



2020 Annual Report

Competitive | Responsive | Knowledgeable

Western Pacific Trust Company

Incorporated in British Columbia and governed pursuant to the *Financial Institutions Act* and the *Business Corporations Act*, **Western Pacific Trust Company** is a non-deposit taking trust company.

The Company is licensed to do trust business as a non-deposit taking financial institution in British Columbia and Alberta.

Western Pacific Trust Company has four wholly owned subsidiaries: **WP Private Equity Transfers Inc.**, **WP Private Health Inc.**, **1128668 B.C. Ltd.** and **1211263 B.C. Ltd.**, all British Columbia incorporated private companies.

SHARE CAPITAL

Authorized:

100,000,000 Common shares without par value
100,000,000 Preferred shares, issuable in series

Issued:

25,018,558 Common shares
400 Series I Preferred Shares
130,550 Series II Preferred Shares

Western Pacific's Common shares are listed for trading on the TSX Venture Exchange under trading symbol "**WP**".

Services

Self-Administered Plans – Western Pacific Trust Company offers self-administered tax deferred registered plans (RRSPs, SRRSPs, LIRAs, RIFs, LIFs) to permit investors the tax-deferred benefits of a registered plan while maintaining control over their investment choices.

Western Pacific Trust also offers self-administered Tax Free Savings Accounts (TFSAs). TFSA contributions are non-deductible, but withdrawals are tax free, and any investment income earned within the TFSA, including capital gains, will not be taxed.

Qualified investments for both the RRSP and TFSA self-administered accounts are prescribed in the *Income Tax Act of Canada*, and include securities in eligible Canadian controlled private corporations, private mutual fund trusts, venture capital corporations, arm's length mortgages, Employee Share Ownership Plans, etc.

Trusts – We offer strategic counsel, organizational assistance and work with clients' legal and financial advisors in the establishment of various forms of testamentary and inter-vivos trusts. Trusts are an effective vehicle and flexible tool for present and future management of assets. In establishing a trust, there is limitless adaptability to address client requirements, ranging from the most basic to the highly complex, sophisticated or sensitive.

Our professional staff work closely with clients to ensure that the most tax-effective methods are used to achieve the objectives of its clients.

Financial & Administrative – Our senior staff work closely with select individual and corporate clients to deliver high quality professional administrative and/or accounting support, tailored specifically to the client's long or short term needs. These services, which may cover a wide range of responsibilities, are delivered on a strictly confidential basis.

Transfer & Registration – Through wholly owned subsidiary, **WP Private Equity Transfers Inc.**, we offer transfer and registration services for non-listed, non-reporting issuers.

Private Health Plans – Wholly owned subsidiary, **WP Private Health Inc.**, offers Private Health Services Plans to help small business owners save tax, and significantly reduce the after tax cost of their health care.

Independent Specialist Network – Western Pacific Trust Company is able to bring together independent specialist professionals in the legal, accounting and financial planning arenas, to provide comprehensive solutions for complex personal and corporate issues.

WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of
Results of Operations and Financial Position
For the year ended December 31, 2020
(Expressed in Canadian Dollars)

The following is management's discussion and analysis ("MD&A"), dated March 24, 2021, of the consolidated financial condition and results of operations of Western Pacific Trust Company and its wholly-owned subsidiaries, WP Private Equity Transfers Inc. ("WPPET"), WP Private Health Inc. ("WPPH"), 1128668 BC Ltd. and 1211263 BC Ltd. (collectively "WPTC" or the "Company") for the year ended December 31, 2020. This discussion should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2020 (the "Financial Statements").

Basis of Presentation

The Company's consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The IASB continues to amend and add to current IFRS standards and interpretations. As of the date of this MD&A, there are no new IFRS standards that have been recently issued that would have any significant impact to the Company's consolidated financial statements.

Forward Looking Statements

This MD&A contains certain forward-looking statements. All statements, included herein, other than statements of historical fact, including without limitation statements regarding the future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will provide accurate information, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in Company documents filed from time-to-time with the regulatory authorities and on www.SEDAR.com. Additional information with respect to the Company can be obtained from the Company's website at www.westernpacifictrust.com.

Overview

Western Pacific Trust Company is a non-deposit taking financial institution which is licensed under the **Financial Institutions Act ("FIA")** in British Columbia as a Trust Company. WPTC is also registered extra-provincially in Alberta as a non-deposit taking Trust Company.

Self-Administered Plans

WPTC Self-Administered Plans permit investors the tax-deferred benefits of a registered plan while maintaining control over their investment choices. In addition to self-administered Registered Retirement Savings Plans ("RRSPs"), WPTC offers self-administered Tax-Free Savings Accounts ("TFSA's"), self-administered Registered Retirement Income Funds ("RRIFs"), and self-administered Locked-In Retirement Accounts ("LIRAs"), within which clients can earn tax-free investment income during their lifetime. Qualified investments for RRSPs and all other self-administered accounts include, but are not limited to, securities in eligible Canadian controlled private corporations, private mutual fund trusts, venture capital corporations, unlisted public companies, as well as arm's length mortgages.

Trust Services

As part of its trust services, WPTC offers strategic counsel, organizational assistance and consults with clients' legal advisors in the establishment and administration of various forms of trusts, an effective vehicle and flexible tool for present and future management of assets.

Client Consulting Services

The Company provides a range of Accounting, Administrative and Corporate Secretarial services to select clients on a fee-for-service basis.

Transfer Agency Services

The Company provides transfer agent and registrar services to unlisted and non-reporting issuer companies. These services are provided through the company's wholly-owned subsidiary, WPPET, a British Columbia incorporated company.

Collateral Agency Services

The Company acts as Collateral Agent for clients in the conduct of their bond business. The wholly-owned subsidiaries, 1128668 BC Ltd. and 1211263 BC Ltd., are maintained solely for the purpose of offering these services to these clients. The costs of the annual maintenance of these subsidiaries are absorbed by the clients, pursuant to the contract between the parties.

Selected Annual Information and Results of Operations

The following selected consolidated financial data for the three most recently completed financial years should be read in conjunction with the Company's audited consolidated financial statements for the respective years. The Company's consolidated financial statements and the financial information set out below are prepared in accordance with IFRS as issued by the IASB. The Company's significant accounting policies are disclosed in note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2020. The Company's functional and reporting currency is the Canadian dollar.

Statements of Financial Position-selected information

	As at December 31,		
	2020	2019	2018
Total current assets	\$ 1,243,008	\$ 1,117,060	\$ 1,048,397
Total non-current assets	285,099	352,245	155,324
Total assets	\$ 1,528,107	\$ 1,469,305	\$ 1,203,721
Total current liabilities	\$ 183,800	\$ 170,354	\$ 195,184
Total non-current liabilities	256,886	218,370	110,000
Total equity	1,087,421	1,080,581	898,537
Total liabilities and shareholders' equity	\$ 1,528,107	\$ 1,469,305	\$ 1,203,721

Current assets increased in the 2020 fiscal year compared to the same period in 2019 fiscal year due to an increase of cash and cash equivalents for proceeds from new subordinated loans of \$105,000 and the increase in revenue from Self-Administered Plan fees.

