profit before income tax	1,776	34,614	91,657	147,663
Income tax expense	529	9,326	24,819	39,850
Profit for the period	1,247	25,288	66,838	107,813
Other comprehensive income, net of income tax:	8,706	280	38,151	30,459
Total comprehensive income for the period	9,953	25,568	104,989	138,272

### Quarterly analysis.

Tonnage shipped for Q4 2022 was 4.4 million tonnes compared to 6.5 million tonnes for the same period in 2021. Of the tonnes shipped in Q4 2022, 71% was thermal coal and 29% was metallurgical coal, the same percentages for the same period in the prior year. Volumes were down 32.6% for the quarter (year over year) due to the labour disruption previously disclosed which resulted in a total shut down of Westshore's operations from September 17 to October 9, less than expected performance from BNSF (the rail carrier for our US customers) and extreme winter weather conditions in late December which severely impacted throughput.

Coal loading revenue decreased by 35.4% to \$53.1 million for Q4 2022 compared to \$82.2 million for the same period in 2021. The average loading rate in Q4 2022 was \$12.19 per tonne, slightly more than the average rate for 2022 as a whole.

Other revenue, totalling \$1.3 million in Q4 2022 primarily consisted of wharfage income. Other revenue for the same period in 2021 was \$2.5 million and included \$0.6 million of customer shortfall payments with the remainder primarily being wharfage fees.



# Westshore Terminals Investment Corporation

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

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Operating and administrative expenses increased by 6.6% to \$50.6 million for Q4 2022 compared to \$47.4 million for the same period in 2021. Included in these expenses is the effect, retroactive to February 1, 2022, of the new collective agreement with Local 502.

Net finance costs decreased to \$1.7 million in Q4 2022 from \$2.6 million during the same period of 2021. The decrease is due to more interest income earned on cash due to the higher interest rate environment. The net interest cost components of the employee benefit plan expense, and the right-of-use capital lease interest costs are also recorded in net finance costs.

Income tax expense decreased to \$0.5 million in Q4 2022 from \$9.3 million in Q4 2021 due to lower profits before taxes.

Profit in the quarter decreased to \$1.2 million in Q4 2022 from \$25.3 million during the same period of 2021, primarily as a result of lower volume.

Other comprehensive income or loss includes actuarial gains and losses on the defined benefit post-retirement obligations which are primarily impacted by the discount rate used, membership assumptions and the plan asset performance (relative to actuarial expectations).

After-tax other comprehensive income for the fourth quarter increased to \$8.7 million in 2022 from \$0.3 million in 2021. The change in the fourth quarter of 2022 was caused by the incorporation of financial assumption changes from the latest valuation of the post retirement benefits and a 0.25% increase to the discount rate. The change in the fourth quarter of 2021 was primarily caused by plan assets performing better than actuarial expectations, which was mostly offset by a 0.25% decrease in the discount rate which increased the post-retirement obligations.

### ***Full year analysis***

Tonnage shipped in 2022 was 23.3 million tonnes compared to 28.9 million tonnes in 2021, down 19.1% year over year. Of the tonnes shipped in 2022, 68% was thermal coal, 31% was metallurgical coal and 1% was petroleum coke, compared to 54%, 46% and 1% respectively for 2021.

Coal loading revenue decreased by 15.2% to \$282.2 million in 2022 from \$332.6 million in 2021. The average loading rate for 2022 was \$12.09 per tonne compared to \$11.53 per tonne for 2021.

Other revenue of \$9.8 million consisted of \$5.6 million of wharfage income and the remainder primarily being customer shortfall payments. Other revenue for the same period in 2021 was \$7.9 million and primarily consisted of wharfage income.

Operating and administrative expenses increased by 4.1% to \$190.6 million compared to \$183.1 million for the same period in 2021, driven by higher labour, depreciation and insurance costs.

Foreign exchange loss of \$1.4 million in 2022 increased from a gain of \$0.9 million in the same period of 2021. 2022 included a \$0.7 million unrealized loss on the mark to market of foreign exchange hedging contracts. 2021 had a nominal unrealized gain on the mark to market of foreign exchange hedging contracts.



# Westshore Terminals Investment Corporation

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

Net finance costs decreased to \$8.7 million in 2022 from \$10.7 million in 2021. The decrease is due to more interest income earned on cash due to the higher interest rate environment. The net interest cost components of the employee benefit plan expense, and the right-of-use capital lease interest costs are also recorded in net finance costs.

Income tax expense decreased to \$24.8 million in 2022 from \$39.9 million in 2021 due to lower profits before taxes.

Profit decreased to \$66.8 million in 2022 from \$107.8 million in 2021. On a per share basis this is a decrease of 38.0% at \$1.06 in 2022 compared to \$1.70 in 2021.

Other comprehensive income or loss includes actuarial gains and losses on the defined benefit post-retirement obligations which are primarily impacted by the discount rate used, membership assumptions and the plan asset performance (relative to actuarial expectations).

After tax other comprehensive income increased to \$38.2 million in 2022 from \$30.5 million in 2021. The change in 2022 was caused by a 2.25% increase in the discount rate which decreased the post-retirement obligations, which was partially offset by plan assets performing below actuarial expectations. The change in 2021 was primarily caused by a 0.50% increase in the discount rate which decreased the post-retirement obligations. Plan assets also performed better than actuarial expectations in the comparative year.

### Cash Flows

Cash flows from operations are available to the Corporation to fund capital and other expenditures, establish reserves and pay dividends to and repurchase shares from shareholders.

	Three Months Ended		Years Ended	
	December 31,	December 31,	December 31,	December 31,
	2022	2021	2022	2021
	\$	\$	\$	\$
Operating cash flows before working capital changes, lease obligation interest and income tax payments	16,083	46,461	139,300	193,772
Working capital changes	15,098	16,008	856	(3,113)
Lease obligation interest paid	(2,238)	(2,258)	(8,953)	(9,037)
Income tax paid	(7,501)	(10,425)	(40,001)	(45,051)
Cash flows provided by operations	21,442	49,785	91,202	136,571
Cash flows used in financing activities	(3,991)	(16,122)	(123,738)	(86,399)
Cash flow provided by (used in) investing	(22,193)	276	(54,928)	(8,113)
Increase (decrease) in cash and cash equivalents	(4,742)	33,939	(87,464)	42,059



# Westshore Terminals Investment Corporation

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

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### *Quarterly analysis*

Operating cash flows before changes in working capital, lease obligation interest payments and income tax payments for the fourth quarter decreased by 65% to \$16.1 million in 2022 from \$46.5 million for the same period in 2021. Working capital changes in the fourth quarter resulted in a \$15.1 million inflow in 2022 compared to a \$16.0 million inflow for the same period in 2021, primarily due to changes in accounts receivables and accounts payable which fluctuate depending on the timing of receipts and payments. Income tax payments in the fourth quarter decreased to \$7.5 million in 2022 from \$10.4 million for the same period in 2021 due to the timing of tax payments. As a result of these changes, cash flow from operations in the fourth quarter decreased to \$21.4 million in 2022 from \$49.8 million for the same period in 2021.

