



**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**(Unaudited)**

**For the nine months ended October 31, 2019 and 2018**

**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       |
|--|------------------|------------------|
|  | 2019             | 2019             |
| <b>Assets</b>  |                  |                  |
| Investment properties                                    | \$ 464,663,767   | \$ 468,753,484   |
| Property, plant, and equipment                           | 129,165,000      | 134,015,051      |
| Properties under development for sale                    | 301,705,279      | 258,370,722      |
| Investments in joint ventures                            | 216,709          | 430,019          |
| Deferred tax asset                                       | 5,426,497        | 29,878,904       |
| Non-current assets                                       | 901,177,252      | 891,448,180      |
| Current portion of properties under development for sale | 39,891,509       | 198,234,989      |
| Deposits held in trust                                   | 9,991,988        | 95,571,496       |
| Other assets   | 9,853,800        | 16,998,663       |
| Amounts receivable                                       | 11,430,430       | 9,765,165        |
| Cash and cash equivalents                                | 63,164,160       | 32,769,970       |
| Current assets   | 134,331,887      | 353,340,283      |
|  | \$ 1,035,509,139 | \$ 1,244,788,463 |
| <b>Liabilities</b>                                       |                  |                  |
| Mortgages payable (note 3)                               | \$ 227,015,565   | \$ 195,394,304   |
| Loans from shareholder (note 6)                          | -                | 90,000,000       |
| Deferred tax liabilities                                 | 39,725,685       | 28,034,888       |
| Non-current liabilities                                  | 266,741,250      | 313,429,192      |
| Current portion of mortgages payable (note 3)            | 127,579,626      | 127,267,160      |
| Income taxes payable                                     | 2,827,801        | 769,967          |
| Accounts payable and accrued liabilities                 | 22,176,465       | 30,025,870       |
| Deposits on real estate sales                            | 47,137,184       | 94,483,054       |
| Loans from shareholder (note 6)                          | 20,000,000       | 10,000,000       |
| Bank and other indebtedness (note 3)                     | 284,679,256      | 445,735,020      |
| Current liabilities                                      | 504,400,332      | 708,281,071      |
| Total liabilities  | \$ 771,141,582   | \$ 1,021,710,263 |
| <b>Equity</b>  |                  |                  |
| Share capital  | \$ 24,099,401    | \$ 24,099,401    |
| Contributed surplus                                      | 370,000          | 370,000          |
| Retained earnings  | 161,697,747      | 110,609,830      |
| Equity attributable to shareholders of the Company       | 186,167,148      | 135,079,231      |
| Non-controlling interest                                 | 78,200,409       | 87,998,969       |
| Total equity   | 264,367,557      | 223,078,200      |
|  | \$ 1,035,509,139 | \$ 1,244,788,463 |

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, 2019 and 2018

(Unaudited)

