



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**
(Unaudited)

For the nine months ended October 31, 2017 and 2016

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 “Continuous Disclosure Obligations”, if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity’s auditor.

WALL FINANCIAL CORPORATION

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

	October 31 2017	January 31 2017
Assets		
Investment properties	\$ 426,094,397	\$ 187,397,718
Property, plant, and equipment	138,030,727	141,907,767
Properties under development for sale	251,400,212	111,631,597
Investments in joint ventures	1,235,725	1,235,725
Deferred tax asset	29,453,898	27,474,936
Non-current assets	846,214,959	469,647,743
Current portion of properties under development for sale	195,441,943	337,862,816
Deposits held in trust	123,873,476	137,706,568
Other assets	29,493,475	38,031,713
Amounts receivable	12,088,994	11,469,886
Cash and cash equivalents	44,693,096	27,463,559
Current assets	405,590,984	552,534,542
Total assets	\$ 1,251,805,943	\$ 1,022,182,285
Liabilities		
Mortgages payable (note 4)	\$ 126,460,553	\$ 122,913,093
Loans from shareholder (note 7)	30,000,000	20,000,000
Deferred tax liabilities	18,334,400	20,245,400
Non-current liabilities	174,794,953	163,158,493
Current portion of mortgages payable (note 4)	93,703,584	102,215,047
Income taxes payable	4,212,887	647,592
Accounts payable and accrued liabilities	35,231,425	42,009,652
Deposits on real estate sales	123,194,552	136,632,780
Loans from shareholder (note 7)	69,958,333	79,911,458
Bank and other indebtedness (note 4)	560,055,000	348,099,698
Current liabilities	886,355,781	709,516,227
Total liabilities	\$ 1,061,150,734	\$ 872,674,720
Equity		
Share capital	\$ 24,099,401	\$ 24,099,401
Contributed surplus	370,000	370,000
Retained earnings	91,060,318	94,131,182
Equity attributable to shareholders of the Company	115,529,719	118,600,583
Non-controlling interest	75,125,490	30,906,982
Total equity	190,655,209	149,507,565
Total liabilities and equity	\$ 1,251,805,943	\$ 1,022,182,285

See accompanying notes to these condensed consolidated interim financial statements.

Approved on behalf of the Board:

“Bruno Wall” _____ Director

“Peter Ufford” _____ Director

WALL FINANCIAL CORPORATION

Condensed Consolidated Interim Statements of Earnings and Comprehensive Income

For the three and nine months ended October 31, 2017 and 2016

(Unaudited)

	Three months ended October 31		Nine months ended October 31	
	2017	2016	2017	2016
Revenue (note 9)	\$ 28,445,593	\$ 36,186,070	\$ 275,008,871	\$ 246,035,092
Cost of sales and operating expenses	16,433,521	26,038,041	231,056,105	199,388,530
	12,012,072	10,148,029	43,952,766	46,646,562
Expenses:				
General and administration	973,691	1,087,248	2,682,146	2,757,410
Depreciation and amortization	3,254,083	3,629,437	9,925,410	8,932,049
	4,227,774	4,716,685	12,607,556	11,689,459
Earnings from joint ventures	-	6,607,873	-	6,602,611
Net finance costs:				
Investment and other income	(53,613)	(50,959)	(167,721)	(87,995)
Finance expense	2,014,781	1,647,240	6,599,054	4,961,476
	1,961,168	1,596,281	6,431,333	4,873,481
Earnings before income taxes	5,823,130	10,442,936	24,913,877	36,686,233
Income tax expense (recovery):				
Current	3,367,218	3,396,053	8,749,615	4,705,091
Deferred	(1,752,640)	(3,145,783)	(3,889,962)	(123,481)
	1,614,578	250,270	4,859,653	4,581,610
Net earnings	4,208,553	10,192,666	20,054,225	32,104,623
Net earnings (loss) and comprehensive income (loss) attributable to:				
Owners of the Company	4,619,735	7,148,239	13,905,819	19,475,901
Non-controlling interest	(411,182)	3,044,427	6,148,406	12,628,722
	4,208,553	10,192,666	20,054,225	32,104,623
Basic and diluted earnings (loss) per share	\$ 0.14	\$ 0.21	\$ 0.41	\$ 0.57
Total shares and weighted average shares outstanding	33,953,365	33,953,365	33,953,365	33,953,365

See accompanying notes to these condensed consolidated interim financial statements.

