

## WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of  
Results of Operations and Financial Position  
For the year ended December 31, 2023  
(Expressed in Canadian Dollars)

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The following is management's discussion and analysis ("MD&A"), dated March 27, 2024, 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, 2023. 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, 2023 (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.SEDARplus.ca](http://www.SEDARplus.ca). Additional information with respect to the Company can be obtained from the Company's website at [www.westernpacifictrust.com](http://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.

### *Corporate Registrar Services*

The Company provides 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 material accounting policies are disclosed in note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2023. The Company's functional and reporting currency is the Canadian dollar.

### Statements of Financial Position-selected information

	As at December 31,		
	2023	2022	2021
Total current assets	\$ 2,537,078	\$ 2,176,158	\$ 1,657,035
Total non-current assets	1,367,666	1,605,097	953,848
<b>Total assets</b>	<b>\$ 3,904,744</b>	<b>\$ 3,781,255</b>	<b>\$ 2,610,883</b>
Total current liabilities	\$ 158,548	\$ 176,431	\$ 173,720
Total non-current liabilities	966,086	1,054,247	569,643
Total equity	2,780,110	2,550,577	1,867,520
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,904,744</b>	<b>\$ 3,781,255</b>	<b>\$ 2,610,883</b>

Current assets increased in the 2023 fiscal year compared to the same period in 2022 fiscal year due to an increase of cash and cash equivalents from interest income. In addition, interest receivable on term deposits increased due to the increase in interest rates throughout the year.

Non-current assets decreased in 2023 compared to 2022 due to amortization of the right-of-use asset and the draw-down of deferred income tax asset.

Non-current liabilities decreased in 2023 compared to 2022, reflecting the net repayment of subordinated loans and a decrease of lease liabilities.

The increase in total equity in 2023 compared to 2022 is due to the increase of net income, offset by the dividends paid for preferred shares and common shares.

## Statements of Comprehensive Income

	For the years ended December 31		
	2023	2022	2021
Total revenue	\$ 1,942,976	\$ 1,524,011	\$ 1,116,368
Total general and administrative expenses	(1,283,612)	(1,140,121)	(984,392)
Income before amortization, finance expense and income taxes	659,364	383,890	131,976
Amortization	(8,580)	(7,383)	(7,555)
Finance expense and amortization of deferred gain on subordinated loans	(66,308)	(42,324)	(18,847)
Deferred income tax recovery	-	400,000	740,000
Income tax expense	(158,000)	(93,200)	-
Net income	\$ 426,476	\$ 640,983	\$ 845,574
Earnings per share - basic	\$ 0.014	\$ 0.022	\$ 0.031
Earnings per share - diluted	\$ 0.014	\$ 0.022	\$ 0.028

Income before amortization, finance expense and income taxes 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**

#### Comparison of 2023 fiscal year to 2022 fiscal year

The Company recorded an increase in total revenue of \$418,965 or 27% in 2023 compared to 2022, due to the increase in self-administered plan revenue and related interest income from increases in interest rates throughout 2023.

#### Comparison of 2022 fiscal year to 2021 fiscal year

The Company recorded an increase in total revenue of \$407,643 or 37% in 2022 compared to 2021, due to the increase in self-administered plan revenue and related interest income from increases in interest rates throughout 2022. In addition, fees received in respect to trust service fee increased by \$3,418 (8%) from an increase in new trust services.

### **Expenses**

#### Comparison of 2023 fiscal year to 2022 fiscal year

Total general and administrative expenses increased overall by \$143,491 in 2023 when compared to 2022. The increase is mainly attributable to the increase in staff salaries and the cost of benefits of \$46,403, \$18,500 for directors' fees, \$17,386 for consulting and professional fees, \$12,589 for bad debts expense, \$13,165 for website and advertising and promotion, \$33,585 for rent expense, \$2,178 for insurance expenses, and \$10,765 for computer software. The increase is offset by decreases in computer consulting/software and maintenance of \$5,764 and office/miscellaneous expenses of \$6,709. Finance expense also increased by \$23,984 due to the increase in interest rate paid on subordinated loans and interest portion of lease liabilities. Income taxes expense in 2023 of \$158,000 has been recorded due to the taxable income for the year and the deferred income tax assets decreased by the same amount.