Non-current assets decreased in 2020 compared to 2019 due to amortization of the right-of-use asset for the Company's office lease.

The increase in non-current assets in 2019 compared to 2018 is due to recognition of the right-of-use asset.

The increase in current liabilities for 2020 compared to 2019 is attributable to the increase in accounts payable and accrued liabilities for the balance of vacation pay due to staff of \$13,615 in respect to vacation not taken during the 2020 calendar year.

Non-current liabilities increased in 2020 compared to 2019, reflecting the proceeds of \$105,000 for new subordinated loans.

Current liabilities for 2019 decreased compared to 2018 due to the repayment of the preferred share liability of \$100,000, offset by the recognition of the current portion of lease liability for the right-of-use asset.

Non-current liabilities increased in 2019 compared to 2018 due to the recognition of long-term portion of the lease liability for the right-of-use asset.

The increase in total equity in 2019 compared to 2018 is due to the issuance of \$100,000 Series II preferred shares and the net income for the year, offset by the dividends paid for preferred shares.

Statements of Comprehensive Income

	As at December 31		
	2020	2019	2018
Total revenue	\$ 1,059,674	\$ 1,086,977	\$ 941,026
Total general and administrative expenses	(956,769)	(908,550)	(883,546)
Income before amortization, finance expense and share-based payments	102,905	178,427	57,480
Amortization	(9,428)	(11,110)	(8,640)
Finance expense and amortization of deferred gain on subordinated loans	(15,171)	(19,968)	(10,689)
Share-based payments	(1,626)	(3,995)	(5,807)
Net income	\$ 76,680	\$ 143,354	\$ 32,344
Earnings/(loss) per share (basic and diluted)	\$ 0.000	\$ 0.003	\$ (0.001)

Income before amortization, finance expense and share-based payments is a non-GAAP financial measure which has no standard meaning under IFRS. Management is of the opinion that certain investors use this information, in addition to more conventional measures prepared in accordance with IFRS, to evaluate the Company's performance and ability to generate liquidity through operating cash flows.

Results of Operations

Revenues

Comparison of 2020 fiscal year to 2019 fiscal year

The Company recorded a decrease in total revenue of \$27,303 or 2.5% in 2020 compared to 2019, primarily due to the decrease of interest income of \$43,011 (24.6%) from reduced interest rates available upon reinvestment in 2020. Fees received in respect to self-administered plans increased by \$32,766, or 3.8% from an increase in new plans, while consulting and trust service fee income decreased in 2020 by \$17,058 (32.2%) due to a decrease in consulting services income compared to 2019.

Comparison of 2019 fiscal year to 2018 fiscal year

Revenue in 2019 increased by \$145,951 (15.51%) compared to 2018, primarily due to the increase in self-administered plan fee income of \$109,736 (14.6%). In addition, investment income grew by \$26,669 (18%) compared to 2018. During the last quarter of the 2018 fiscal year, the Company re-invested funds held in GICs and negotiated more favourable interest rates resulting in higher interest income for the 2019 fiscal year compared to 2018. Consulting and trust service fee income also increased in 2019 by \$9,546 (21.9%) compared to the 2018 fiscal year.

Expenses

Comparison of 2020 fiscal year to 2019 fiscal year

Total general and administrative expenses increased overall by \$48,219 in 2020 when compared to 2019. The increase is mainly attributable to the increase in staff salaries and the cost of benefits of \$41,479, \$8,189 for computer software and \$12,000 for consulting fees. The increase is offset by decreases in advertising and promotion expenses of \$4,775; office expenses of \$5,757; and directors' fees of \$5,297.

Comparison of 2019 fiscal year to 2018 fiscal year

The total general and administrative expenses increased overall by \$25,004 in 2019 compared to 2018. This is primarily due to an increase in staff salaries and the cost of benefits of \$29,577. Interest expense increased by \$8,779 due to the implementation of the IFRS 16 standards to recognize interest expense on a lease liability. Advertising/promotional fees increased by \$7,620 in 2019 compared to 2018. The remainder of the increase in 2019 compared to 2018 is due to increases in expenses related to computer software; office and administration; and amortization. The overall difference in the increase in general and administrative expenses in 2019 compared to 2018 is offset by a reduction in business development expense of \$6,000 and professional fees of \$5,640.

Summary of Quarterly Results

The following is selected financial information for the last eight quarters.

Quarter ended		Total revenue	Net income (loss) and comprehensive income (loss)	Net income (loss) per share (basic and diluted)	Total assets
		\$	\$	\$	\$
Q4/20	December 31, 2020	247,846	(11,621)	(0.0011)	1,528,107
Q3/20	September 30, 2020	232,285	(9,143)	(0.0010)	1,556,697
Q2/20	June 30, 2020	234,004	9,321	(0.0003)	1,455,413
Q1/20	March 31, 2020	345,539	88,123	0.0029/0.0026	1,502,900
Q4/19	December 31, 2019	283,906	46,444	0.0012/0.0011	1,469,305
Q3/19	September 30, 2019	240,679	4,395	(0.0005)	1,435,322
Q2/19	June 30, 2019	241,110	765	(0.0006)	1,435,978
Q1/19	March 31, 2019	321,282	91,750	0.0031/0.0028	1,511,559

Revenue and net income (loss) for each quarter

The fluctuations in total revenue from quarter to quarter are due primarily to seasonal variations in revenue from self-administered plans.

Total revenue increased for the last quarter in 2020 compared to the third quarter of 2020 as a result of an increase in self-administered plan revenue.

The decrease in net income in the third quarter and the last quarter of 2020 is due to the decrease in interest income and decrease in consulting fees income for both quarters and the increase in salaries expense for the accrual of vacation pay owing to staff at year end.

Significant variances in previous quarters are discussed as follows:

Total revenue and net income both decreased for the **third quarter of 2020** due to the decrease in interest income and increase in salaries and professional fees. The increase in total assets for the third quarter of 2020 is due to the increase in subordinated loans of \$105,000 from Company insiders.

Total revenue and net income both decreased for the **second quarter of 2020**, due to seasonal fluctuation in self-administered plan revenue from the first to second quarter. The decrease in total assets for the second quarter of 2020 is due to the decrease in cash as a result of cash used for payments of accounts payable and dividends during the quarter.

Total revenue and net income both increased for the **first quarter of 2020** due to the increase in self-administered plan business prior to the annual RRSP contribution deadline of March 2, 2020.

