

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.

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.

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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.

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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.

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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

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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.