|  | Three months ended October 31 |                     | Nine months ended October 31 |                      |
|--|-------------------------------|---------------------|------------------------------|----------------------|
|  | 2019                          | 2018                | 2019                         | 2018                 |
| Revenue (note 8)                                       | \$ 52,564,582                 | \$ 36,470,544       | \$ 443,009,543               | \$ 314,270,472       |
| Cost of sales and operating expenses                   | 25,979,445                    | 19,927,809          | 249,972,523                  | 255,966,871          |
|  | 26,585,137                    | 16,542,735          | 193,037,020                  | 58,303,601           |
| Expenses:  |                               |                     |                              |                      |
| General and administration                             | 1,132,172                     | 969,427             | 3,196,459                    | 3,274,261            |
| Depreciation and amortization                          | 4,595,098                     | 4,342,123           | 13,908,780                   | 12,950,839           |
|  | 5,727,270                     | 5,311,550           | 17,105,239                   | 16,225,100           |
| Loss from joint ventures                               | -                             | -                   | -                            | (7,660)              |
| Net finance costs (income) (note 4):                   |                               |                     |                              |                      |
| Investment and other income                            | (45,331)                      | (692,311)           | (3,260,012)                  | (946,876)            |
| Finance costs  | 3,735,601                     | 4,373,480           | 13,728,108                   | 12,854,507           |
|  | 3,690,270                     | 3,681,169           | 10,468,096                   | 11,907,631           |
| Earnings before income taxes                           | 17,167,597                    | 7,550,016           | 165,463,685                  | 30,163,210           |
| Income tax expense (recovery):                         |                               |                     |                              |                      |
| Current  | 3,689,756                     | 3,868,488           | 7,867,280                    | 8,791,077            |
| Deferred   | 465,090                       | (1,659,994)         | 36,143,203                   | (2,182,681)          |
|  | 4,154,846                     | 2,208,494           | 44,010,483                   | 6,608,396            |
| <b>Net earnings and comprehensive income</b>           | <b>\$ 13,012,751</b>          | <b>\$ 5,341,522</b> | <b>\$ 121,453,202</b>        | <b>\$ 23,554,814</b> |
| Net earnings and comprehensive income attributable to: |                               |                     |                              |                      |
| Shareholders of the Company                            | \$ 11,234,355                 | \$ 5,326,481        | \$ 118,994,647               | \$ 17,222,512        |
| Non-controlling interests                              | 1,778,396                     | 15,041              | 2,458,555                    | 6,332,302            |
|  | \$ 13,012,751                 | \$ 5,341,522        | \$ 121,453,202               | \$ 23,554,814        |
| Basic and diluted earnings per share                   | \$ 0.33                       | \$ 0.16             | \$ 3.50                      | \$ 0.51              |
| 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, 2019 and 2018

(Unaudited)

|                                    | Attributable to shareholders of the company |                     |                       | Total                 | Non-controlling Interests | Total Equity          |
|------------------------------------|---|---------------------|-----------------------|-----------------------|---------------------------|-----------------------|
|                                    | Share Capital                               | Contributed Surplus | Retained Earnings     |                       |                           |                       |
| Balance at February 1, 2019        | \$ 24,099,401                               | \$ 370,000          | \$ 110,609,830        | \$ 135,079,231        | \$ 87,998,969             | \$ 223,078,200        |
| Earnings for the period            | -   | -                   | 118,994,647           | 118,994,647           | 2,458,555                 | 121,453,202           |
| Dividends (note 5)                 | -   | -                   | (67,906,730)          | (67,906,730)          | -                         | (67,906,730)          |
| Contributions                      | -   | -                   | -                     | -                     | 802,500                   | 802,500               |
| Distributions                      | -   | -                   | -                     | -                     | (13,059,615)              | (13,059,615)          |
| <b>Balance at October 31, 2019</b> | <b>\$ 24,099,401</b>                        | <b>\$ 370,000</b>   | <b>\$ 161,697,747</b> | <b>\$ 186,167,148</b> | <b>\$ 78,200,409</b>      | <b>\$ 264,367,557</b> |
| 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            | -   | -                   | 17,222,512            | 17,222,512            | 6,332,302                 | 23,554,814            |
| 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)          |
| <b>Balance at October 31, 2018</b> | <b>\$ 24,099,401</b>                        | <b>\$ 370,000</b>   | <b>\$ 72,849,703</b>  | <b>\$ 97,319,104</b>  | <b>\$ 75,895,930</b>      | <b>\$ 173,215,034</b> |

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, 2019 and 2018

(Unaudited)