Total revenue and net income both increased for the **last quarter in 2019** compared to the third quarter of 2019 as a result of an increase in self-administered plan revenue.

Total revenue decreased slightly for the **third quarter in 2019** compared to the second quarter of 2019 due to a decrease in self-administered plan revenue. Net income increased for the third quarter ended September 30, 2019 compared to the second quarter of 2019 due to a reduction in expenses for salaries and benefits.

Total revenue and net income both decreased for the **second quarter of 2019** compared to the first quarter of 2019 due to the seasonal fluctuation in self-administered plan revenue from the first to second quarter. The decrease in total assets for the second quarter of 2019 is attributable to the decrease in cash as a result of cash used for payments of the annual directors' fees and dividends during the quarter.

Total revenue and net income both increased for the **first quarter of 2019** as a result of the increase in self-administered plan business prior to the annual RRSP contribution deadline of March 1, 2019 and

interest income from investments in term deposits. The increase in total assets for the first quarter of 2019 is due to the January 1, 2019 adoption of IFRS 16 – Operating Leases.

Outlook

The outbreak of the COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material economic disruptions to businesses giving rise to a dramatic slowdown in business activity. The related negative impact has resulted in limited growth and substantially lower interest rates, significantly decreasing the Company's interest income, which in turn has had a negative impact on revenue and profits.

Management expects to see a continuing impact on its interest income in the coming months as a result of these measures and a general slowdown of the economy.

Self-Administered Plans

Trustee services for Self-Administered Plans are required for any issuer wishing to offer RRSP or TFSA eligible securities, as well as for investors wishing to purchase a private market security in an RRSP or TFSA. Such investments include, but are not limited to, private Mutual Fund Trusts, eligible Canadian Controlled Private Corporations, Eligible Business Corporations, Venture Capital Corporations and arm's length mortgages.

Annual trustee fees earned from each plan build year-over-year for the life of the plan, creating a continuing revenue base for each succeeding year. Transactional fees earned on new accounts increase in proportion to the numbers of plans opened, in addition to transaction fees generated for new purchases in existing accounts.

Western Pacific Trust Company is steadily gaining increased recognition in the private capital markets as a trustee for self-administered plans holding eligible private investments. While the Company offers competitive pricing, it is the commitment to offering knowledgeable and responsive service delivered on a consistent basis which distinguishes the company in the market place.

Client Consulting Services

The Company offers a range of administrative and accounting services to select clients.

Transfer Agency Services

The Company provides transfer agent and registrar services to unlisted and non-reporting issuer companies. These services are provided through the company's wholly-owned subsidiary, WPPET, a British Columbia incorporated company.

Private Health Plans

Through its wholly-owned subsidiary, WP Private Health Inc., the Company offers private health care plans for small business owners. Not insurance, rather a tax planning tool, these plans help clients who own small corporations to save taxes, and reduce the after-tax cost of health care for themselves and their families.

Collateral Agent Services

Wholly-owned subsidiaries 1128668 BC Ltd. and 1211263 BC Ltd. provide Collateral Agent services to clients in the conduct of their bond business.

Liquidity

Western Pacific Trust Company - Capital Adequacy

As a trust company, the Company is governed by the BC Financial Services Authority ("BCFSA") pursuant to the *Financial Institutions Act* (British Columbia). The Company is required to submit to the BCFSA, on a quarterly basis, within 30 days of each quarter end, a Financial Return in which a Capital Adequacy calculation is required to set forth the Primary Capital (Shares, Retained Earnings and Reserves) and the Secondary Capital (Subordinated Debt and Other equity investments) to arrive at the Company's Capital Base. The Required Capital Base is calculated as 0.5% of the Assets Held in Trust.

As at December 31, 2020, the Company had a calculated Capital Base in excess of the Required Capital Base.

Capital Resources

As at December 31, 2020, the Company had working capital of \$1,059,208 (December 31, 2019: \$946,706) available to fund its operations.

As at December 31, 2020, the Company had subordinated debt outstanding in the aggregate amount of \$186,527. The subordinated loans consist of \$105,000 from insiders with interest at 5% per annum and \$11,527 and \$70,000 from two unrelated parties which bear no interest.

Off-Balance Sheet Arrangements

Other than Self-Administered Plan revenues beyond the reporting period and interest income held in term deposits from trust assets, the Company does not have any off-balance sheet items that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Transactions with Related Parties

Pursuant to the requirements of the Financial Institutions Act, WPTC's Conduct Review Committee is required to approve all related party transactions of the Company and report same to the Directors at meetings of the Board, which are held quarterly.

Related parties includes directors and officers of the Company. Share-based payments consist of stock option issuances.

The following transactions with related parties for the years ended December 31, 2020 and 2019 were in the normal course of operations and were measured at the fair value of the services provided:

	Years ended	
	December 31, 2020	December 31, 2019
Management salaries	\$ 142,729	\$ 125,450
Directors' fees	40,203	45,000
Consulting fees paid to a company controlled by a director	96,000	84,000
Professional fees for consultant	44,975	42,438
Share-based payments	1,626	3,995
Total compensation	\$ 325,533	\$ 300,883

Interest and waiver fees of \$3,798 (2019: \$2,857), included in finance expense and dividends of \$30,725 (2019: \$36,138) have been paid to directors and close family members of directors.

At December 31, 2020, the Company has \$39,273 in accounts payable and accrued liabilities due to an officer and directors of the Company and companies controlled by directors. In addition, \$90,000 of subordinated loans were advanced by directors or close family members of directors of the Company and accrued interest of \$1,619 has been included in finance expense.

Financial Instruments

As at December 31, 2020, the Company had not entered into any derivative financial instruments as a method of managing market risks associated with interest rates and foreign exchange fluctuations. Note 4 to the audited consolidated financial statements include a discussion of the Company's financial instruments and the related risks.

Risks and Uncertainties

COVID-19

During the year there has been increased risk due to the COVID-19 pandemic, and Management considers the pandemic as an additional risk factor to its operations. While the impact of the pandemic remains uncertain, the Company is adjusting and adapting to the daily changes and is continuing its operations as an essential service provider. As this situation evolves, Management will continue to monitor the impact on operations. See Outlook section above for further detail.

Dependence on major clients

Plans opened for the Company's three largest issuer clients comprise a significant percentage of total revenues. Although these issuers are large entities, as such, any disruption in the Company's relationships

with these major clients or any decrease in revenue from them, could have an adverse effect on the Company.

Tax laws

The tax laws in Canada and abroad are continually changing.

Dependence on key personnel

Loss of certain members of the executive team or key management members of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacements are found. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

Outstanding Share Information

As at the date of this report there are 25,018,558 Common shares, 400 Series I Preferred shares and 130,550 Series II Preferred shares issued and outstanding. The terms of the preferred shares are described in the audited consolidated financial statements.

