



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

(Unaudited)

For the nine months ended October 31, 2018 and 2017

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	January 31
	2018	2018
Assets		
Investment properties	\$ 428,222,336	\$ 434,467,031
Property, plant, and equipment	134,746,373	137,157,027
Properties under development for sale	252,220,642	279,525,284
Investments in joint ventures	478,065	485,725
Deferred tax asset	30,053,524	29,835,577
Non-current assets	845,720,940	881,470,644
Current portion of properties under development for sale	238,062,163	215,770,321
Deposits held in trust	113,999,785	125,408,816
Other assets	21,245,427	50,256,341
Amounts receivable	11,573,351	8,425,578
Cash and cash equivalents	23,608,850	34,676,293
Current assets	408,489,576	434,537,349
	\$ 1,254,210,516	\$ 1,316,007,993
Liabilities		
Mortgages payable (note 3)	\$ 196,657,052	\$ 125,513,148
Loans from shareholder (note 6)	90,000,000	90,000,000
Deferred tax liabilities	14,070,751	16,035,485
Non-current liabilities	300,727,803	231,548,633
Current portion of mortgages payable (note 3)	128,094,093	93,118,127
Income taxes payable	3,626,977	1,973,582
Accounts payable and accrued liabilities	29,666,438	42,786,965
Deposits on real estate sales	114,866,761	124,377,607
Loans from shareholder (note 6)	10,000,000	10,000,000
Bank and other indebtedness (note 3)	493,368,931	615,126,999
Current liabilities	779,623,200	887,383,280
Total liabilities	\$ 1,080,351,003	\$ 1,118,931,913
Equity		
Share capital	\$ 24,099,401	\$ 24,099,401
Contributed surplus	370,000	370,000
Retained earnings	73,494,182	89,580,556
Equity attributable to shareholders of the Company	97,963,583	114,049,957
Non-controlling interest	75,895,930	83,026,123
Total equity	173,859,513	197,076,080
	\$ 1,254,210,516	\$ 1,316,007,993

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, 2018 and 2017

(Unaudited)

	Three months ended October 31		Nine months ended October 31	
	2018	2017	2018	2017
Revenue (note 8)	\$ 37,115,023	\$ 28,445,593	\$ 314,914,951	\$ 275,008,871
Cost of sales and operating expenses	19,927,809	16,433,521	255,966,871	231,056,105
	17,187,214	12,012,072	58,948,080	43,952,766
Expenses:				
General and administration	969,427	973,691	3,274,261	2,682,146
Depreciation and amortization	4,342,123	3,254,083	12,950,839	9,925,410
	5,311,550	4,227,774	16,225,100	12,607,556
Loss from joint ventures	-	-	7,660	-
Net finance costs (income) (note 4):				
Investment and other income	(692,311)	(53,613)	(946,876)	(167,721)
Finance costs	4,373,480	2,014,781	12,854,507	6,599,054
	3,681,169	1,961,168	11,907,631	6,431,333
Earnings before income taxes	8,194,495	5,823,130	30,807,689	24,913,877
Income tax expense (recovery):				
Current	3,868,488	3,367,218	8,791,077	8,749,615
Deferred	(1,659,994)	(1,752,640)	(2,182,681)	(3,889,962)
	2,208,494	1,614,578	6,608,396	4,859,653
Net earnings and comprehensive income	5,986,001	4,208,552	\$ 24,199,293	\$ 20,054,224
Net earnings (loss) and comprehensive income (loss) attributable to:				
Shareholders of the Company	5,970,960	4,619,734	\$ 17,866,991	\$ 13,905,818
Non-controlling interests	15,041	(411,182)	6,332,302	6,148,406
	5,986,001	4,208,552	\$ 24,199,293	\$ 20,054,224
Basic and diluted earnings per share	\$ 0.18	\$ 0.14	\$ 0.53	\$ 0.41
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, 2018 and 2017

(Unaudited)

	Attributable to shareholders of the company			Total	Non-controlling Interests	Total Equity
	Share Capital	Contributed Surplus	Retained Earnings			
Balance at February 1, 2018	\$ 24,099,401	\$ 370,000	\$ 89,580,556	\$ 114,049,957	\$ 83,026,123	\$ 197,076,080
Earnings for the period	-	-	17,866,991	17,866,991	6,332,302	24,199,293
Dividends (note 5)	-	-	(33,953,365)	(33,953,365)	-	(33,953,365)
Contributions	-	-	-	-	4,142,130	4,142,130
Distributions	-	-	-	-	(17,604,625)	(17,604,625)
Balance at October 31, 2018	\$ 24,099,401	\$ 370,000	\$ 73,494,182	\$ 97,963,583	\$ 75,895,930	\$ 173,859,513
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 (note 5)	-	-	(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