Cash used in financing activities for the fourth quarter decreased to \$4.0 million in 2022 from \$16.1 million for the same period in 2021. Regular dividends paid to shareholders in the quarter increased compared to 2021 due to the increase in the quarterly dividend. The Q3 2022 dividend, paid in the fourth quarter of 2022, was \$19.0 million (\$0.30/share) compared to the Q3 2021 dividend, paid in the fourth quarter of 2021, of \$15.8 million (\$0.25/share). During Q4 2022, the Corporation purchased under its NCIB 428,376 shares for approximately \$10.1 million. No shares were repurchased under the NCIB during Q4 2021. This was offset by \$24.5 million received in the quarter (2021 – nil) from BHP for the potash capital project, which for financial statement purposes is treated as a source of financing.

Cash used in investing activities for the fourth quarter increased to \$22.2 million outflow in 2022 from \$0.3 million inflow for the same period in 2021 primarily due to timing of capital expenditures. Of the \$22.2 million invested in the fourth quarter, \$21.3 million was related to the potash project. At the end of the fourth quarter of 2022, \$4.7 million had been incurred in capital expenditures but was not yet paid for.

### *Full year analysis*

Operating cash flows before changes in working capital, lease obligation interest payments and income tax payments decreased by 28% to \$139.3 million in 2022 from \$193.8 million in 2021. Working capital changes resulted in a \$0.9 million inflow in 2022 compared to a \$3.1 million outflow in 2021, primarily due to changes in accounts receivables and accounts payable which fluctuate depending on the timing of receipts and payments. Income tax payments decreased to \$40.0 million in 2022 from \$45.1 million in 2021. As a result of these changes, cash flow from operations decreased to \$91.2 million in 2022 from \$136.6 million in 2021.

Cash flows used in financing activities increased to \$123.7 million in 2022 from \$86.4 million in 2021. In 2022, the Corporation paid a \$94.9 million special dividend (2021 - \$31.6 million) and increased its regular dividends paid to shareholders from \$0.25 in Q4 of 2021 to \$0.30 in each quarter of 2022, for aggregate regular dividends of \$72.7 million (2021 – \$51.3 million). During 2022, the Corporation purchased under its NCIB 428,376 shares for approximately \$10.1 million. For the year ended December 31, 2021, 117,000 shares were purchased for approximately \$1.8 million. The Corporation also paid \$0.3 million in 2021 for shares repurchased at the end of the previous year, resulting in a total cash outflow of \$2.1 million for share buybacks. This was offset by \$53.9 million received in the year from BHP for the potash capital project (2021 – nil), which for financial statement purposes is treated as a source of financing.

Cash flow used in investing activities increased to \$54.9 million in 2022 from \$8.1 million in 2021 primarily driven from an increase in capital expenditures. Of that \$54.9 million, \$50.1 million was related to the potash project. At the end of the quarter, \$4.7 million had been incurred in capital expenditures but was not yet paid for.





# Westshore Terminals Investment Corporation

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

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### Liquidity and Capital Resources

Meeting annual capital requirements, along with managing variations in working capital, are well within Westshore's financial capacity based solely on revenues less expenses, without any need for financing except for material capital improvements. Pursuant to the agreement to handle potash, BHP is required to substantially fund the potash capital improvements Westshore will undertake, subject to a 5% holdback on each periodic payment, which is reflected in the balance sheet as a "long term receivable" (\$2.7 million as at December 31, 2022). As a result, the Corporation does not anticipate any liquidity concerns with the ongoing operations of Westshore.

Westshore has a \$40 million operating facility that is used for a letter of credit related to pension funding and day to day operational liquidity. The facility matures on August 31, 2025 and is secured by a pledge of all the assets of Westshore. The operating facility bears interest at the 1-month BA rate plus a margin and no repayments will be required until maturity. There is an outstanding letter of credit of \$17.9 million under this facility which is the only amount drawn on the facility at year end.

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's cash funding requirements were \$5.4 million in 2022 (2021 - \$5.1 million), which was comprised of \$3.1 million (2021 - \$1.9 million) for contributions to the pension plans and \$2.3 million (2021 - \$3.2 million) for payments for other post-retirement benefits.

The statement of financial position as of December 31, 2022, reflects \$34.6 million (December 31, 2021 - \$20.1 million) of net post-retirement benefit assets and \$61.9 million (December 31, 2021 - \$88.7 million) of other post-retirement benefit obligations. The change in 2022 was primarily caused by an increase in the discount rate of 2.25% since December 31, 2021 partially offset by weaker plan asset performance. This obligation amount will decline in the future if long term interest rates increase and will increase if such rates fall.

Future undiscounted minimum payments under Westshore's material lease obligations are as follows:

	December 31, 2022
<i>(In thousands of Canadian dollars)</i>	
Less than 1 year	\$ 11,836
Between 1 and 5 years	47,604
More than 5 years	464,623
	\$ 524,063

In addition to the above minimum lease payments, Westshore also pays an annual participation rental fee to Vancouver Fraser Port Authority ("VFPA") based on the volume of coal shipped in excess of 17.6 million tonnes.

Westshore has started to enter into contracts with vendors for the construction of the potash capital improvements. Pursuant to the agreement, BHP is required to substantially fund the capital improvements. As at December 31, 2022, Westshore has commitments related to this project of \$70,738,000 that has not yet been accrued for.

Westshore does not have any other material long-term obligations.





# Westshore Terminals Investment Corporation

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

### Distributions

Distributions by the Corporation over the last two years were as follows:

<i>(In thousands of Canadian dollars except per share amounts)</i>	2022		2021	
	\$	Per share	\$	Per share
Quarter 1	18,977	0.30	12,652	0.20
Special Dividend declared in Q1	94,887	1.50	31,629	0.50
Quarter 2	18,977	0.30	12,652	0.20
Quarter 3	18,978	0.30	15,814	0.25
Quarter 4	18,849	0.30	15,814	0.25
Total Dividends on Common Shares	170,668	2.70	88,561	1.40

Following a review by the board of directors on March 10, 2023, the board determined to increase the quarterly dividend from \$0.30/share to \$0.35/share (\$1.40 annually) payable on or before April 15, 2023 to shareholders on record at the close of business on March 31, 2023.