Share Purchase Options

A total of 5,003,711 Common shares are reserved for issuance under the Company's Stock Option Plan (the "Plan").

As at the date of this report, there are a total 2,625,000 shares under option, and 2,378,711 shares reserved and available for issuance under the Plan.

Proposed Transactions

As of the date of this report, there are no significant transactions, acquisition or disposition of businesses or assets currently being discussed or transacted.

Directors

As of the date of this report, the Board of Directors is composed of the following:

Anthony Liscio, DDS (Chair)
Alison Alfer
Bruce H. Bailey, CPA, CA
G. Benjamin Cutler

John C.A. de Wit, CPA, CA
J. Cowan McKinney, FCPA, FCA
Steven O. Youngman, B.Comm., LL.B (Deputy Chair)

WESTERN PACIFIC TRUST COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF WESTERN PACIFIC TRUST COMPANY

Opinion

We have audited the consolidated financial statements of Western Pacific Trust Company (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at December 31, 2020 and 2019;
- ♦ the consolidated statements of comprehensive income for the years then ended;
- ♦ the consolidated statements of changes in shareholders' equity for the years then ended;
- ♦ the consolidated statements of cash flows for the years then ended; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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F: 604 357 1376

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T: 250 755 2111
F: 250 984 0886

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 24, 2021

WESTERN PACIFIC TRUST COMPANY**Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,150,936	\$ 950,533
Accounts receivable	5	66,430	107,708
Interest receivable		17,415	50,970
Prepaid expenses		8,227	7,849
		1,243,008	1,117,060
Deposits	4.3, 14	113,405	109,752
Right-of-use asset	6	133,913	195,713
Property and equipment	7	21,922	26,956
Intangible assets	8	15,859	19,824
		\$ 1,528,107	\$ 1,469,305
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 93,104	\$ 82,894
Deferred revenue		12,680	18,888
Lease liability – current portion	6	66,489	57,045
Subordinated loans – current portion	9	11,527	11,527
		183,800	170,354
Lease liability	6	81,886	148,370
Subordinated loans	9, 13	155,059	47,227
Deferred gain on subordinated loans	9	19,941	22,773
		440,686	388,724
SHAREHOLDERS' EQUITY			
Common shares	10	1,536,734	1,536,734
Preferred shares	10	1,272,584	1,278,575
Reserves		357,965	356,339
Accumulated deficit		(2,079,862)	(2,091,067)
		1,087,421	1,080,581
		\$ 1,528,107	\$ 1,469,305

Approved on behalf of the Board

“Anthony Liscio”
Director*“Steven Youngman”*
Director

WESTERN PACIFIC TRUST COMPANY
Consolidated Statements of Comprehensive Income
(Expressed in Canadian Dollars)

		For the years ended	
	Note	December 31, 2020	December 31, 2019
Revenue			
Consulting and trust service fee income		\$ 35,994	\$ 53,052
Self-Administered Plan fee income		892,177	859,411
Interest		131,503	174,514
		1,059,674	1,086,977
General and administrative expenses	13,16	956,769	908,550
		102,905	178,427
Income from operations			
Amortization of property and equipment	7	(5,463)	(6,190)
Amortization of intangible assets	8	(3,965)	(4,920)
Finance expense	9,13	(18,003)	(22,660)
Amortization of deferred gain on subordinated loans	9	2,832	2,692
Share-based payments	11,13	(1,626)	(3,995)
		\$ 76,680	\$ 143,354
Net income and comprehensive income			
Earnings per share, basic and diluted	10	\$ 0.000	\$ 0.003
Weighted average number of common shares outstanding		25,018,558	25,018,558

The accompanying notes are an integral part of these Consolidated Financial Statements

WESTERN PACIFIC TRUST COMPANY

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital				Reserves		Total Shareholders' Equity
	Common Shares	Amount	Preferred Shares	Amount	Share-Based Payments	Accumulated Deficit	
Balance, December 31, 2018	25,018,558	\$ 1,536,734	120,950	\$ 1,180,905	\$ 359,264	\$ (2,178,366)	\$ 898,537
Preferred shares issued	-	-	10,000	100,000	-	-	100,000
Share issue costs on preferred shares	-	-	-	(2,330)	-	-	(2,330)
Share-based payments	-	-	-	-	3,995	-	3,995
Dividends paid on preferred shares	-	-	-	-	-	(62,975)	(62,975)
Transfer of options forfeited	-	-	-	-	(6,920)	6,920	-
Net income for the year	-	-	-	-	-	143,354	143,354
Balance, December 31, 2019	25,018,558	\$ 1,536,734	130,950	\$ 1,278,575	\$ 356,339	\$ (2,091,067)	\$ 1,080,581
Balance, December 31, 2019	25,018,558	\$ 1,536,734	130,950	\$ 1,278,575	\$ 356,339	\$ (2,091,067)	\$ 1,080,581
Series II preferred shares issued	-	-	61,350	613,500	-	-	613,500
Series I preferred shares redeemed	-	-	(61,350)	(613,500)	-	-	(613,500)
Share issue costs on preferred shares	-	-	-	(5,991)	-	-	(5,991)
Share-based payments	-	-	-	-	1,626	-	1,626
Dividends paid on preferred shares	-	-	-	-	-	(65,475)	(65,475)
Net income for the year	-	-	-	-	-	76,680	76,680
Balance, December 31, 2020	25,018,558	\$ 1,536,734	130,950	\$ 1,272,584	\$ 357,965	\$ (2,079,862)	\$ 1,087,421

The accompanying notes are an integral part of these Consolidated Financial Statements

WESTERN PACIFIC TRUST COMPANY
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2020	2019
Operating activities		
Net income for the year	\$ 76,680	\$ 143,354
Items not involving cash:		
Amortization of property and equipment and intangible assets	9,428	11,110
Amortization of deferred gain on subordinated loans	(2,832)	(2,692)
Accretion expense on subordinated loans	2,832	2,692
Amortization of right-of-use asset	61,800	61,800
Deferred lease inducement	-	(4,228)
Share-based payments	1,626	3,995
	149,534	216,031
Changes in non-cash working capital balances		
Interest receivable	33,555	6,796
Accounts receivable	41,278	(49,027)
Deposits	(3,653)	(4,251)
Prepaid expenses	(378)	12,065
Accounts payable and accrued liabilities	10,210	9,587
Deferred revenue	(6,208)	12,766
Net cash provided by operating activities	224,338	203,967
Investing activity		
Property and equipment and intangible assets acquired	(429)	(8,067)
Net cash used in investing activity	(429)	(8,067)
Financing activities		
Lease liability payments	(57,040)	(52,098)
Proceeds from subordinated loans	105,000	-
Repayment of subordinated loans	-	(40,000)
Repayment of preferred shares liability	-	(100,000)
Series II preferred shares issued	613,500	-
Series I preferred shares redeemed	(613,500)	-
Share issuance costs	(5,991)	97,670
Dividends paid	(65,475)	(62,975)
Net cash used in financing activities	(23,506)	(157,403)
Increase in cash and cash equivalents during the year	200,403	38,497
Cash and cash equivalents, beginning of the year	950,533	912,036
Cash and cash equivalents, end of the year	\$ 1,150,936	\$ 950,533
Non-cash activities:		
Interest paid	\$ 8,820	\$ 11,537
Right-of-use-asset subject to lease	\$ -	\$ 257,513
Taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these Consolidated Financial Statements

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

1. Corporate Information

Western Pacific Trust Company (the “Company”) has been listed on the TSX Venture Exchange since 1999 under stock symbol “WP”.