|  | 2019           | 2018          |
|--|----------------|---------------|
| Cash provided by (used in):                      |                |               |
| Cash flow from operating activities:             |                |               |
| Net earnings                                     | \$ 121,453,202 | \$ 23,554,814 |
| Adjustments for items not involving cash:        |                |               |
| Depreciation                                     | 13,908,780     | 12,950,839    |
| Amortization of deferred financing fees          | 211,500        | 114,088       |
| Loss from joint ventures                         | -              | 7,660         |
| Deferred income tax expense                      | 36,143,203     | (2,182,681)   |
| Current income tax expense                       | 7,867,280      | 8,791,077     |
| Finance costs (note 4)                           | 13,728,108     | 12,854,507    |
|  | 193,312,073    | 56,090,304    |
| Recovery of costs through real estate sales      | 167,445,172    | 195,218,106   |
| Additions to development properties              | (42,374,616)   | (173,264,537) |
| Interest paid (note 4)                           | (22,822,937)   | (28,764,754)  |
| Income taxes paid                                | (5,809,445)    | (7,137,682)   |
| Changes in non-cash operating working capital:   |                |               |
| Amounts receivable                               | (2,068,271)    | (3,360,623)   |
| Accounts payable and accrued liabilities         | (7,849,405)    | (13,120,527)  |
| Inventory  | 22,454         | (48,047)      |
| Deposits and prepaids                            | 6,886,491      | 30,872,881    |
|  | 286,741,516    | 56,485,121    |
| Cash flow from investing activities:             |                |               |
| Additions to investment properties               | (3,900,475)    | (1,777,058)   |
| Additions to property, plant, and equipment      | (1,087,905)    | (3,182,182)   |
| Additions to sales centres                       | (308,512)      | (1,323,363)   |
| Distributions from investment in joint ventures  | 213,310        | -             |
| Decrease in deposits held in trust               | 85,579,508     | 11,409,031    |
| Decrease in deposits on real estate sales        | (47,345,870)   | (9,510,846)   |
|  | 33,150,056     | (4,384,418)   |
| Cash flow from financing activities:             |                |               |
| Repayment of loans from shareholder              | (80,000,000)   | -             |
| Proceeds from mortgages payable                  | 37,854,977     | 115,397,088   |
| Payment of financing fees                        | (367,236)      | (2,995,934)   |
| Repayment of mortgages payable                   | (5,765,514)    | (6,395,372)   |
| Bank and other indebtedness                      | (161,055,764)  | (121,758,068) |
| Contributions by non-controlling interest        | 802,500        | 4,142,130     |
| Distributions to non-controlling interest        | (13,059,615)   | (17,604,625)  |
| Dividends paid (note 5)                          | (67,906,730)   | (33,953,365)  |
|  | (289,497,382)  | (63,168,146)  |
| Increase (decrease) in cash and cash equivalents | 30,394,190     | (11,067,443)  |
| Cash and cash equivalents, beginning of period   | 32,769,970     | 34,676,293    |
| Cash and cash equivalents, end of period         | \$ 63,164,160  | \$ 23,608,850 |

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, 2019 and 2018  
(unaudited)

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### 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 10<sup>th</sup> 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, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

For the nine months ended October 31, 2019 and 2018, 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, 2019 and 2018 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 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 12, 2019, 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 nine months ended October 31, 2019 and 2018  
(unaudited)

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## 2. Basis of presentation (continued):

### (c) New standard issued and adopted:

IFRS 16 - Leases:

The Company has adopted IFRS 16 Leases ("IFRS 16") on February 1, 2019.

IFRS 16 sets out a new model for lease accounting, replacing IAS 17 Leases ("IAS 17"). The new standard recognizes the initial present value of unavoidable future lease payments as right-of-use assets and lease liabilities on the statement of financial position, including those for most leases that were previously accounted for as operating leases.

Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there are changes in the following: i) in the lease term; ii) the Company's assessment of whether it will exercise a purchase option; iii) a change in an index or a change in the rate used to determine the payments; and iv) amounts expected to be payable under residual value guarantees.

The adoption of IFRS 16 has not had any material impact on the Company's financial statements.

### (d) Comparative information:

Certain comparative information has been reclassified to conform with the current year's presentation.