The dividend is subject to periodic review based on factors including operating performance, current and anticipated market conditions, funds applied to repurchase shares, other opportunities that may come before Westshore, and other potential capital upgrade projects. In circumstances where the price of the Corporation's shares makes share repurchases advantageous to the Corporation, a portion of excess cash from operations may be used to repurchase common shares.

### Outlook

The cash inflows of the Corporation are entirely dependent on Westshore's operating results. They are affected by the volume and mix of coal shipped through the Terminal, the rates charged to customers for the handling of that coal, and Westshore's operating and administrative costs.

The variance in revenues from 2022 will ultimately be impacted by numerous factors, including total volumes shipped through the Terminal, the distribution of throughput by customer and the US/CDN dollar exchange rate.

Based on the most recent information provided by Westshore's customers, performance year to date and anticipated railway performance, 2023 throughput volumes are expected to be approximately 26 million tonnes at an average loading charge of approximately \$12.75 per tonne, for the full year. The average loading rate for a period reflects the customer mix and US/CDN exchange rate.

Westshore is in the early stages of the potash capital project, which is progressing on schedule and on budget. The construction phase will take approximately four years and Westshore expects to start handling potash in 2026. This is a very significant diversification for Westshore to handle another product for the long term.

### Related Party Transactions

The Manager provides management services to Westshore pursuant to a management agreement between Westshore and the Manager (the "Management Agreement"), the term of which now extends to December 31, 2029. Westshore pays an annual management fee to the Manager and an incentive fee based on a percentage of annual profit above



# Westshore Terminals Investment Corporation

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

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\$42 million, subject to a cap of \$7.5 million per annum. The annual base management fee for 2022 was \$1,791,000 (2021 - \$1,739,000) which will escalate at 3% annually. The incentive fee for the year ended December, 31, 2022 was \$1,115,000 and was paid subsequent to December 31, 2022 (2021 - \$4,263,000 paid in 2022).

The Manager also provides administration services to the Corporation pursuant to an administration agreement and appoints three of the eight directors of the General Partner pursuant to a governance agreement. The Corporation pays an annual administration fee in monthly installments. The fee paid to the Manager for 2022 was \$597,000 (2021 - \$580,000), which will increase by 3% per annum.

Affiliates of the Manager also provide insurance and vehicle related services to Westshore.

### Changes in Accounting Policies

The Corporation's accounting policies are found in note 3 of the Corporation's financial statements. There were no significant changes in accounting policies in 2022.

### Critical Accounting Estimates

The preparation of financial statements and related disclosures in accordance with IFRS requires the Corporation 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 that are significant in determining the Corporation's financial results.

#### *Property, plant and equipment: Depreciation*

Property, plant and equipment are stated at cost less accumulated depreciation. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Depreciation is calculated using the straight line method over the estimated useful production life of the assets. The estimated useful lives of property, plant and equipment range from 3 to 35 years and are reviewed annually. A change in the estimated useful lives of property, plant and equipment could result in either a higher or lower depreciation charge to profit for the period.

#### *Asset Retirement Obligations*

Westshore is required to recognize the fair value of an estimated asset retirement obligation when a legal or constructive obligation is present, a reliable estimate of the obligation can be made, and it is probable that Westshore will be required to settle the obligation. At the expiry of the Terminal's lease, the VFPA has the option to acquire the assets of the Terminal at fair value or require Westshore to return the site to its original condition. Westshore believes that the probability that the VFPA will elect to enforce site restoration is remote. Any change in the estimate of the probability of incurring such costs could have a material impact on the asset retirement obligation.



# Westshore Terminals Investment Corporation

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

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### *Lease Obligation*

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using Westshore's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Westshore's estimate of the amount expected to be payable under a residual value guarantee or if Westshore changes its assessment of whether it will exercise a purchase, extension or termination option. Any change in the incremental borrowing rate of Westshore could have a material impact on future lease obligations.

### *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 loading rates, customer shipments, operating costs, foreign exchange rates and discount rates. Changes in any of these assumptions, such as lower coal loading rates, a decline in customer shipments, 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.

## **Internal Controls Over Financial Reporting**

The Corporation 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* ("National Instrument 52-109"), in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial information for external purposes in accordance with IFRS.

The Chief Executive Officer and Chief Financial Officer of the Corporation have caused to be evaluated under their supervision, the effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2022. Based on that assessment, it was determined that the internal controls over financial reporting were appropriately designed and were operating effectively. No material changes were identified in the Corporation's internal controls over financial reporting during the year ended December 31, 2022 that have materially affected the Corporation's internal controls over financial reporting or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.



# Westshore Terminals Investment Corporation

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

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It should be noted that a control system, including the Corporation's 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 National Instrument 52-109: "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."

As required by National Instrument 52-109, the Chief Executive Officer and the Chief Financial Officer of the Corporation, 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 Corporation as of December 31, 2022 and have concluded that such disclosure controls and procedures provide reasonable assurance that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted 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 Corporation and Westshore, including the Corporation's annual information form, is available at [www.sedar.com](http://www.sedar.com).



# Westshore Terminals Investment Corporation

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

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### Management's Report

The consolidated financial statements and other information in this annual report have been prepared by and are the responsibility of the management of the Corporation. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 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 Corporation'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 Directors are responsible for assuring that management fulfills its responsibility for financial reporting and internal control. The Directors 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 shareholders by KPMG LLP, Chartered Professional Accountants, in accordance with International Financial Reporting Standards. The Auditors' Report outlines the scope of their examination and their independent professional opinion on the fairness of these financial statements.

(Signed) "William W. Stinson"

William W. Stinson

Director

(Signed) "M. Dallas H. Ross"

M. Dallas H. Ross

Director

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

		December 31, 2022	December 31, 2021
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 156,027	\$ 243,491
Accounts receivable		7,827	14,726
Inventories		17,625	17,809
Prepaid expenses		2,503	1,939
Income taxes recoverable		11,562	425
		195,544	278,390
Property, plant and equipment:	5		
At cost		709,919	654,874
Accumulated depreciation		(320,444)	(298,742)
		389,475	356,132
Long term receivable		2,695	-
Right-of-use assets	15	262,165	268,123
Goodwill		365,541	365,541
Other intangible assets	6	8,775	8,479
Employee future benefits	12	34,604	20,136
Other assets	14	-	51
		\$ 1,258,799	\$ 1,296,852
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 45,052	\$ 44,567
Deferred revenue		11,367	12,201
Other liabilities	14	673	-
Lease obligation current portion	15	2,835	2,748
Dividends payable to shareholders	10	18,849	15,814
		78,776	75,330
Deferred revenue	16	75,405	21,500
Deferred income taxes	9	52,320	42,255
Employee future benefits	12	61,852	88,721
Lease obligation	15	277,740	280,575
		546,093	508,381
Shareholders' equity:			
Share capital	10	1,443,821	1,453,665
Deficit		(731,115)	(665,194)
		712,706	788,471
		\$ 1,258,799	\$ 1,296,852