#### Comparison of 2022 fiscal year to 2021 fiscal year

Total general and administrative expenses increased overall by \$155,729 in 2022 when compared to 2021. The increase is mainly attributable to the increase in staff salaries and the cost of benefits of \$83,034, \$27,936 for computer consulting/software and maintenance, \$13,497 for rent expense, \$19,260 for professional and consulting fees, \$12,767 for office and miscellaneous expense and \$6,440 for advertising and promotional expenses. The increase is offset by decreases in compliance and regulatory of \$5,039 and directors' fees and expenses of \$2,500. Finance expense also increase by \$23,477 in 2022 compared to 2021 due to the increase in the interest paid on additional subordinated loans received during the year.

For the 2022 fiscal year, the Company recognized an additional \$400,000 deferred income tax assets in addition to the \$740,000 recognized in 2021 related to previously unrecognized income tax losses and

deductible temporary differences based on management's estimate of future net taxable income. \$93,200 of income tax expense has been recorded to draw down the deferred income tax assets recognized.

### Summary of Quarterly Results

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

Quarter ended		Total revenue	Net income and comprehensive income	Net income (loss) per share (basic and diluted)	Total assets
		\$	\$	\$	\$
Q4/23	December 31, 2023	457,783	83,408	0.0029/0.0029	3,904,744
Q3/23	September 30, 2023	461,806	91,561	0.0029/0.0029	3,926,878
Q2/23	June 30, 2023	432,325	66,947	0.0019/0.0019	3,943,345
Q1/23	March 31, 2023	591,062	184,560	0.0064/0.0064	3,977,163
Q4/22	December 31, 2022	441,434	482,664	0.0178/0.0178	3,781,255
Q3/22	September 30, 2022	362,930	50,281	0.0013/0.0012	2,784,172
Q2/22	June 30, 2022	308,905	15,899	(0.0000)	2,719,372
Q1/22	March 31, 2022	410,742	92,139	0.0030/0.0027	2,664,004

#### Revenue and net income (loss) for each quarter

The fluctuations in total revenue from quarter to quarter are due to the seasonal variations in revenue from self-administered plans and the related increase in interest income from increases in interest rates.

Total revenue and net income both decreased for the last quarter of 2023 due to a decrease in self-administered plan revenue.

#### ***Significant variances in previous quarters are discussed as follows:***

Total revenue and net income both increased for the **third quarter of 2023** due to an increase in investment and interest income.

Total revenue and net income both decreased for the **second quarter of 2023** due to seasonal fluctuations in self-administered plan revenue from the first to second quarter.

Total revenue and net income both increased for the **first quarter of 2023** due to an increase in self-administered plan revenue related to the annual RRSP contribution deadline as well as an increase in investment and interest income.

Total revenue and net income both increased for the **last quarter of 2022** due to an increase in investment and interest income.

During the **last quarter of the 2022**, the Company recorded additional deferred income tax asset on the statement of financial position and deferred income tax recovery on the statement of comprehensive income.

Total revenue and net income both increased for the **third quarter of 2022** due to an increase in investment and interest income.

Total revenue and net income both decreased for the **second quarter of 2022** due to seasonal fluctuations in self-administered plan revenue from the first to second quarter.

Total revenue and net income both increased for the **first quarter of 2022** due to an increase in self-administered plan revenue related to the annual RRSP contribution deadline.

### Outlook

The COVID-19 pandemic and related worldwide government emergency measures caused material economic disruptions to businesses giving rise to a slowdown in business activity. The negative impacts of COVID-19 resulted in limited growth and substantially lower interest rates throughout 2021, adversely affecting the Company's revenue and profit margin. However, throughout 2022 and 2023 revenue continued to grow, reflecting not only an increase in business, but a substantial increase in interest income as a result of several interest rate adjustments during 2022 and 2023 by the Bank of Canada to offset inflation.

Inflation, continued interest rate hikes, and the threat of recession slowed the economy and resulted in lower or delayed investing for the year ended December 31, 2023.