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, 2018 and 2017

(Unaudited)

	2018	2017
Cash provided by (used in):		
Cash flow from operating activities:		
Net earnings	\$ 24,199,293	\$ 20,054,224
Adjustments for items not involving cash:		
Depreciation	12,950,839	9,925,410
Amortization of deferred financing fees	114,088	166,800
Loss from joint ventures	7,660	-
Deferred income taxes	(2,182,681)	(3,889,962)
Income tax expense	8,791,077	8,749,615
Finance costs (note 4)	12,854,507	6,599,054
	56,734,783	41,605,141
Recovery of costs through real estate sales	195,218,106	171,338,819
Additions to development properties	(173,264,537)	(263,520,743)
Interest paid (note 4)	(28,764,754)	(18,648,683)
Income taxes paid	(7,137,682)	(5,184,319)
Changes in non-cash operating working capital:		
Amounts receivable	(3,360,623)	(619,108)
Accounts payable and accrued liabilities	(13,120,527)	(6,401,628)
Inventory	(48,047)	(23,609)
Deposits and prepaids	30,228,402	8,388,010
	56,485,121	(73,066,120)
Cash flow from investing activities:		
Additions to investment properties	(1,777,058)	(136,133,636)
Additions to property, plant, and equipment	(3,182,182)	(1,602,932)
Additions to sales centres	(1,323,363)	(327,432)
Decrease in deposits held in trust	11,409,031	13,833,092
Decrease in deposits on real estate sales	(9,510,846)	(13,438,228)
	(4,384,418)	(137,669,136)
Cash flow from financing activities:		
Proceeds from loans from shareholder	-	20,000,000
Repayment of loans from shareholder	-	(20,000,000)
Proceeds from mortgages payable	115,397,088	-
Payment of financing fees	(2,995,934)	-
Repayment of mortgages payable	(6,395,372)	(5,083,928)
Bank and other indebtedness	(121,758,068)	211,955,302
Contributions by non-controlling interest	4,142,130	50,320,102
Distributions to non-controlling interest	(17,604,625)	(12,250,000)
Dividends paid (note 5)	(33,953,365)	(16,976,683)
	(63,168,146)	227,964,793
Increase (decrease) in cash and cash equivalents	(11,067,443)	17,229,537
Cash and cash equivalents, beginning of period	34,676,293	27,463,559
Cash and cash equivalents, end of period	\$ 23,608,850	\$ 44,693,096

See accompanying notes to condensed consolidated interim financial statements.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2018 and 2017
(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:

(a) Statement of compliance:

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, 2018 and 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

For the nine months ended October 31, 2018 and 2017, 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, 2018 and 2017 except as described in note 2(c).

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, 2018, and are the responsibility of the Company’s management.

(b) Basis of measurement:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the functional currency of each of the Company’s subsidiaries, and have been prepared on the historical cost basis with the exception of interest rate swap contracts which are recorded at fair value.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2018 and 2017
(unaudited)

2. Basis of presentation (continued):

(c) New standards effective February 1, 2018:

The Company has adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on February 1, 2018.

(i) IFRS 9 *Financial Instruments* (IFRS 9):

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

(A) Classification and measurement of financial assets and financial liabilities:

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans, and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value in other comprehensive income ("FVOCI") – debt investment; or fair value in profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and measured on two categories: amortized costs or FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities. The adoption of the new classification requirements under IFRS 9 did not result in any changes in measurement or the carrying amount of financial assets and liabilities.

Financial assets/liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost
Loans from shareholder	Other financial liabilities	Amortized cost
Accounts payable and other liabilities	Other financial liabilities	Amortized cost
Bank and other indebtedness	Other financial liabilities	Amortized cost
Interest rate swap	FVTPL	FVTPL

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2018 and 2017
(unaudited)

2. Basis of presentation (continued):

(c) New standards effective February 1, 2018 (continued):

(i) IFRS 9 Financial Instruments (IFRS 9) (continued):

(B) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Financial assets measured at amortized cost are assessed at each reporting date to determine the credit risk of the financial asset to apply the relevant impairment requirements. There are generally 3 stages of credit risk:

1. Financial assets that are expected to perform in line with their contractual terms and which have no signs of increased credit risk;
2. Financial assets that have significantly increased in credit risk since initial recognition but are not credit-impaired; and
3. Credit-impaired financial instruments.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment of financial assets measured at amortized cost at both a specific asset and collective level. All individually significant financial assets measured at amortized cost are assessed for specific impairment. All individually significant financial assets measured at amortized cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Such assets that are not individually significant are collectively assessed for impairment by grouping together financial assets measured at amortized cost with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is measured through a loss allowance at an amount equal to:

- *12-month expected credit losses (ECLs)*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *Lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2018 and 2017
(unaudited)

2. Basis of presentation (continued):

(c) New standards effective February 1, 2018 (continued):

(i) IFRS 9 Financial Instruments (IFRS 9) (continued):

(B) Impairment of financial assets (continued):

Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through comprehensive income.

Aside from classification, the impact of adopting IFRS 9 has had no material impact on measurement of the Company's financial assets.

(ii) IFRS 15, Revenue from Contracts with Customers:

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaced IAS 18 *Revenue* and related interpretations. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The impact of adopting IFRS 15 has had no material impact on the measurement and recognition of revenue.

(d) Standards issued but not yet effective:

IFRS 16 - *Leases*:

IFRS 16 was issued in January 2016 and sets out a new model for lease accounting, replacing IAS 17, *Leases*. IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. The Company is currently assessing the impact of this standard on its consolidated financial statements.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2018 and 2017
(unaudited)

3. Debt on properties:

	October 31, 2018	January 31, 2018
Bank and other indebtedness:		
Properties under development	\$ 361,867,727	\$ 366,877,190
General corporate debt	131,501,204	248,249,809
Total bank and other indebtedness	493,368,931	615,126,999
Mortgages payable:		
Investment properties	244,423,406	132,926,918
Property, plant and equipment	86,678,555	89,173,327
	331,101,961	222,100,245
Less: deferred financing fees	(6,350,816)	(3,468,970)
	324,751,145	218,631,275
Less: current portion of mortgages payable	(128,094,093)	(93,118,127)
Non-current portion of mortgages payable	\$ 196,657,052	\$ 125,513,148

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

At October 31, 2018, the Company has borrowed \$361,867,727 (January 31, 2018 - \$366,877,190) 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 \$420,000,000 (January 31, 2018 - \$537,000,000). 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, 2018, the Company's borrowings of \$131,501,204 (January 31, 2018 - \$248,249,809) are made available by way of lines of credit with a maximum available aggregate amount of \$235,100,000 (January 31, 2018 - \$291,643,750). 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 and interest rates are based on a spread over prime or banker acceptance rates.

(c) Mortgages payable:

Of the \$86,678,555 (January 31, 2018 - \$89,173,327) in mortgages on property, plant and equipment, \$49,845,138 (January 31, 2018 - \$13,900,000) bear interest at bankers' acceptance rates plus applicable stamping fees. An interest rate swap is in place to fix the interest rates on the remaining balance of the mortgages payable of \$36,833,417 (January 31, 2018 - \$75,273,327) fixed at 3.27% for a term of 4 years maturing November 2, 2019.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2018 and 2017
(unaudited)

3. Debt on properties (continued):

(c) Mortgages payable (continued):

For the nine months ended October 31, 2018, a mark-to-market loss in the fair value of the interest rate swap of \$212,851 (October 31, 2017 – gain of \$376,599) was recorded in finance costs on the statement of earnings. As at October 31, 2018, the fair value of the interest rate swap asset is \$501,821 (January 31, 2018 – \$714,672) and is included with accounts receivable on the statement of financial position.

Mortgages payable on investment properties of \$238,072,590, net of financing fees of \$6,350,816 (January 31, 2018 - \$129,457,948, net of financing fees of \$3,468,970) bears interest at fixed rates ranging from 1.97% to 6.50% (January 31, 2018 – 1.97% to 6.50%). On March 1, 2018, the Company placed a new mortgage on a rental property for proceeds of \$115,397,088 bearing interest at a rate of 3.23% over a 10 year term.