Commitments and contingencies (note 17)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

(Signed) "William W. Stinson"

William W. Stinson

Director

(Signed) "M. Dallas H. Ross"

M. Dallas H. Ross

Director

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Consolidated Statements of Comprehensive Income

(Expressed in thousands of Canadian dollars)

Years ended December 31, 2022 and 2021

	Note	2022	2021
Revenue:			
Coal loading		\$ 282,155	\$ 332,566
Other		9,805	7,905
		291,960	340,471
Expenses:	4		
Operating		177,912	168,154
Administrative		12,700	14,983
		190,612	183,137
Other:			
Foreign exchange gain (loss)		(1,375)	871
Gain on disposal of property, plant and equipment		357	116
Net finance costs	7	(8,673)	(10,658)
Profit before income tax		91,657	147,663
Income tax expense	8	24,819	39,850
Profit for the year		66,838	107,813
Other comprehensive income:			
Items that will not be recycled to net income:			
Defined benefit plan actuarial gains	12	52,261	41,724
Income tax expense on other comprehensive income	8	(14,110)	(11,265)
Other comprehensive income for the year, net of income tax		38,151	30,459
Total comprehensive income for the year		\$ 104,989	\$ 138,272
Profit per share:			
Basic and diluted earnings per share	11	\$ 1.06	\$ 1.70
Weighted average number of shares outstanding		63,232,185	63,261,184

See accompanying notes to the consolidated financial statements.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Consolidated Statements of Changes in Equity  
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2022 and 2021

	Share capital		Deficit	Total
Balance at January 1, 2021	\$	1,456,354	\$ (715,777)	\$ 740,577
Profit for the year		-	107,813	107,813
Other comprehensive income:				
Defined benefit plan actuarial gains, net of tax		-	30,459	30,459
Total comprehensive income for the year		-	138,272	138,272
Distributions to shareholders of the Corporation:				
Dividends declared to shareholders		-	(88,561)	(88,561)
Adjustments due to share repurchases		(2,689)	872	(1,817)
Balance at December 31, 2021	\$	1,453,665	\$ (665,194)	\$ 788,471

	Share capital		Deficit	Total
Balance as at January 1, 2022	\$	1,453,665	\$ (665,194)	\$ 788,471
Profit for the year		-	66,838	66,838
Other comprehensive income:				
Defined benefit plan actuarial gains, net of tax		-	38,151	38,151
Total comprehensive income for the year		-	104,989	104,989
Distributions to shareholders of the Corporation:				
Dividends declared to shareholders		-	(170,668)	(170,668)
Adjustments due to share repurchases		(9,844)	(242)	(10,086)
Balance at December 31, 2022	\$	1,443,821	\$ (731,115)	\$ 712,706

See accompanying notes to the consolidated financial statements.



# WESTSHORE TERMINALS INVESTMENT CORPORATION

## Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

Years ended December 31, 2022 and 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Profit for the year	\$ 66,838	\$ 107,813
Adjustments for:		
Foreign exchange contracts	724	(47)
Depreciation and amortization	30,223	28,419
Employee future benefits	8,380	7,195
Net finance costs	8,673	10,658
Income tax expense	24,819	39,850
Gain on disposal of property, plant and equipment	(357)	(116)
	139,300	193,772
Changes in non-cash operating working capital and other:		
Accounts receivable	4,204	(3,082)
Inventories	184	403
Prepaid expenses	(564)	613
Accounts payable and accrued liabilities	(2,134)	(791)
Deferred revenue	(834)	(256)
	856	(3,113)
Lease obligation interest paid	(8,953)	(9,037)
Income taxes paid	(40,001)	(45,051)
	91,202	136,571
Financing:		
Interest received	2,824	1,230
Dividends paid to shareholders	(167,633)	(82,889)
Deferred revenue	53,905	-
Share purchases	(10,086)	(2,076)
Lease obligation	(2,748)	(2,664)
	(123,738)	(86,399)
Investments:		
Property, plant and equipment, net	(53,807)	(934)
Other intangible assets	(1,121)	(7,179)
	(54,928)	(8,113)
Increase (decrease) in cash and cash equivalents	(87,464)	42,059
Cash and cash equivalents, beginning of the year	243,491	201,432
Cash and cash equivalents, end of the year	\$ 156,027	\$ 243,491
Supplemental information:		
Non-cash transactions:		
Capital expenditures unpaid at year end	\$ 4,733	\$ 2,114

See accompanying notes to the consolidated financial statements.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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## 1. Reporting entity:

Westshore Terminals Investment Corporation was incorporated under the *Business Corporation Act* (British Columbia) on September 28, 2010 and is domiciled in Canada. The registered and head office is located at Suite 1800, 1067 West Cordova Street, Vancouver, British Columbia, V6C 1C7. These consolidated financial statements as at and for the year ended December 31, 2022 comprises Westshore Terminals Investment Corporation and its subsidiaries (together referred to as the “Corporation”). The Corporation owns all of the limited partnership units of Westshore Terminals Limited Partnership (“Westshore”), a partnership established under the laws of British Columbia.

The Corporation derives its cash inflows from its investment in Westshore by way of distributions on Westshore’s limited partnership units. Westshore operates a coal storage and loading terminal at Roberts Bank, British Columbia (the “Terminal”). Substantially all of Westshore’s operating revenues are derived from rates charged for loading coal onto seagoing vessels.

## 2. Basis of preparation:

### (a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2023.

### (b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- non derivative financial instruments classified as fair value through profit or loss are measured at fair value;
- derivative financial instruments are measured at fair value;
- the defined benefit obligation is recognized as the present value of the defined benefit obligation, less plan assets at fair value; and
- lease obligations are measured at amortized cost using the effective interest rate method.

### (c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation and its subsidiaries’ functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment relate to the determination of the useful lives of plant and equipment, asset retirement obligations, measurement of lease obligations, valuation of goodwill and the measurement of defined benefit obligations.

### 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

(ii) Transactions eliminated on consolidation:

Intra-corporation balances and transactions, and any unrealized income and expenses arising from intra-corporation transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency:

The functional and reporting currency of the Corporation 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 reporting date to reflect exchange rates prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Foreign exchange gains and losses are recognized under 'Foreign exchange gain (loss)' in profit or loss.