The Company is a British Columbia incorporated, publicly traded, non-deposit-taking independent trust company licensed under the *Financial Institutions Act* in British Columbia and the *Loan and Trust Corporations Act* in Alberta to conduct trust business in both provinces. The Company is not authorized to receive or hold funds on deposit. The Company may invest in corporations that carry on businesses described in Section 141 of the *Financial Institutions Act*.

The Company acts as Trustee for Self-Administered Registered Retirement Savings Plans (“RRSP”), which permit investors the tax-deferred benefits of a registered plan while maintaining control over their investment choices. The Company also offers self-administered Tax-Free Savings Accounts (“TFSA”), within which clients can earn tax-free investment income during their lifetime. Qualified investments for both the RRSP and TFSA self-administered accounts include securities in eligible Canadian-controlled private corporations, private mutual fund trusts, venture capital corporations, unlisted public companies, as well as arm’s length mortgages.

One of the Company’s wholly owned subsidiaries, WP Private Equity Transfers Inc. (“WPPET”), a British Columbia incorporated company, provides transfer agency services for unlisted, non-reporting issuers.

Another wholly owned subsidiary WP Private Health Inc. (“WPPH”), a British Columbia incorporated company, also registered in Alberta, provides private health plans to small business owners.

The Company has two additional 100% owned private subsidiaries: 1128668 BC Ltd., and 1211263 BC Ltd., both of which act as Collateral Agent for different clients in the conduct of their respective bond businesses. These wholly owned subsidiaries are maintained solely for the purpose of offering these services to these clients. The annual maintenance costs of these subsidiaries are absorbed by the clients, pursuant to the contract between the parties.

The Company had a net income of \$76,680 for the year ended December 31, 2020 (2019: \$143,354) and has an accumulated deficit of \$2,079,862 as of December 31, 2020 (2019: \$2,091,067). At December 31, 2020, the Company had cash of \$1,150,936 (2019: \$950,533) and working capital of \$1,059,208 (2019: \$946,706).

The outbreak of the COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material economic disruptions to businesses giving rise to a dramatic slowdown in business activity. The related negative impact has resulted in limited growth and substantially lower interest rates, which in turn has had a negative impact on the Company’s revenue and profits.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 24, 2021.

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. Basis of preparation (continued)

2.2 Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2.3 Critical accounting judgments and estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. Actual results could differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The impacts of changes to estimates are recognized in the period they are revised and in future periods affected. The critical judgment and assumptions applied in the preparation of these consolidated financial statements and other major sources of measurement uncertainty are disclosed in note 3.

3. Summary of significant accounting policies

3.1 Basis of consolidation

These consolidated financial statements include the accounts of the Company and its integrated wholly-owned subsidiaries, WPPET, WPPH, 1128668 BC Ltd., and 1211263 BC Ltd. All material intercompany balances have been eliminated in these consolidated financial statements. Subsidiaries are all entities over which the Company has control. Control is based on whether an investor has power over the investee, exposure of rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

3.2 Significant accounting judgments and estimates

a) Collectability of receivables

Receivables comprise amounts due from consulting and trust service fee income and Self-Administered Plan fee income. The receivables are reviewed on a regular basis to determine their collectability and amounts deemed uncollectable are provided for. At December 31, 2020 and 2019, management is of the opinion that the Company's accounts receivable balance is collectable.

b) Amortization of property and equipment and intangible assets

Property and equipment and intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is calculated on a declining-balance basis for computer software and furniture and equipment. Amortization rates used are based on standard rates for the corresponding assets and reflect management's best estimate of the useful lives of these assets.

c) Accrued liabilities

Management makes estimates of the obligations of the Company as a result of past transactions. The estimates are reviewed on an ongoing basis and revisions to the estimates are recognized in the period in which the estimate is revised.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.2 Significant accounting judgments and estimates (continued)

d) Deferred income tax assets

In assessing the probability of realizing income tax assets, management makes educated estimates related to future net taxable income. Management believes that its estimates are reasonable, but actual results may differ.

e) Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

f) Share-based payments

Assumptions are used in determining share-based payments. The fair value of stock options are subject to the limitation of the Black-Scholes option pricing model that requires market data and estimates used by the Company in the assumptions. These inputs are subjective assumptions and changes in these inputs can materially affect the fair value estimated.

g) Interest rate

The Company estimates a fair value interest rate in determining the fair value of long-term subordinated loans payable, right-of-use asset and lease liability. The determination of the fair value interest rate is subjective and changes to the business or market rates of interest could materially affect the fair value estimated.

3.3 Revenue recognition

Consulting and trust services fee income and Self-Administered Plan fee income are recognized when services are provided.

Interest income is accrued on a time-apportioned basis by reference to the carrying value using the effective interest rate method. The Company also accrues and recognizes interest income earned on funds held in trust.

3.4 Property and equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, with any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Amortization is provided at rates calculated to write off the cost of equipment less their estimated residual value. Furniture and equipment are amortized at 20% per year, on a declining-balance basis.

An item of property and equipment is derecognized upon disposal, when held for resale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive income.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.5 Intangible assets

Intangible assets consist of trust management operations software. It is a finite-lived intangible asset being amortized 20% per year, on a declining-balance basis. The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying value may not be recoverable.

3.6 Taxation

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantively enacted. The amount of income tax assets is reviewed each reporting period and is reduced to the extent it is no longer probable the benefit will be realized.

3.7 Share-based payments

The Company has a stock option plan that is described in note 11. Stock options to employees are measured at the fair value of the instruments issued and amortized over the vesting period. Stock option payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. When options and warrants expire unexercised, such amounts are transferred to deficit.

3.8 Earnings per share

Basic earnings per share is computed by dividing the net earnings available to common shareholders less the dividends declared on preferred shares by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

3.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.10 Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of comprehensive income.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance.