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	\$ 128,094,093
2020	4,128,630
2021	15,482,511
2022	4,023,792
2023	9,446,436
Thereafter	169,926,499
	<u>\$ 331,101,961</u>

4. Net finance costs (income):

	October 31, 2018	October 31, 2017
Finance income:		
Investment and interest income	\$ 946,876	\$ 167,721
Finance costs:		
Interest on:		
Bank and other indebtedness	22,882,232	14,564,729
Mortgages payable	5,882,522	4,083,954
	<u>28,764,754</u>	<u>18,648,683</u>
Interest capitalized to properties under development for sale	(16,123,098)	(11,673,030)
	<u>12,641,656</u>	<u>6,975,653</u>
Change in fair value of interest rate swap contracts	212,851	(376,599)
	<u>12,854,507</u>	<u>6,599,054</u>
Net finance cost	\$ 11,907,631	\$ 6,431,333

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2018 and 2017
(unaudited)

5. Dividends:

On September 13, 2018, the Board approved a dividend of \$1.00 per common share for each share held on September 27, 2018. This dividend of \$33,953,365 was paid on October 11, 2018.

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.

6. Related party transactions:

(a) Loans from shareholder:

As at October 31, 2018, the Company has the following loans payable due to a company owned by a significant shareholder of the Company:

- (i) \$80,000,000 (January 31, 2018 – \$80,000,000) term loan bearing interest at the greater of 4.75% and prime plus 1.00% and secured by a second mortgage on the Sheraton Wall Centre and Westin Wall Centre hotel properties. The term loan is due on October 31, 2020, with \$10,000,000 payable per annum upon written notice provided to the Company.
- (ii) \$20,000,000 loan secured by a charge over property under development, bearing interest at 6.00% and due on April 11, 2020.

For the nine months ended October 31, 2018, the Company recorded interest on loans payable to the significant shareholder totaling \$3,750,000 (October 31, 2017 - \$3,218,786).

(b) Transactions with shareholders, directors, and officers:

In the normal course of its business activities, the Company sells individual condominium units in properties held-for-sale to significant shareholders, directors, and officers on similar terms as sales to unrelated parties. As at October 31, 2018, the total value of the condominium units, in properties under development for sale under contract to shareholders, directors, and officers to be received upon closing is \$1,759,800 (2017 - \$1,506,110).

For the nine months ended October 31, 2018, the Company sold two condominium units to officers of the Company for gross proceeds of \$706,210 (2017 - \$539,800).

These transactions are in the normal course of business and are measured at the exchange amount of consideration established and agreed to by the related parties. In management's opinion, the exchange amount approximates fair market value.

7. Financial instruments:

The carrying values of the Company's cash and cash equivalents, amounts receivable, 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

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2018 and 2017
(unaudited)

7. Financial instruments (continued):

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, 2018 is \$322,858,000 (January 31, 2018 - \$218,327,000).

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.

8. 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.

The following summarizes the Company's assets as at October 31, 2018 with comparative information as at January 31, 2018:

	October 31, 2018	January 31, 2018
Identifiable assets:		
Properties		
Investment properties (Rental)	\$ 443,263,347	\$ 440,312,873
Property, plant, and equipment (Hotel)	144,005,158	144,100,049
Properties under development for sale (Development)	660,491,827	727,740,699
	1,247,760,332	1,312,153,621
Corporate	6,450,184	3,854,372
	\$ 1,254,210,516	\$ 1,316,007,993

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 31, 2018 and 2017
(unaudited)

8. Segment disclosures (continued):

The following summarizes the Company's operating results for the three and nine months ended October 31, 2018 and 2017:

	Rental		Hotel		Development		Corporate		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
For the nine months ended October 31										
Revenue	\$ 24,697,740	\$ 15,169,614	\$ 68,635,173	\$ 61,908,365	\$ 221,582,038	\$ 197,930,892	\$ -	\$ -	\$ 314,914,951	\$ 275,008,871
Depreciation expense	7,204,081	3,944,169	5,592,836	5,479,972	153,922	501,269	-	-	12,950,839	9,925,410
Earnings (loss) from operations	5,373,313	1,081,227	23,280,961	19,339,995	8,216,300	9,383,576	(6,062,885)	(4,890,921)	30,807,689	24,913,877
For the three months ended October 31										
Revenue	\$ 9,057,583	\$ 5,339,268	\$ 25,557,375	\$ 22,799,967	\$ 2,500,065	\$ 306,358	\$ -	\$ -	\$ 37,115,023	\$ 28,445,593
Depreciation expense	2,294,755	1,455,126	1,906,946	1,798,957	140,422	-	-	-	4,342,123	3,254,083
Earnings (loss) from operations	2,196,986	470,458	10,064,260	7,907,174	(2,703,964)	(1,015,423)	(1,362,787)	(1,539,079)	8,194,495	5,823,130