(c) Financial instruments:

Financial instruments comprise cash and cash equivalents, accounts receivable, derivative instruments and accounts payable and accrued liabilities. The Corporation uses derivative financial instruments in the normal course of its operations as a means to manage its foreign exchange risk. The Corporation's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Corporation's derivative financial instruments are not designated as hedges for accounting purposes.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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The Corporation's financial instruments are classified and measured as follows:

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Financial Assets

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Derivative instruments	FVTPL

Financial Liabilities

Accounts payable and accrued liabilities	Amortized cost
Derivative instruments	FVTPL

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*Classification and measurement of financial assets*

Financial assets are classified as: measured at amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit and loss ("FVTPL") based on the business model in which a financial asset is managed and its contractual cash flow characteristics and when certain conditions are met:

- Amortized cost – measured at amortized cost using the effective interest rate method. Where applicable, amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in net income.
- FVOCI – measured at FVOCI if not designated as FVTPL. Interest income, foreign exchange gains and losses and impairment are recognized in net income. Other net gains and losses are recognized in other comprehensive income ("OCI").
- FVTPL – measured at FVTPL if not classified as amortized cost or FVOCI with net gains and losses, including any interest or dividend income, recognized in net income.

Equity investments are required to be classified as measured at fair value. However, on initial recognition of an equity investment that is not held-for-trading, the Corporation may irrevocably elect to present subsequent changes in the investments fair value in OCI. This election is made on an investment by investment basis. The Corporation does not have any equity investments.

*Classification and measurement of financial liabilities*

Financial liabilities are classified as either measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is held-for-trading, a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value with net gains and losses, including interest expense, recognized in net income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in net income. Any gains or losses on derecognition are also recognized in net income.

(d) Property, plant and equipment:

(i) Recognition and measurement:

Items of property, plant, and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

Borrowing costs attributable to the construction of a qualifying asset are included in the cost of the asset. Other borrowing costs are recognized as an expense.

When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment.

The gain or loss on disposal of an item of property, plant, and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant, and equipment, and is recognized net within other income/expenses in profit or loss.

(ii) Depreciation:

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of the asset, then that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant, and equipment. The estimated useful lives for the current and comparative periods are as follows:

Asset	Term
Automobiles	3 years
Conveyor belts	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

Assets currently under construction are not depreciated until they are available for use. Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Impairment:

*Non-Financial assets*

The carrying values of the Corporation's non-financial assets are reviewed at each reporting date to assess whether there is any indication of impairment. If any such indication is present, then the recoverable amount of the assets is estimated.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Corporation applies the simplified approach in determining expected credit losses (“ECLs”), which requires a probability-weighted estimate of expected lifetime credit losses to be recognized upon initial recognition of financial assets measured at amortized cost, contract assets and debt investments at FVOCI. Credit losses are measured as the present value of cash shortfalls from all possible default events, discounted at the effective interest rate of the financial asset. Loss allowances for financial assets at amortized cost are deducted from the gross carrying amount of the assets.

## (f) Goodwill and other intangible assets:

Goodwill is recognized on a business combination at the acquisition date and is initially measured at the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is subsequently measured at cost less accumulated impairment losses. 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 profit or loss in the period in which the impairment is determined.

Computer software are carried at cost less accumulated amortization. Amortization is calculated to write off the cost of computer software less their estimated residual values using straight-line method over their estimated useful lives and is generally recognize in profit and loss. The estimated useful lives of computer software range from 3 to 5 years. Amortization methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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## (g) Leases

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in IFRS 16.

### *As a lessee:*

At commencement or on modification of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets that do not meet the definition of investment property in 'right-of-use asset' and lease liabilities in 'lease obligation' in the statement of financial position.

## *Short-term leases and leases of low-value assets*

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment and vehicles. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## (h) Inventories:

Inventories of spare parts and supplies are measured at the lower of cost 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.

## (i) Employee benefits:

### *Defined benefit plans*

A defined benefit plan is a post-retirement benefit plan other than a defined contribution plan. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of plan assets is deducted. The discount rate used to determine the present value of the obligation is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the term of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on the date of improvement.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and expenses related to defined benefit plans in profit or loss.



# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## *Other long-term employee benefits*

The Corporation's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise.

## (j) Revenue:

Coal loading revenue is recognized when a customer's coal is loaded onto a ship. Coal loading revenue is recorded based on contract specific loading rates. Other revenue includes all revenue other than coal loading revenue and principally relates to fees earned under take or pay contracts where the coal has not been delivered. Other revenue also includes revenue earned for securing future volumes which is initially deferred and recognized over the term of the contract and wharfage fees which are recorded based upon the period of time a ship is at the terminal.

## (k) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## *Decommissioning liabilities*

The Corporation's terminal site is leased from the Vancouver Fraser Port Authority (the "VFPA"). The current lease agreement became effective as of January 1, 2015 and runs until December 31, 2026. It may be extended at Westshore's option for further periods up to 40 years. At the expiry of the lease term, assuming the Corporation 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 Corporation to return the site to its original condition. The Corporation believes that the probability that the VFPA will elect to enforce site restoration is remote.

## (l) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary difference, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Comparative information:

Certain of the information presented for comparative purposes has been reclassified to conform to the financial statement presentation adopted for the current year. These reclassifications had no effect on the reported results of operations or equity.

## 4. Expenses:

Recorded in operating and administrative expenses on the consolidated statements of comprehensive income were the following amounts:

	2022	2021
Salaries, wages and benefits	\$ 99,692	\$ 90,704
Depreciation	30,223	28,419
Other	60,697	64,014
	\$ 190,612	\$ 183,137

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## 5. Property, plant and equipment:

	Buildings and land improvements	Machinery and equipment	Construction in progress	Total
<b>Cost:</b>				
Balance at January 1, 2021	\$ 82,768	\$ 539,629	\$ 30,807	\$ 653,204
Additions	-	-	2,546	2,546
Transfers	-	7,304	(7,304)	-
Disposals	-	(876)	-	(876)
Balance at December 31, 2021	82,768	546,057	26,049	654,874
Balance at January 1, 2022	82,768	546,057	26,049	654,874
Additions	-	-	56,782	56,782
Transfers	-	3,621	(3,621)	-
Disposals	-	(1,737)	-	(1,737)
Balance at December 31, 2022	\$ 82,768	\$ 547,941	\$ 79,210	\$ 709,919
<b>Accumulated depreciation:</b>				
Balance at January 1, 2021	\$ 38,553	\$ 238,506	\$ -	\$ 277,059
Depreciation	1,823	20,149	-	21,972
Disposals	-	(289)	-	(289)
Balance at December 31, 2021	40,376	258,366	-	298,742
Balance at January 1, 2022	40,376	258,366	-	298,742
Depreciation	1,734	21,705	-	23,439
Disposals	-	(1,737)	-	(1,737)
Balance at December 31, 2022	\$ 42,110	\$ 278,334	\$ -	\$ 320,444
<b>Carrying amounts:</b>				
At December 31, 2021	\$ 42,392	\$ 287,691	\$ 26,049	\$ 356,132
At December 31, 2022	40,658	269,607	79,210	389,475