(ii) Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.10 Financial instruments (continued)

(iv) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

3.11 Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether 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 ROU), the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The Company applies the exemption not to recognize right-of-use assets and lease liabilities for leases relating to low-value assets. The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the end-of-the-useful-life or the lease term, whichever comes earlier, using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU 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 Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.12 Preferred shares

Preferred shares issued by the Company contain provisions that allow the holders of the preferred shares to put those shares to the Company for redemption ("right of retraction"). Where the holder of the preferred shares has waived their right of retraction, the associated preferred shares are presented as equity of the Company. In cases where the holder of the preferred shares has retained their right of retraction, the associated preferred shares are presented as a liability.

4. Financial instruments

4.1 Categories of financial instruments

The Company has classified its financial instruments as follows under IFRS 9 *Financial Instruments*:

	IFRS 9
Financial Asset	
Cash and cash equivalents	Fair value through profit or loss
Accounts receivable, interest receivable, deposits (other than rental deposit)	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities, lease liability and subordinated loans	Amortized cost

4.2 Fair value

The fair values of the financial instruments, other than cash and the current portion of subordinated loans, approximate their carrying value as at December 31, 2020 and December 31, 2019 due to the demand nature or short-term maturity of these instruments. Subordinated loans approximate fair value as they are based on current market rates of interest. Cash is valued in accordance with level 1 of the fair value hierarchy.

4.3 Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on mitigating these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk in respect of cash by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. Trade accounts receivable are due from clients. The Company manages credit risk in respect to accounts receivable by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at December 31, 2020 and December 31, 2019.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. Financial instruments (continued)

4.3 Financial risk management objectives and policies (continued)

a) Credit risk (continued)

Concentration of credit risk exists with respect to the Company's cash as the majority of amounts are held at a single major Canadian chartered bank. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	December 31, 2020	December 31, 2019
Cash	\$ 204,620	\$ 169,246
Cash in interest bearing account	946,316	781,287
Total cash and cash equivalents	1,150,936	950,533
Deposits held by credit card processor	88,671	85,047
Deposit held by lessor (note 14)	18,832	18,832
Restricted cash	5,902	5,873
Total deposits	113,405	109,752
Accounts receivable	66,430	107,708
Interest receivable	17,415	50,970
	\$ 1,348,186	\$ 1,218,963

The Company's restricted cash consists of a cashable guaranteed investment certificate held as security for the SEDAR program, with interest at 0.50% per annum, and maturing March 29, 2021. The investment is renewed annually.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves to meet its liquidity requirements. At December 31, 2020, the Company had accounts payable and accrued liabilities of \$93,104 (2019: \$82,894), which are due for payment within three months, current portion of lease liability of \$66,489 (2019: \$57,045) and lease liability of \$81,886 (2019: \$148,370) until the lease term ending 2023, current portion of subordinated loan of \$11,527 (2019: \$11,527), due on demand, and subordinated loans of \$155,059 (2019: \$47,227), which are due for payment in 2026 and 2027.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

i) Interest rate risk consists of two components:

a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. Financial instruments (continued)

4.3 Financial risk management objectives and policies (continued)

c) Market risk (continued)

i) Interest rate risk (continued)

- b) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the significant decrease in interest rates on short-term investments, the Company is exposed to substantial interest rate risk.

ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to other price risk.

The Company's management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially for the year ended December 31, 2020.

5. Accounts receivable

The Company's trade accounts receivable is aged as follows:

	December 31, 2020	December 31, 2019
Less than 1 month	\$ 8,670	\$ 11,651
1 to 3 months	6,224	35,398
More than 3 months	51,536	60,659
	<u>\$ 66,430</u>	<u>\$ 107,708</u>

Management reviews the collectability of the accounts receivable on a monthly basis and provides allowance on amounts that are not collectable.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

6. Right-of-use asset

Right-of-use asset

Value of right-of-use asset as at January 1, 2019	\$	257,513
Depreciation		(61,800)
Value of right-of-use asset as at December 31, 2019	\$	195,713
Depreciation		(61,800)
Value of right-of-use asset as at December 31, 2020	\$	133,913

Lease liability

Lease liability as at January 1, 2019	\$	257,513
Lease payments		(63,635)
Lease interest		11,537
Lease liability as at December 31, 2019	\$	205,415
Lease payments		(65,860)
Lease interest		8,820
Lease liability as at December 31, 2020	\$	148,375

Current portion	\$	66,489
Long-term portion		81,886
	\$	148,375

7. Property and equipment

Furniture and Equipment

Cost

As at December 31, 2018	\$	184,655
Additions		2,929
As at December 31, 2019		187,584
Additions		429
As at December 31, 2020	\$	188,013

Accumulated amortization

As at December 31, 2018	\$	154,438
Charge for the year		6,190
As at December 31, 2019		160,628
Charge for the year		5,463
As at December 31, 2020	\$	166,091

Net book value

As at December 31, 2019	\$	26,956
As at December 31, 2020	\$	21,922

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

8. Intangible assets

	Software
Cost	
As at December 31, 2018	\$ 48,564
Additions	5,138
As at December 31, 2019 and December 31, 2020	\$ 53,702
Accumulated amortization	
As at December 31, 2018	\$ 28,958
Charge for the year	4,920
As at December 31, 2019	33,878
Charge for the year	3,965
As at December 31, 2020	\$ 37,843
Net book value	
As at December 31, 2019	\$ 19,824
As at December 31, 2020	\$ 15,859

9. Subordinated loans

Advance Date	Principal Advanced (Repayment)	Interest Rate	Maturity Date
Current subordinated loan			
January 2015 ⁽¹⁾	\$ 11,527	Non-interest bearing	Due on demand
Long-term subordinated loans			
March 24, 2016 ⁽²⁾	\$ 35,000	Non-interest bearing	March 24, 2026
September 2, 2016 ⁽²⁾	5,000	Non-interest bearing	September 2, 2026
October 24, 2016 ⁽²⁾	5,000	Non-interest bearing	October 24, 2026
September 30, 2017 ⁽²⁾	25,000	Non-interest bearing	September 30, 2027
September 28, 2018 ⁽³⁾	40,000	5% per annum	September 28, 2024
Balance at December 31, 2018	110,000		
Repayment:			
September 28, 2018 ⁽³⁾	(40,000)		
Balance at December 31, 2019	70,000		
Additions:			
July 31, 2020 ⁽⁴⁾	90,000	5% per annum	July 31, 2026
August 27, 2020 ⁽⁴⁾	15,000	5% per annum	August 27, 2026
Balance at December 31, 2020	\$ 175,000		

(1) In January 2015, the Company entered into an agreement for a revolving subordinated loan based on 0.5% of the issuer's cash and client investments held in trust. The revolving loan advanced by its issuer is proportionate to the value of the assets of that issuer held in trust, and will increase or decrease relative to the value of the assets held.

(2) The Company entered into an agreement with one of its trust clients for interest-free subordinated loans. These subordinated loans are recorded initially at the fair value, and are calculated based on the application of a fair value interest rate of 6%. The difference between the face value and the initial fair value of the subordinated loans payable has been recorded as a deferred gain on subordinated loans.