# WALL FINANCIAL CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018  
(unaudited)

### 3. Debt on properties:

|  | October 31, 2019 | January 31, 2019 |
|--|------------------|------------------|
| <b>Bank and other indebtedness:</b>        |                  |                  |
| Properties under development               | \$ 177,827,786   | \$ 282,447,853   |
| General corporate debt                     | 125,602,085      | 163,287,167      |
| Total bank and other indebtedness          | 303,429,871      | 445,735,020      |
| <b>Mortgages payable:</b>                  |                  |                  |
| Investment properties                      | 238,987,186      | 243,122,213      |
| Property, plant and equipment              | 122,055,663      | 85,831,174       |
|  | 361,042,849      | 328,953,387      |
| Less: deferred financing fees              | (6,447,658)      | (6,291,923)      |
|  | 354,595,191      | 322,661,464      |
| Less: current portion of mortgages payable | (127,579,626)    | (127,267,160)    |
| Non-current portion of mortgages payable   | \$ 227,015,565   | \$ 195,394,304   |

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

At October 31, 2019, the Company has borrowed \$177,827,786 (January 31, 2019 - \$282,447,853) 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 \$264,110,000 (January 31, 2019 - \$355,682,000). The credit facilities are secured by first mortgages and assignment of rents on the related properties, and assignment of deposit insurance. The borrowings are due on demand.

(b) General corporate debt:

At October 31, 2019, the Company's borrowings of \$125,602,085 (January 31, 2019 - \$163,287,167) are made available by way of lines of credit with a maximum available aggregate amount of \$294,100,000 (January 31, 2019 - \$259,100,000). 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 and interest rates are based on a spread over prime or banker acceptance rates.

(c) Mortgages payable:

Mortgages payable on investment properties of \$238,987,186 (January 31, 2019 - \$243,122,213) bears interest at fixed rates ranging from 1.97% to 6.50% (January 31, 2019 1.97% to 6.50%).

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.

Of the \$122,055,663 (January 31, 2019 - \$85,831,174) in mortgages on property, plant and equipment, \$12,850,000 (January 31, 2019 - \$49,281,138) bear interest at bankers' acceptance rates plus applicable stamping fees. Four interest rate swaps are in place to fix

# WALL FINANCIAL CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018  
(unaudited)

### 3. Debt on properties (continued):

#### (c) Mortgages payable (continued):

the remaining balance of \$109,205,663 (January 31, 2019 - \$36,550,036) in mortgages on property, plant and equipment at fixed rates ranging from 3.80% to 4.10% for a term of 3 years maturing August to November 2022.

For the nine months ended October 31, 2019, a mark-to-market loss in the fair value of the interest rate swap of \$403,006 (October 31, 2018 – \$212,851) was recorded in finance costs on the statement of earnings. As at October 31, 2019, the fair value of the interest rate swap liability is \$115,840 (January 31, 2019 – asset of \$287,165) and is included in accounts payable on the statement of financial position.

### 4. Net finance costs:

|   | October 31, 2019  | October 31, 2018  |
|---|-------------------|-------------------|
| Finance income:   |                   |                   |
| Investment income   | \$ 43,920         | \$ 721,591        |
| Interest income   | 3,216,092         | 225,285           |
|   | <u>3,260,012</u>  | <u>946,876</u>    |
| Finance costs:  |                   |                   |
| Interest on:  |                   |                   |
| Bank and other indebtedness                                   | 16,883,459        | 22,882,232        |
| Mortgages payable   | 5,939,478         | 5,882,523         |
|   | <u>22,822,937</u> | <u>28,764,755</u> |
| Interest capitalized to properties under development for sale | (9,497,835)       | (16,123,099)      |
|   | <u>13,325,102</u> | <u>12,641,656</u> |
| Change in fair value of interest rate swap contracts          | 403,006           | 212,851           |
|   | <u>13,728,108</u> | <u>12,854,507</u> |
| Net finance cost  | \$ 10,468,096     | \$ 11,907,631     |

### 5. Dividends

On June 13, 2019, the Board of Directors approved a dividend of \$2.00 per common share for each share held on June 27, 2019. This dividend of \$67,906,730 was paid on July 11, 2019.

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.

### 6. Related party transactions:

#### (a) Loans from shareholder:

As at October 31, 2019, the Company has a \$20,000,000 (January 31, 2019 – \$20,000,000) loan payable due to a company owned by a significant shareholder of the Company secured by a charge over property under development, bearing interest at 6.00% and due on April 11, 2020.