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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## 6. Other intangible assets:

	Computer software	Construction in progress	Total
<b>Cost:</b>			
Balance at January 1, 2021	\$ 4,828	\$ -	\$ 4,828
Additions	-	7,179	7,179
Transfers	6,653	(6,653)	-
Balance at December 31, 2021	11,481	526	12,007
Balance at January 1, 2022	11,481	526	12,007
Additions	-	1,121	1,121
Transfers	1,412	(1,412)	-
Balance at December 31, 2022	\$ 12,893	\$ 235	\$ 13,128
<b>Accumulated amortization:</b>			
Balance at January 1, 2021	\$ 3,040	\$ -	\$ 3,040
Depreciation	488	-	488
Balance at December 31, 2021	3,528	-	3,528
Balance at January 1, 2022	3,528	-	3,528
Depreciation	825	-	825
Balance at December 31, 2022	\$ 4,353	\$ -	\$ 4,353
<b>Carrying amounts:</b>			
At December 31, 2021	\$ 7,953	\$ 526	\$ 8,479
At December 31, 2022	8,540	235	8,775

## 7. Finance costs:

	2022	2021
Interest income, net	\$ (2,824)	\$ (1,230)
Employee benefit interest expense, net (note 12)	2,544	2,851
Capital lease interest (note 15)	8,953	9,037
Net finance costs	\$ 8,673	\$ 10,658

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## 8. Income tax expense:

	2022	2021
Tax expense recognized in profit		
Current income tax expense	\$ 28,864	\$ 38,663
Deferred tax expense (recovery)	(4,045)	1,187
	24,819	39,850
Tax expense recognized in other comprehensive income		
Defined benefit plans	\$ 14,110	\$ 11,265
	2022	2021
Reconciliation of effective tax rate:		
Profit before income tax	\$ 91,657	\$ 147,663
Statutory rate	27.00%	27.00%
Expected income tax expense	24,747	39,869
Permanent differences	35	19
Other	36	(38)
Actual income tax expense	\$ 24,819	\$ 39,850

## 9. Deferred tax assets and liabilities:

	December 31, 2022	December 31, 2021
Deferred tax assets:		
Non-pension defined benefits liability	\$ 16,700	\$ 23,955
Financing fees	3	7
Foreign exchange contracts	182	-
Lease obligation	75,755	76,497
Total assets	92,640	100,459
Deferred tax liabilities:		
Property, plant, and equipment	(39,093)	(64,870)
Post-retirement benefits	(9,343)	(5,437)
Foreign exchange contracts	-	(14)
Right-of-use assets	(96,524)	(72,393)
Total liabilities	(144,960)	(142,714)
Net deferred income tax liabilities	\$ (52,320)	\$ (42,255)

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## 10. Share capital:

Authorized:

Unlimited number of common shares, no par value

Issued:

	Common shares	
	2022	2021
62,829,459 (2021 - 63,257,835) issued and outstanding common shares	\$ 1,443,821	\$ 1,453,665

The holders of the common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Corporation.

During the year ended December 31, 2022, the Corporation repurchased 428,376 (2021 - 117,000) shares for \$10,086,000 (2021 - \$1,817,000), under the Corporation's normal course issuer bid.

Subsequent to year end, the Corporation repurchased 314,784 shares for a total cost of \$7,582,000. The shares have been cancelled and will result in a decrease to deficit and share capital.

The Corporation has declared the following dividends in 2022 (2021 - \$88,561,000).

Record Date	Payment Date	Per Share	Total
March 31	April 15	\$ 0.30	\$ 18,977
March 31	April 15	1.50	94,887
June 30	July 15	0.30	18,977
September 30	October 15	0.30	18,978
December 31	January 15	0.30	18,849
			\$ 170,668

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## 11. Profit per share:

*Earnings per share:*

The calculation of basic profit per share for the year ended December 31, 2022 was based on profit attributable to shareholders and a weighted average number of common shares outstanding.

	2022	2021
Profit for the year	\$ 66,838	\$ 107,813
Weighted average number of common shares outstanding	63,232,185	63,261,184
Basic and diluted earnings per share	\$ 1.06	\$ 1.70
Shares repurchased	428,376	117,000
Total cost of shares repurchased	\$ 10,086	\$ 1,817

The Corporation has no dilutive securities.

## 12. Employee future benefits:

The Corporation makes contributions to one non-contributory defined benefit plan and one non-contributory defined contribution plan that provide pension benefits for employees upon retirement. The Corporation also provides two non-contributory, other post-retirement benefit plans that provide retiring allowances and other medical benefits after retirement.

	December 31, 2022	December 31, 2021
Fair value of plan assets	\$ 155,866	\$ 168,936
Defined benefit pension obligations	(121,262)	(148,800)
Defined benefit pension asset	34,604	20,136
Other post-retirement benefit obligations	\$ (61,852)	\$ (88,721)

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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Plan assets are comprised of the following investments:

	2022	2021
Equity securities	\$ 70,451	\$ 87,311
Fixed income securities	28,835	36,762
Alternatives	56,268	44,262
Cash and cash equivalents	312	601
	\$ 155,866	\$ 168,936

## **Asset and Liability Movements:**

Movement in the present value of the defined benefit obligations	Pension obligations		Other post-retirement benefits	
	December 31,		December 31,	
	2022	2021	2022	2021
Defined benefit obligation at January 1	\$ 148,800	\$ 158,910	\$ 88,721	\$ 95,022
Benefits paid by the plan	(6,568)	(6,666)	(2,321)	(3,201)
Current and past service costs and interest (see below)	13,142	10,292	7,969	7,927
Settlement for annuity purchase	-	(4,479)	-	-
Actuarial gains in other comprehensive income (see below)	(34,112)	(9,257)	(32,517)	(11,027)
Defined benefit obligations	\$ 121,262	\$ 148,800	\$ 61,852	\$ 88,721

Movement in the fair value of the defined benefit plan assets	Pension assets		Other post-retirement benefits	
	December 31,		December 31,	
	2022	2021	2022	2021
Fair value of plan assets at January 1	\$ 168,936	\$ 153,669	\$ -	\$ -
Contributions paid into the plan	3,074	1,932	2,321	3,201
Benefits paid by the plan	(6,568)	(6,666)	(2,321)	(3,201)
Expected return on plan assets (see below)	5,012	3,755	-	-
Non-investment expense (see below)	(220)	(220)	-	-
Settlement for annuity purchase	-	(4,974)	-	-
Actuarial loss (gain) in other comprehensive income (see below)	(14,368)	21,440	-	-
Fair value of plan assets	\$ 155,866	\$ 168,936	\$ -	\$ -



# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## **Profit and Loss:**

Profit and loss includes the following amounts in respect of post-retirement obligations:

<b>Pension obligations expense recognized in profit and loss</b>	<b>2022</b>	<b>2021</b>
Service costs:		
Current service costs	\$ 1,953	\$ 2,132
Past service costs	6,565	4,048
Non-investment expenses	220	220
Settlement loss for annuity purchase	-	495
	8,738	6,895
Net interest costs		
Interest cost	4,624	4,112
Expected return on plan assets	(5,012)	(3,755)
	(388)	357
	\$ 8,350	\$ 7,252

<b>Other post-retirement benefits expense recognized in profit and loss</b>	<b>2022</b>	<b>2021</b>
Current service costs	\$ 4,453	\$ 5,064
Past service costs	584	369
Interest costs	2,932	2,494
	\$ 7,969	\$ 7,927

The current and past service costs are recognized in operating expenses and net interest costs are included in net finance costs.