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9. Subordinated loans (continued)

- (3) The Company entered into an agreement with certain directors during the 2018 fiscal year. These subordinated loans were repaid in February 2019.
- (4) The Company entered into loan agreements with certain insiders during the year ended December 31, 2020. These subordinated loans are recorded initially at the fair value, and are calculated based on the application of a fair value interest rate of 5%.

	Long-term subordinated loans	Deferred gain on subordinated loans
As at December 31, 2018	\$ 74,773	\$ 35,227
Repayment for the year	(40,000)	-
Deferred gain on subordinated loans	9,762	(9,762)
Accretion expense	2,692	(2,692)
As at December 31, 2019	47,227	22,773
Accretion expense	2,832	(2,832)
Additions during the year	105,000	-
As at December 31, 2020	\$ 155,059	\$ 19,941

10. Share capital

10.1 Authorized:

100,000,000 common shares without par value
100,000,000 preferred shares, issuable in series

Issued and outstanding:

25,018,558 (2019: 25,018,558) common shares
400 (2019: 61,750) Series I preferred shares with a value of \$10 each
130,550 (2019: 69,200) Series II preferred shares with a value of \$10 each

10.2 Preferred shares

Series I preferred shares are non-voting, redeemable, and non-retractable, and earn non-cumulative dividends equal to 5% per annum of the aggregate value of \$10 per share and a non-cumulative cash payment equal to 1% per annum of the aggregate value of \$10 per share.

Series II preferred shares are non-voting, redeemable by the Company and earn non-cumulative dividends equal to 5% per annum of the aggregate value of \$10 per share. The Company has the right to redeem the Series II preferred shares at any time on 30 days' (the "Redemption Period") notice and at any time prior to the expiry of the redemption period, each holder of the Series II preferred shares shall have the right to convert the Series II preferred shares into common shares at a conversion ratio equal to the issue price divided by the conversion price of \$0.15 per common share, subject to adjustment.

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10. Share capital (continued)

10.2 Preferred shares (continued)

During the last quarter in 2019, 10,000 Series I non-voting, redeemable, non-retractable, preferred shares at \$10 per shares were issued to a director of the Company through a private placement. These shares earn non-cumulative dividends equal to 5% per annum of the aggregate value of \$10 per share and a non-cumulative cash payment equal to 1% per annum of the aggregate value of \$10 per share. Share issue costs of \$2,330 for legal fees were incurred.

During the quarter ended September 30, 2020, the Company redeemed 61,350 Series I non-voting, non-retractable preferred shares at \$10 per share and, through a private placement, issued 61,350 Series II non-voting, redeemable preferred shares at \$10 per share with non-cumulative dividends equal to 5% per annum of the aggregate value of the issued Series II preferred shares. Share issue costs of \$5,991 were incurred.

10.3 Earnings per share

The following is a reconciliation of the numerator in calculating basic and diluted income per share:

	For the years ended December 31,	
	2020	2019
Income before adjustment for preferred shares dividends	\$ 76,680	\$ 143,354
Amount paid as preferred share dividends	(65,475)	(62,975)
Adjusted income	\$ 11,205	\$ 80,379
Earnings per share, basic and diluted	\$ 0.000	\$ 0.003

11. Share-based payments

11.1 Stock options

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. The minimum exercise price of any options granted under the Plan cannot be less than the discounted market price (the last closing price of the shares on the Exchange less a maximum 25% discount). The options are granted for up to a ten-year term. Vesting provisions may be imposed at the time of the grant of options at the discretion of the board of directors, except for consultants acting in an investor relations capacity where vesting provisions are prescribed.

As of the date of these consolidated financial statements, no options have been exercised.

Details of the Company's stock options outstanding as of December 31, 2019 and December 31, 2020 and changes during the respective periods are as follows:

	Number Outstanding	Weighted Average Exercise Price
As at December 31, 2018	2,725,000	\$ 0.09
Forfeited	(100,000)	\$ 0.10
As at December 31, 2019 and December 31, 2020	2,625,000	\$ 0.09

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11. Share-based payments (continued)

11.2 Outstanding stock options

On June 11, 2018, 75,000 stock options were granted to a director. The stock options have an exercise price of \$0.12 with an expiry date of June 11, 2022. The stock options vested at 1/3 at December 31, 2018; 1/3 at December 31, 2019; with the balance to vest 1/3 at December 31, 2020. On September 13, 2018, an additional 25,000 stock options with an exercise price of \$0.07 and an expiry date of September 13, 2022, were granted to a director. These granted options vested as to 8,000 shares at December 31, 2018; 8,000 shares at December 31, 2019; with the balance of 9,000 shares vested on December 31, 2020.

During the year ended December 31, 2019, 100,000 stock options with an exercise price of \$0.10 were forfeited due to the resignation of a director. Share-based payments of \$6,920 has been allocated from share-based payments reserve to deficit.

Share-based payments consists of \$1,626 (2019: \$3,995) to a director.

As at December 31, 2020, the following stock options issued to directors and employees of the Company were outstanding:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (years)	Options Exercisable
November 18, 2022	\$ 0.07	815,030	\$ 0.06	1.88	815,030
November 26, 2022	\$ 0.10	1,709,970	\$ 0.07	1.91	1,709,970
June 11, 2022	\$ 0.12	75,000	\$ 0.13	1.45	75,000
September 13, 2022	\$ 0.07	25,000	\$ 0.07	1.70	25,000
		2,625,000		1.89	2,625,000

As at December 31, 2019, the following stock options issued to directors and employees of the Company were outstanding:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (years)	Options Exercisable
November 18, 2022	\$ 0.07	815,030	\$ 0.06	2.88	815,030
November 26, 2022	\$ 0.10	1,709,970	\$ 0.07	2.91	1,709,970
June 11, 2022	\$ 0.12	75,000	\$ 0.13	2.45	50,000
September 13, 2022	\$ 0.07	25,000	\$ 0.07	2.70	16,000
		2,625,000		2.89	2,591,000

12. Capital disclosures

The Company considers its shareholders' equity and subordinated loans to be its capital, which, as at December 31, 2020, amounted to \$1,273,948 (2019: \$1,162,108).

The Company's objective of managing capital is to safeguard the Company's ability to continue as a going concern.

The Company maintains sufficient capital to meet its future needs, taking into consideration economic risks inherent in its businesses and regulatory requirements.

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12. Capital disclosures (continued)

Under the *Financial Institutions Act* of British Columbia, the Company is required to meet the regulatory capital as prescribed by the BC Financial Services Authority ("BCFSA"). To satisfy the requirements, the Company is required to maintain a minimum capital determined by multiplying the total value of the assets that the Company holds in trust by 0.5%. The Company has complied with the capital requirements as prescribed by BCFSA as at December 31, 2020.