# WALL FINANCIAL CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018  
(unaudited)

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### 6. Related party transactions (continued):

#### (a) Loans from shareholder (continued):

On July 31, 2019, the Company repaid an \$80,000,000 term loan to a company owned by a significant shareholder of the Company. The loan was secured by a second mortgage on the Sheraton Wall Centre and Westin Wall Centre hotel properties and was interest bearing at the greater of prime plus 1.00% or 4.75%.

For the nine months ended October 31, 2019, the Company recorded interest on loans payable to the significant shareholder totaling \$2,880,000 (October 31, 2018 - \$3,750,000).

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

For the nine months ended October 31, 2019, the Company sold a condominium unit to an officer of the Company for aggregate gross proceeds of \$799,900 (October 31, 2018 - \$706,210).

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, 2019, 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 \$3,024,800 (January 31, 2019 - \$1,759,800).

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 shareholders 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 consolidated 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 through 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, 2019 is \$354,595,000 (January 31, 2019 - \$326,929,000).

# WALL FINANCIAL CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018  
(unaudited)

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### 7. Financial instruments (continued):

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, 2019 with comparative information as at January 31, 2019:

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|   | October 31, 2019 | January 31, 2019 |
|---|------------------|------------------|
| Identifiable assets:                                |                  |                  |
| Properties  |                  |                  |
| Investment properties (Rental)                      | \$ 486,955,591   | \$ 470,658,552   |
| Property, plant, and equipment (Hotel)              | 137,886,241      | 141,959,263      |
| Properties under development for sale (Development) | 381,978,533      | 625,853,088      |
|   | 1,006,820,365    | 1,238,470,903    |
| Corporate   | 28,688,774       | 6,317,560        |
|   | \$ 1,035,509,139 | \$ 1,244,788,463 |

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# WALL FINANCIAL CORPORATION

## Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2019 and 2018  
(unaudited)

### 8. Segment disclosures (continued):

The following summarizes the Company's operating results for the three and nine months ended October 31, 2019 and 2018:

|  | Rental        |               | Hotel         |               | Development    |                | Corporate   |             | Consolidated   |                |
|--|---------------|---------------|---------------|---------------|----------------|----------------|-------------|-------------|----------------|----------------|
|  | 2019          | 2018          | 2019          | 2018          | 2019           | 2018           | 2019        | 2018        | 2019           | 2018           |
| <b>For the nine months ended October 31</b>  |               |               |               |               |                |                |             |             |                |                |
| Revenue                                      | \$ 25,822,949 | \$ 24,697,740 | \$ 73,769,108 | \$ 68,635,173 | \$ 343,417,486 | \$ 221,582,038 | \$ -        | \$ -        | \$ 443,009,543 | \$ 314,914,951 |
| Depreciation expense                         | 7,426,394     | 7,204,081     | 5,937,956     | 5,592,836     | 544,430        | 153,922        | -           | -           | 13,908,780     | 12,950,839     |
| Earnings (loss) from operations              | 1,857,377     | 1,251,109     | 24,298,710    | 23,280,961    | 146,145,963    | 12,338,504     | (6,838,365) | (6,062,885) | 165,463,685    | 30,807,689     |
| <b>For the three months ended October 31</b> |               |               |               |               |                |                |             |             |                |                |
| Revenue                                      | \$ 8,915,622  | \$ 9,057,583  | \$ 27,962,925 | \$ 25,557,375 | \$ 15,686,035  | \$ 2,500,065   | \$ -        | \$ -        | \$ 52,564,582  | \$ 37,115,023  |
| Depreciation expense                         | 2,385,945     | 2,294,755     | 1,989,073     | 1,906,946     | 220,080        | 140,422        | -           | -           | 4,595,098      | 4,342,123      |
| Earnings (loss) from operations              | 916,976       | 1,047,642     | 10,716,137    | 10,064,260    | 7,061,329      | (1,494,620)    | (1,526,845) | (1,422,787) | 17,167,597     | 8,194,495      |