While earlier concerns surrounding inflationary pressures and recession fears had cast a shadow of uncertainty, this threat appeared to have stabilized somewhat by the end of 2023. Higher interest rates continue to have a positive effect on the Company's interest income, and there are grounds for cautious optimism that the worst of the inflationary challenges are behind us, while recession calls are delayed quarter by quarter. The Company will continue to closely monitor the economic environment and policy developments to ensure a robust and sustainable growth trajectory in the months ahead.

### ***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 continues to earn increasing 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 marketplace.

### ***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, 2023, the Company had a calculated Capital Base in excess of the Required Capital Base.

## Capital Resources

As at December 31, 2023, the Company had working capital of \$2,378,530 (December 31, 2022: \$1,999,727) available to fund its operations.

As at December 31, 2023, the Company had subordinated debt outstanding in the aggregate amount of \$681,400. The subordinated loans include \$137,400 with interest at 7% per annum from related parties; \$230,000 subordinated loans with interest at 7% per annum and \$156,000 with interest at 5% per annum from non-related parties; and \$158,000 of the subordinated loans (comprised of \$93,914 in subordinated loans and \$64,086 in deferred gain on subordinated loans) are from unrelated parties and 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 include 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, 2023 and 2022 were in the normal course of operations and were measured at the fair value of the services provided:

	Years ended	
	December 31, 2023	December 31, 2022
Management salaries	\$ 162,318	\$ 150,283
Directors' fees	58,750	40,250
Consulting fees paid to a company controlled by a director	114,800	106,680
Professional fees for consultant	48,944	52,580
<b>Total compensation</b>	<b>\$ 384,812</b>	<b>\$ 349,793</b>

Finance expense includes interest of \$12,025 (2022: \$9,260) for subordinated loans. Total interest of \$11,989 (2022: \$10,303) and dividends of \$30,725 (2022: \$30,725) has been paid to directors and close family members of directors.

At December 31, 2023, the Company has \$40,844 (December 31, 2022: \$32,402) in accounts payable and accrued liabilities due to an officer, directors of the Company, and companies controlled by directors. In addition, \$137,400 (December 31, 2022: \$156,500) of subordinated loans are due to directors or close family members of directors of the Company and accrued interest of \$835 (2022: \$799) has been included in finance expense.

## Financial Instruments

As at December 31, 2023, 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 consolidated financial statements include a discussion of the Company's financial instruments and the related risks.

## Risks and Uncertainties

### *Inflation and Recession Threat*

Management continues to monitor the impact of inflation and the threatening recession through the coming year. See Outlook section above for further detail.

### *Russia-Ukraine Crisis and the Conflict in the Middle East*

The uncertainty in the global economy generated by Russia's invasion of Ukraine has only been heightened by the Israeli-Hamas conflict. The outcome and longevity of these crises remain unknown, as does the

potential for expansion to other countries and related impact on oil and commodity prices. Ultimately, the negative impact on Canadian consumer confidence and inflation in the coming months is difficult to measure at this time.

#### *Dependence on major clients*

Plans opened for the Company's three largest issuer clients comprise a significant percentage of total revenues. 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 26,293,558 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 consolidated financial statements.

### **Share Purchase Options**

The Company's new 20% fixed stock option plan was approved by the Company's shareholders at the Annual General and Special Meeting held May 31, 2023, and subsequently accepted for filing by the TSX Venture Exchange. Under the new stock option plan, a total of 5,258,711 Common shares are reserved for issuance under the Company's Stock Option Plan (the "Plan").

As at the date of this report, there are no stock options outstanding and 5,258,711 shares are available for issuance under the Plan.

### **Common Share Dividend**

On October 13, 2023, the Company paid a dividend of \$0.005 per share on the outstanding Common shares, for a total dividend payment of \$131,468.

### **Leased Premises**

The Company lease agreement for existing premises is effective March 1, 2023, for a term of five years to mature February 29, 2028. The base rent for the first two years will be \$6,230 per month, \$6,453 per month for the third and fourth years and \$6,675 per month for the fifth year. In addition, the Company acquired additional contiguous office space with the lease for the additional space which commenced on November 1, 2022 for a term of five years and four months, maturing February 29, 2028. The base rent for the additional space will be \$1,629 per month for the first and second years, \$1,687 per month for the third and fourth years, and \$1,745 per month for the remaining term.

### **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)