The Company reviews the sufficiency of its capital as appropriate and makes any necessary adjustments to its capital primarily by raising adequate financing.

There have been no changes to the Company's approach to capital management for the year ended December 31, 2020.

13. Related party transactions and balances

The Company's related parties consist of its key management personnel, including its directors, and their close family members and entities controlled by key management personnel. All transactions with related parties are in the normal course of operations. Amounts due to or from related parties are subject to normal trade terms and conditions.

During the years ended December 31, 2020 and 2019, the Company incurred the following charges related to management compensation:

	December 31, 2020	December 31, 2019
Management salaries	\$ 142,729	\$ 125,450
Directors' fees	40,203	45,000
Consulting fees paid to a company controlled by a director	96,000	84,000
Professional fees for consultant	44,975	42,438
Share-based payments	1,626	3,995
Total compensation	\$ 325,533	\$ 300,883

Interest and waiver fees of \$3,798 (2019: \$2,857), included in finance expense and dividends of \$30,725 (2019: \$36,138) have been paid to directors and close family members of directors.

At December 31, 2020, the Company has \$39,273 (2019: \$30,776) in accounts payable and accrued liabilities due to an officer and directors of the Company and companies controlled by directors. In addition, \$90,000 of subordinated loans were advanced by directors or close family members of directors of the Company and accrued interest of \$1,619 has been included in finance expense.

Compensation for key management is for short-term benefits only. Key management personnel do not receive any post-employment or other long-term benefits.

14. Commitments for expenditures

In October 2017, the Company entered into a renewed five-year lease for premises at its current location, in Vancouver, British Columbia. Under the terms of the lease, the Company is responsible for basic rent plus operating costs and property taxes commencing March 1, 2018. The Company's commitment for minimum rental payments, calculated based on basic rent is \$5,785 per month for the first two years, \$6,008 per month for the last three years. The current lease includes free base rent periods for the months of March 2018, February 2019 and February 2020 (see note 6 for right-of-use asset and lease liability relating to the premises lease).

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14. Commitments for expenditures (continued)

The operating costs, which are calculated each year, were \$4,572 (2019: \$4,474) per month and are expected to increase by 2% to 5% for each year until the end of the lease term.

The security deposit of \$18,832 (note 4.3) paid in August 2012 continues to be held by the lessor.

The Company also has a non-cancellable operating lease for equipment expiring in June 2022. Cash commitments for minimum lease payments in relation to non-cancellable operating leases for equipment and premises as at December 31, 2020, are payable as follows:

Not later than 1 year	\$	135,700
Later than 1 year and not later than 5 years		159,559
	\$	295,259

The commitments for basic rent for premises lease are included in lease liability.

15. Operating segments

The Company operates in one industry segment, the financial services industry, and all operations and assets are situated in Canada.

16. General and administrative expenses

	For the years ended December 31,	
	2020	2019
Salaries and benefits	\$ 440,070	\$ 398,591
Professional fees	171,037	157,853
Lease costs	54,342	54,080
Amortization of Right-of-Use Assets	61,800	61,800
Office and administration	154,105	157,207
E&O insurance	15,104	14,395
Directors' fees	40,203	45,000
Compliance and regulatory	20,108	19,624
	\$ 956,769	\$ 908,550

17. Income taxes

The reconciliation of income taxes computed at statutory rates to the reported income tax provision is as follows:

	For the years ended December 31,	
	2020	2019
Income before income tax	\$ 76,680	\$ 143,354
Income tax at statutory rates	27%	27%
Income tax at Canadian statutory rates	20,704	38,706
Other items	843	1,536
Change in timing differences	(1,808)	(943)
Unused tax losses and tax offsets	(19,739)	(39,299)
	\$ -	\$ -

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17. Income taxes (continued)

Current statutory tax rates consist of 12% (2019: 12%) for British Columbia tax and 15% (2019: 15%) for federal corporate tax for a total tax rate of 27%.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31,	
	2020	2019
Non-capital losses carried forward	\$ 3,536,622	\$ 3,615,573
Capital losses carried forward	5,723	5,723
Differences between book value and tax value of property and equipment	218,707	209,281
Share issue costs	6,191	5,013
Cumulative eligible capital deduction	787,428	787,428
Unused losses and deductible temporary differences	\$ 4,554,671	\$ 4,623,018

The consolidated financial statements do not reflect the potential tax reductions that may be available through the application of non-capital losses of \$3,536,622 to be carried forward and applied against future years' taxable income. The losses expire as follows:

Year	Amount
2026	\$ 480,475
2027	622,081
2028	283,257
2029	402,072
2030	411,086
2031	244,225
2032	369,505
2033	329,221
2034	153,501
2035	109,997
2036	128,079
2037	1,358
2038	646
2039	1,032
2040	87
Unused losses and deductible temporary differences	\$ 3,536,622

18. Subsequent events

In March 2021, the Company and one of its trust clients, a subordinated debt holder, extended the maturity date of \$45,000 of subordinated debt by five years, resulting in maturity dates ranging from March to October 2031, previously March to October 2026. The Company also repaid \$7,500 of subordinated debt outstanding and entered into a new subordinated loan agreement with a director of the Company for \$7,500 with an interest rate of 5% per annum and maturity date of February 26, 2031.

Corporate Directory

Western Pacific Trust Company

DIRECTORS

Anthony Liscio, DDS ^{1, 2, 4} Chair
Alison Alfer ^{3, 5, 6}
Bruce H. Bailey ^{1, 2, 4}
G. Benjamin Cutler ^{2, 3, 6}
John C.A. de Wit, CPA, CA ^{1, 5}
J. Cowan McKinney, FCPA, FCA ^{1, 3, 4}
Steven O. Youngman, LL.B ^{1, 5, 6} Deputy Chair

Board Committees:

- ¹ Audit Committee
- ² Conduct Review Committee
- ³ Investment & Loan Committee
- ⁴ Executive Compensation Committee
- ⁵ Capital Management Committee
- ⁶ Cyber Security Committee

OFFICERS

President & CEO Alison Alfer
Chief Financial Officer Sharon Lee, CPA, CA ⁵
Corporate Secretary Steven Youngman, LL.B

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TRANSFER AGENT

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Vancouver, BC
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BANKERS

Royal Bank of Canada

WHOLLY OWNED SUBSIDIARIES

WP Private Equity Transfers Inc.

DIRECTOR	OFFICER
Alison Alfer	President, Alison Alfer

WP Private Health Inc.

DIRECTORS	OFFICER
Alison Alfer Steven O. Youngman	President, Alison Alfer

1128668 BC Ltd.

DIRECTORS	OFFICERS
Steven O. Youngman Alison Alfer	President, Steven Youngman Vice-President, Alison Alfer

1211263 B.C. Ltd.

DIRECTORS
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