WALL FINANCIAL CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended October 31, 2017 and 2016

(Unaudited)

	Attributable to equity holders of the company			Total	Non-controlling Interests	Total Equity
	Share Capital	Contributed Surplus	Retained Earnings			
Balance at February 1, 2017	\$ 24,099,401	\$ 370,000	\$ 94,131,182	\$ 118,600,583	\$ 30,906,982	\$ 149,507,565
Earnings for the period	-	-	13,905,819	13,905,819	6,148,406	20,054,225
Dividends			(16,976,683)	(16,976,683)	-	(16,976,683)
Contributions				-	50,320,102	50,320,102
Distributions	-	-	-	-	(12,250,000)	(12,250,000)
Balance at October 31, 2017	\$ 24,099,401	\$ 370,000	\$ 91,060,318	\$ 115,529,719	\$ 75,125,490	\$ 190,655,209
Balance at February 1, 2016	\$ 11,642,002	\$ 319,000	\$ 95,009,568	\$ 106,970,570	\$ 33,009,772	\$ 139,980,342
Earnings for the period	-	-	19,475,901	19,475,901	12,628,722	32,104,623
Dividends declared			(20,372,019)	(20,372,019)		(20,372,019)
Share options exercised	12,457,399	51,000		12,508,399		12,508,399
Contributions				-	1,325,000	1,325,000
Distributions	-	-	-	-	(9,998,438)	(9,998,438)
Balance at October 31, 2016	\$ 24,099,401	\$ 370,000	\$ 94,113,450	\$ 118,582,851	\$ 36,965,056	\$ 155,547,907

See accompanying notes to these condensed consolidated interim financial statements.

WALL FINANCIAL CORPORATION

Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended October 31, 2017 and 2016

(Unaudited)

	2017	2016
Cash provided by (used in):		
Cash flow from operating activities:		
Net earnings	\$ 20,054,224	\$ 32,104,623
Adjustments for items not involving cash:		
Depreciation	9,925,410	8,932,049
Amortization of deferred financing fees	166,800	184,707
Stock-based compensation	-	320,000
Earnings from joint ventures	-	(6,602,611)
Deferred income taxes	(3,889,962)	(123,481)
Income tax expense	8,749,615	4,705,091
Finance costs	6,599,054	4,961,476
	41,605,141	44,481,854
Recovery of costs through real estate sales	171,338,819	124,514,528
Additions to development properties	(263,520,743)	(120,509,200)
Interest paid	(18,648,683)	(15,689,259)
Income taxes paid	(5,184,319)	(2,867,279)
Changes in non-cash operating working capital:		
Amounts receivable	(619,108)	(734,735)
Accounts payable and accrued liabilities	(6,401,628)	(14,330,822)
Inventory	(23,609)	(4,762)
Deposits and prepaids	8,388,010	3,053,102
	(73,066,120)	17,913,427
Cash flow from investing activities:		
Additions to investment properties	(136,133,636)	(47,765,805)
Additions to property, plant, and equipment	(1,602,932)	(19,079,478)
Additions to sales centres	(327,432)	(670,950)
Distributions from investment in joint ventures	-	13,305,828
Contributions to investments in joint ventures	-	(4,320,000)
Decrease (increase) in deposits held in trust	13,833,092	(21,274,242)
Increase (decrease) in deposits on real estate sales	(13,438,228)	21,197,083
	(137,669,136)	(58,607,564)
Cash flow from financing activities:		
Proceeds from loans from shareholder	20,000,000	50,000,000
Repayment of loans from shareholder	(20,000,000)	-
Proceeds from mortgages payable	-	59,618,620
Payment of financing fees	-	(1,391,026)
Repayment of mortgages payable	(5,083,928)	(4,090,105)
Bank and other indebtedness	211,955,302	(31,514,651)
Contributions by non-controlling interest	50,320,102	1,325,000
Distributions to non-controlling interest	(12,250,000)	(9,998,438)
Proceeds on exercise of stock options	-	12,188,399
Dividends paid	(16,976,683)	-
	227,964,793	76,137,799
Increase in cash and cash equivalents	17,229,537	35,443,662
Cash and cash equivalents, beginning of period	27,463,559	15,972,540
Cash and cash equivalents, end of period	\$ 44,693,096	\$ 51,416,202

See accompanying notes to condensed consolidated interim financial statements.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2017 and 2016
(unaudited)

1. Reporting Entity:

Wall Financial Corporation (“WFC”) is a publicly listed company incorporated under the British Columbia Business Corporations Act. Its shares are listed on the Toronto Stock Exchange under the symbol “WFC”.