<b>Actuarial gains (losses) recognized in other comprehensive income</b>	<b>2022</b>	<b>2021</b>
Cumulative amount at beginning of year	\$ 32,057	\$ (9,667)
Actuarial gain (loss) - plan experience	(3,642)	1,318
Actuarial gain - financial assumption changes	70,271	18,966
Return on plan assets greater (less) than expected return	(14,368)	21,440
Cumulative amount at December 31	\$ 84,318	\$ 32,057

# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## **Funding and Assumptions:**

The pension plans are entirely funded by the Corporation. The Corporation'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.

During the year ended December 31, 2022, the Corporation made total contributions of \$5,395,000 (2021 - \$5,133,000) to all of its pension and other benefit plans.

The financial information with respect to the defined benefit pension plan obligations is based on the following funding valuation:

	Most recent valuation date	Date of next required valuation
Union Pension plan	January 1, 2022	January 1, 2023

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

	2022		2021	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit obligations:				
Discount rate at December 31	5.25%	5.25%	3.00%	3.00%
Benefit costs:				
Discount rate at January 1	3.00%	3.00%	2.50%	2.50%
Expected long-term rate of return on plan assets	3.00%	-	2.50%	-

For measurement purposes, a 7.0% per annum increase in the per capita cost of covered extended health care benefits was assumed for 2019, grading down by 0.25% per annum to 4.50% in 2029. The annual rate of increase in the per capita cost of dental benefits is 4.00%.

## **Sensitivity Analysis:**

Assumed discount rates and medical cost trend rates have a significant effect on the accrued benefit obligation. A one percentage point change in these assumptions would have the following effects on the accrued benefit obligation for 2022:

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	1% decrease	1% increase
Pension benefit plans		
Discount rate	\$ 13,064	\$ (13,064)
Other post-retirement benefit plans		
Discount rate	10,557	(10,557)
Initial medical cost trend rate	(9,589)	9,589

## 13. Loans and borrowings:

The Corporation has a \$40 million operating facility that is used for a letter of credit relating to pension funding and day to day operations. During the year ended December 31, 2022, the facility was extended to August 31, 2025 and is secured by a pledge of all of the assets of the Corporation. The operating facility bears interest at the 1 month BA rate plus a margin and no repayments will be required until maturity. There is an outstanding letter of credit of \$17.9 million which is the only amount drawn on this facility (see Note 17).

Under its credit facility, the Corporation is required to comply with certain financial covenants. At December 31, 2022, the Corporation was in compliance with these financial covenants.

For more information about the Corporation's exposure to interest rate, foreign currency and liquidity risk, please see note 19.

## 14. Financial instruments:

The carrying amounts of financial assets and liabilities reported in the consolidated statement of financial position approximate their fair values.

IFRS 13, *Fair Value Measurement*, requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

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Financial instruments carried at fair value, by the levels in the fair value hierarchy, are as follows:

	Fair Value Hierarchy Level	December 2022	December 31, 2021
<b>Financial assets:</b>			
Derivative instruments:			
Foreign exchange contracts	Level 2	\$ -	\$ 51
<b>Financial liabilities:</b>			
Derivative instruments:			
Foreign exchange contracts	Level 2	\$ 673	\$ -

As at December 31, 2022, Westshore has entered into option collars with notional amounts totaling US\$57.0 million to exchange U.S. dollars for Canadian dollars if the strike price drops below \$1.300 or increases above \$1.367. These foreign exchange contracts have not been designated as hedges.

The following table summarizes the gains (losses) on foreign exchange contracts for the years ended December 31, 2022 and 2021:

	2022	2021
Foreign exchange contracts	\$ (724)	\$ 47

The fair value asset and liability are recorded in other assets and other liabilities, respectively. The unrealized hedging loss was recorded in foreign exchange gain (loss) in the consolidated statement of comprehensive income.

The carrying amounts of these contracts are equal to fair value, which is based on valuations obtained from the counterparties. 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.

## 15. Leases:

The Corporation is committed to low value, short term leases related to the rental of vehicles and equipment.

The Corporation has a land lease with the Vancouver Fraser Port Authority ("VFPA") which has been identified as a material lease contract. The term of the lease is until December 31, 2026 with the Corporation having further options to extend the term to December 31, 2066.

Charges payable by the Corporation under the lease comprise an annual base land and waterlot rental fee of \$5,207,000 (2021 - \$5,207,000) and an annual participation rental fee based on the volume of coal shipped. A minimum participation rental fee of \$6,494,000 (2021 - \$6,494,000) is charged based on a minimum annual tonnage (MAT) of 17.6 million tonnes. A higher participation rental fee per tonne is charged on tonnage in excess of the MAT. In 2022, the Corporation paid \$5,132,000 (2021 - \$9,294,000) in relation to the higher participation rental fee.

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Additional information about this lease is presented below. No other material lease contracts were identified.

## Right-of-use asset

### 2021

Balance at January 1	\$ 274,082
Depreciation charge for the year	(5,959)
Balance at December 31	268,123

### 2022

Balance at January 1	268,123
Depreciation charge for the year	(5,958)
Balance at December 31	\$ 262,165

There were no additions to right-of-use assets during 2022 (2021 – nil).

## Lease obligation

2022

2021

### Maturity analysis – contractual undiscounted cash flows

Less than one year	\$ 11,836	\$ 11,787
One to five years	47,604	47,428
More than five years	464,623	476,536
<b>Total undiscounted lease liabilities at year end</b>	<b>\$ 524,063</b>	<b>\$ 535,751</b>

## Amounts recognized in profit or loss

2022

2021

Interest on lease liabilities	\$ 8,953	\$ 9,037
Variable lease payments not included in the measurement of lease liabilities	5,132	9,294
Expenses relating to short-term and low value asset leases	196	168

## Amounts recognized in the statement of cash flows

2022

2021

Total cash outflow for leases	\$ 11,897	\$ 11,869
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# WESTSHORE TERMINALS INVESTMENT CORPORATION

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## 16. Deferred revenue:

During 2022, the Corporation invoiced \$53,905,000 (2021 – nil) to BHP Canada Inc., a subsidiary of BHP Group (“BHP”) related to the construction of the necessary infrastructure to enable it to handle potash. These non-refundable upfront fees received from BHP are recorded as deferred revenue and will be recognized when the corresponding future service is provided over the course of the export contract.