These condensed consolidated interim financial statements comprise WFC and its subsidiaries (together referred to as the “Company”), and the Company’s interests in joint ventures. The Company predominantly operates in the greater Vancouver area of British Columbia in the development and management of residential rental units, development and construction of residential housing for re-sale, and the development and management of hotel properties.

The registered office of the Company is located at 10th Floor, 938 Howe Street, Vancouver, BC V6Z 1N9, Canada.

2. Basis of Presentation:

These condensed consolidated interim financial statements and the notes thereto have been prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s consolidated financial statements for the years ended January 31, 2017 and 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

For the nine months ended October 31, 2017 and 2016, there have been no changes to the Company’s accounting policies from those disclosed in the Company’s consolidated financial statements for the years ended January 31, 2017 and 2016.

The Company’s quarterly results are impacted by the cyclical nature of the Company’s business. Revenues and other income can fluctuate significantly from period to period due to the timing and quantity of closings of residential and commercial units at the development properties. Assets can fluctuate due to the amount of development activities undertaken by the Company and are also impacted by the acquisitions and dispositions of rental properties, which the Company will manage and review on an ongoing basis to maximize value for shareholders. Dividends can fluctuate as the Company is on a flexible dividend policy; the amount and timing of dividends will be based on the Company’s availability of and need for cash.

These condensed consolidated interim financial statements were approved by the Company’s Board of Directors on December 13, 2017, and are the responsibility of the Company’s management.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2017 and 2016
(unaudited)

3. Investment properties:

	Land and Buildings	Major Components	Total
Cost:			
Balance at January 31, 2016	\$ 117,269,086	\$ 26,299,241	\$ 143,568,327
Additions	48,371,073	4,042,726	52,413,799
Reclass from properties under developments	13,491,747	5,424,184	18,915,931
Reclass to properties under development	(6,496,392)	-	(6,496,392)
Balance at January 31, 2017	\$ 172,635,514	\$ 35,766,151	\$ 208,401,665
Additions	136,133,636	-	136,133,636
Reclass from properties under development	91,011,163	15,496,049	106,507,212
Balance at October 31, 2017	\$ 399,780,313	\$ 51,262,200	\$ 451,042,513
Accumulated depreciation:			
Balance at January 31, 2016	\$ 17,077,278	\$ 3,663,984	\$ 20,741,262
Additions	1,780,905	3,005,416	4,786,321
Reclass to properties under development	(4,523,636)	-	(4,523,636)
Balance at January 31, 2017	\$ 14,334,547	\$ 6,669,400	\$ 21,003,947
Additions	1,436,022	2,508,147	3,944,169
Balance at October 31, 2017	\$ 15,770,569	\$ 9,177,547	\$ 24,948,116
Net carrying value at October 31, 2017	\$ 384,009,744	\$ 42,084,653	\$ 426,094,397
Net carrying value at January 31, 2017	\$ 158,300,967	\$ 29,096,751	\$ 187,397,718

Construction of a 273-unit rental property and a 40-unit rental property, both located in downtown Vancouver, were completed in October 2017. These properties were previously classified as properties under development on the statement of financial position, and the aggregate costs of \$160 million were reclassified as investment properties once lease up activity commenced during the month of October 2017.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2017 and 2016
(unaudited)

4. Debt on properties:

	October 31, 2017	January 31, 2017
Bank and other indebtedness:		
Properties under development	\$ 498,380,322	\$ 318,156,917
General corporate debt	61,674,678	29,942,781
Total bank and other indebtedness	560,055,000	348,099,698
Mortgages payable:		
Investment properties	133,795,227	136,750,993
Property, plant and equipment	89,882,675	92,010,836
Total mortgages payable	223,677,902	228,761,829
Less: deferred financing fees	(3,513,765)	(3,633,689)
	220,164,137	225,128,140
Less: current portion of mortgages payable	(93,703,584)	(102,215,047)
Non-current portion of mortgages payable	126,460,553	122,913,093

(a) Bank and other indebtedness on properties under development for sale:

At October 31, 2017, the Company has borrowed \$498,380,322 (January 31, 2017 - \$318,156,917) on available construction financing facilities in the form of Canadian dollar prime rate loans, letters of credit, and bankers' acceptances. The maximum available funding under such facilities is \$772,803,000 (January 31, 2017 - \$653,762,000). The credit facilities are secured by first mortgages and assignment of rents on the related properties, and assignment of insurance. The borrowings are due on demand.

(b) General corporate debt:

At October 31, 2017, the Company's borrowings of \$61,674,678 (January 31, 2017 - \$29,942,781) are made available by way of lines of credit with a maximum available aggregate amount of \$85,020,000 (January 31, 2017 - \$86,000,000). The debt is secured by fixed and floating demand debentures, second mortgages, and an assignment of rents on certain investment properties, and property, plant, and equipment. The borrowings are due on demand.

(c) Mortgages payable:

Of the \$89,882,675 (January 31, 2017 - \$92,010,836) in mortgages on property, plant and equipment, \$14,050,000 (January 31, 2017 - \$14,500,000) bear interest at bankers' acceptance rates plus applicable stamping fees. Two interest rate swaps are in place to fix the interest rates on the remaining balance of the mortgages payable of \$75,832,675, with \$37,953,750 (January 31, 2017 - \$38,776,395) fixed at 3.27% for a term of 4 years maturing November 2, 2019, and with the balance of \$37,878,925 (January 31, 2017 - \$38,734,441) fixed at 2.99% for a term of 2 years maturing March 2, 2018. For the nine months ended

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2017 and 2016
(unaudited)

4. Debt on properties (continued):

(c) Mortgages payable (continued):

October 31, 2017, a mark-to-market gain in the fair value of the interest rate swap of \$376,599 (October 31, 2016 – gain of \$293,710) was recorded in finance costs on the statement of earnings. As at October 31, 2017, the fair value of the interest rate swap asset is \$551,986 (January 31, 2017 – fair value asset of \$175,387) and is netted with accounts payable on the statement of financial position.

Mortgages payable on investment properties of \$130,281,462, net of financing fees of \$3,513,765 (January 31, 2017 - \$133,117,304, net of financing fees of \$3,633,689) bears interest at fixed rates ranging from 2.46% to 6.58% (January 31, 2017 - 2.46% to 6.58%).

All mortgages are secured by first and second fixed charges over the Company's properties under development for sale, investment properties, and property, plant, and equipment.

Principal instalments payable within the next five fiscal years and thereafter on mortgages payable are as follows:

2019	\$	97,648,385
2020		38,956,422
2021		13,961,439
2022		2,442,918
2023		7,823,575
Thereafter		62,845,163
	\$	223,677,902

5. Net finance costs (income):

	October 31, 2017	October 31, 2016
Finance income:		
Investment and interest income	\$ 167,721	\$ 87,995
Finance costs:		
Interest on:		
Bank and other indebtedness	14,564,729	12,286,326
Mortgages payable	4,083,954	3,402,933
	18,648,683	15,689,259
Interest capitalized to properties under development for sale	(11,673,030)	(10,434,073)
	6,975,653	5,255,186
Change in fair value of interest rate swap contracts	(376,599)	(293,710)
	6,599,054	4,961,476
Net finance cost	\$ 6,431,333	\$ 4,873,481

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2017 and 2016
(unaudited)

6. Dividends:

On June 15, 2017, the Board of Directors approved a dividend of \$0.50 per common share for each share held on June 29, 2017. This dividend of \$16,976,683 was paid on July 13, 2017.

On October 24, 2016, the Board of Directors approved a dividend of \$0.60 per common share for each share held on November 7, 2016. This dividend of \$20,372,021 was paid on November 21, 2016.

7. Related party transactions:

(a) Shareholder loans:

As at October 31, 2017, the Company has loans payable of \$100,000,000 (January 31, 2017 - \$100,000,000) due to a company owned by a significant shareholder of the Company. The loans are secured by a second mortgage over the Company's properties under development for sale, and property, plant, and equipment. The loan is comprised of the following:

- (i) \$30,000,000 loan bearing interest at prime plus 2.00% per annum (January 31, 2017 - \$50,000,000 at prime plus 2.00% per annum), with \$20,000,000 due on demand;
- (ii) \$50,000,000 demand loan bearing interest at 3.25% per annum (January 31, 2017 - \$50,000,000 at 3.25% per annum); and
- (iii) \$20,000,000 term loan bearing interest at 6.00% per annum due April 11, 2020 (January 31, 2017 - nil).

The aggregate amount of the current loans payable of \$70,000,000 (January 31, 2017 - \$80,000,000), offset by unamortized financing costs of \$41,667 (January 31, 2017 - \$88,542) are recorded as a current liability on the statement of financial position.

Effective November 1, 2017, the \$30,000,000 and the \$50,000,000 loans were consolidated into a single loan bearing interest at the higher of 4.75% or prime plus 1.00%, with the same securities in place as the previous loans.

For the period ended October 31, 2017, the Company recorded interest on loans payable to the significant shareholder totaling \$3,218,786 (October 31, 2016 - \$2,334,400).