## 17. Commitments and Contingencies:

The Corporation has provided a letter of credit of \$17,872,000 (December 31, 2021: \$17,872,000) related to pension funding.

The Corporation also pays an annual participation rental fee based on the volume of coal shipped in excess of 17.6 million tonnes (Note 15).

The Corporation has started to enter into contracts with vendors for the construction of the potash capital improvements. Pursuant to the agreement, BHP is required to substantially fund the capital improvements. As at December 31, 2022, the Corporation has commitments related to this project of \$70,738,000 that has not been accrued for.

Although the Corporation does not expect that COVID-19 will significantly impact the Corporation’s operations, assets or liabilities, there is no certainty or guarantee that future events related to COVID-19 won’t impact the Corporation and such impacts could potentially be material.

## 18. Major Customers:

The Corporation had certain customers whose throughput individually represented 10% or more of the Corporation’s total throughput.

For the year ended December 31, 2022, three customers accounted for 80% (2021 - 81%) and four customers accounted for 92% (2021 - 94%) of throughput.

## 19. Financial risk management:

The Corporation is exposed to various risks associated with its financial instruments, which include credit risk, liquidity risk and market risk. Further quantitative disclosures are included throughout these consolidated financial statements.

### (a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or 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 Corporation.

The Corporation’s exposure to credit risk is influenced by the profitability of coal mining companies, which is heavily impacted by the price of the coal. The Corporation does not have any collateral or security for its receivables. The Corporation monitors the financial health of its customers and regularly reviews its accounts receivable for impairment. As at December 31, 2022 and 2021, there were no trade accounts receivable past due which were considered uncollectible and no reserve in respect of doubtful accounts was recorded.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

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

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

	2022	2021
Cash and cash equivalents	\$ 156,027	\$ 243,491
Accounts receivable	7,827	14,726
	\$ 163,854	\$ 258,217

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they become due. The Corporation continually monitors its financial position to ensure that it has sufficient liquidity to discharge its obligations when due.

The current financial liabilities of the Corporation, which include accounts payable and accrued liabilities, other liabilities and dividends payable to shareholders, have a contractual maturity of less than 1 year.

The Corporation also maintains a \$40 million operating facility that is primarily used for pension funding. The Corporation has an outstanding letter of credit for \$17,872,000 against this facility.

(c) Market risk:

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

(i) Foreign currency exchange rates:

The Corporation holds some cash denominated in foreign currencies and the Canadian-dollar value of these cash balances fluctuates with changes in the exchange rate. As at December 31, 2022, the Corporation held US\$6.3 million (2021 – US\$5.9 million). A \$0.01 increase in the US/Canadian exchange rate would have increased the Canadian dollar value of this cash balance and increased foreign exchange gains by \$63,000 for the year.

Certain accounts receivable due from U.S. customers are denominated in U.S. dollars. The U.S. dollar denominated accounts receivable outstanding as at December 31, 2022 was \$867,000 (2021 - \$1,755,000).

The Corporation is exposed to foreign currency exchange rate risk on its foreign currency contracts. The value of these financial instruments fluctuates with changes in the US/CAD dollar exchange rate. See note 14 for more information.

# WESTSHORE TERMINALS INVESTMENT CORPORATION

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2022 and 2021

(ii) Interest rates:

The Corporation has limited exposure to interest rate risk on the cash equivalents. Money market fund returns are correlated with Canadian T-bills and Bankers' Acceptances of major Canadian financial institutions.

The Corporation also has interest rate risk on the revolving credit facility. The revolving credit facility carries an interest rate that floats with market rates.

## 20. Capital management:

The capital of the Corporation consists solely of shareholders' equity which includes issued share capital and deficit.

The objective of the Corporation is to maintain a stable capital base and ensure that the capital structure does not interfere with the Corporation's ability to meet its distribution policy or fund future projects. The Corporation's quarterly dividend is subject to periodic review based on factors including funds applied to repurchase shares, other opportunities that may come before Westshore, other potential capital upgrade projects, operating performance and current market conditions.

## 21. Related party transactions:

	2022	2021
Administration agreement		
Westar Management Ltd.	\$ 597	\$ 580
Management agreement:		
Westar Management Ltd. - base fee	1,791	1,739
Management agreement:		
Westar Management Ltd. - Incentive fee	1,115	4,263
Insurance premiums:		
Affiliate of Westar Management Ltd.	2,255	1,827
Vehicle leases:		
Affiliate of Westar Management Ltd.	196	168
Director fees:		
Director fees	728	686





## Corporate Information

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### Westshore Terminals Investment Corporation

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#### *Directors*

**William W. Stinson**

*Corporate Director*

**M. Dallas H. Ross**

*Partner, Kinetic Capital Partners*

**H. Clark Hollands**

*Private Investor*

**Steve Akazawa**

*Corporate Director*

**Brian A. Canfield**

*Corporate Director*

**Nick Desmarais**

*Managing Director Legal Services, The Jim Pattison Group*

**Glen Clark**

*Corporate Director*

**Dianne Watts**

*Corporate Director*

#### *Stock Exchange Listing*

Toronto Stock Exchange

#### *Trading Symbol*

WTE

#### *Registrar and Transfer Agent*

Computershare Investor Services Inc.  
Vancouver and Toronto

#### *Auditors*

KPMG LLP  
Vancouver, British Columbia

#### *Principal Office*

1800 – 1067 West Cordova Street  
Vancouver, British Columbia V6C 1C7

Telephone: 604.688.6764

#### *Officers*

**William W. Stinson**

*Chairman, Chief Executive Officer & President*

**M. Dallas H. Ross**

*Chief Financial Officer*

**Nick Desmarais**

*Secretary & Vice President of Corporate Development*



## Corporate Information

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### **Westshore Terminals Ltd.**

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**William W. Stinson**

*Corporate Director*

**M. Dallas H. Ross**

*Partner, Kinetic Capital Partners*

**H. Clark Hollands**

*Private Investor*

**Steve Akazawa**

*Corporate Director*

**Brian A. Canfield**

*Corporate Director*

**Nick Desmarais**

*Managing Director Legal Services, The Jim Pattison Group*

**Glen Clark**

*Corporate Director*

**Dianne Watts**

*Corporate Director*