(b) Transactions with officers and directors:

- (i) On April 13, 2017, the Company, along with other investors, acquired property located in North Vancouver, B.C., for a gross purchase price of \$138,500,000 for a future development. The Company has a 28.6% interest in the property and will guarantee all loans incurred in respect of the property and development. The other investors in this property include a wholly owned company of the President of the Company, and a wholly owned company of a director of the Company, which in aggregate comprise an 18.60% interest in this property. All the other remaining investors are arm's length with the Company.
- (ii) On August 15, 2017, the Company entered into a binding agreement to purchase a development site located on leased land in the Wesbrook neighborhood at the University of British Columbia, which will close on March 15, 2018. The Company has a 75% interest in the development, while a wholly owned company of the President of the Company has a 25% interest.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2017 and 2016
(unaudited)

8. Financial instruments:

The carrying values of the Company's cash and cash equivalents, accounts payable and accrued liabilities, and loans from shareholder approximate their fair values due to the short-term nature of these financial assets and liabilities. The face value of bank and other indebtedness approximates its fair value, as it is due on demand. Management estimates that these differences are not material to the condensed consolidated interim financial statements.

The Company uses interest rate swap contracts to effectively fix the interest rate on certain mortgages payable. As hedge accounting is not applied, the contracts are carried at fair value and reported as assets (positive) or liabilities (negative) depending on the fair value on the reporting date. The change in fair value is recognized in net earnings for the year. The fair value of the interest rate swap contracts are calculated by discounting future expected cash flows using the bankers' acceptance based swap curve adjusted for credit risk. The fair value of the interest rate swap contract is disclosed in note 3(c).

The fair value of mortgages payable is estimated by discounting the future contractual cash flows at the market interest rate that is available to the Company for similar financial instruments. The fair value of the mortgages payable at October 31, 2017 is \$221,647,000 (January 31, 2017 - \$228,120,000).

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of interest rate swaps and mortgages payable are considered Level 2 and investment properties are considered Level 3.

9. Segment disclosures:

The Company operates in three different segments of the real estate industry: ownership and management of revenue-producing residential and commercial properties ("Rental"), ownership and management of hotel properties ("Hotel"), and the development and sale of residential housing ("Development"). Operating performance of the Company is evaluated primarily based on the net operating income of these three segments. Centrally managed expenses such as interest, amortization, and general administrative costs are not included or allocated to the operating segment results.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2017 and 2016
(unaudited)

9. Segment disclosures (continued):

The following summarizes the Company's assets as at October 31, 2017 with comparative information as at January 31, 2017:

	October 31, 2017	January 31, 2017
Identifiable assets:		
Properties		
Investment properties (Rental)	\$ 430,661,908	\$ 190,677,110
Property, plant, and equipment (Hotel)	147,051,146	149,443,024
Properties under development for sale (Development)	663,352,093	677,460,519
	<u>1,241,065,147</u>	<u>1,017,580,653</u>
Corporate	10,740,796	4,601,632
	<u>\$ 1,251,805,943</u>	<u>\$ 1,022,182,285</u>

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2017 and 2016
(unaudited)

9. Segment disclosures (continued):

The following summarizes the Company's operating results for the three and nine months ended October 31, 2017 and 2016:

	Rental		Hotel		Development		Corporate		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
For the nine months ended October 31										
Revenue	\$ 15,169,614	\$ 12,283,020	\$ 61,908,365	\$ 52,474,139	\$ 197,930,892	\$ 181,277,933	\$ -	\$ -	\$ 275,008,871	\$ 246,035,092
Depreciation expense	3,944,169	2,667,938	5,479,972	4,929,954	501,269	1,325,838	-	8,319	9,925,410	8,932,049
Earnings (loss) from operations	1,081,227	(4,832)	19,339,995	14,129,472	9,383,576	26,592,877	(4,890,921)	(4,031,284)	24,913,877	36,686,233
For the three months ended October 31										
Revenue	\$ 5,339,268	\$ 4,612,588	\$ 22,799,967	\$ 20,758,092	\$ 306,358	\$ 10,815,390	\$ -	\$ -	\$ 28,445,593	\$ 36,186,070
Depreciation expense	1,455,126	1,159,074	1,798,957	1,980,720	-	486,870	-	2,773	3,254,083	3,629,437
Earnings (loss) from operations	470,458	446,723	7,907,174	6,418,674	(1,015,423)	4,992,874	(1,539,079)	(1,415,335)	5,823,130	10,442,936