



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

(Unaudited)

For the three and nine months ended October 31, 2020 and 2019

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 2020	January 31 2020
Assets		
Investment properties	\$ 462,750,123	\$ 464,590,635
Property, plant, and equipment	122,198,266	127,775,220
Properties under development for sale	157,809,763	141,948,616
Investments in joint ventures	136,735	216,708
Deferred tax asset	10,850,800	30,491,256
Non-current assets	753,745,687	765,022,435
Current portion of properties under development for sale	198,667,734	208,796,693
Deposits held in trust	305,808	4,090,077
Other assets	7,556,295	8,653,746
Amounts receivable	9,457,619	8,870,519
Cash and cash equivalents	19,031,494	56,237,950
Current assets	235,018,950	286,648,985
	\$ 988,764,637	\$ 1,051,671,420
Liabilities		
Mortgages payable (note 4)	\$ 240,993,613	\$ 214,070,799
Deferred tax liabilities	3,433,780	62,085,569
Non-current liabilities	244,427,393	276,156,368
Current portion of mortgages payable (note 4)	125,390,615	138,456,643
Income taxes payable	30,983,055	4,393,617
Accounts payable and accrued liabilities	20,445,594	25,060,562
Deposits on real estate sales	44,096,900	47,566,840
Loans from shareholder (note 6)	20,000,000	20,000,000
Bank and other indebtedness (note 4)	245,125,455	272,581,865
Current liabilities	486,041,619	508,059,527
Total liabilities	\$ 730,469,012	\$ 784,215,895
Equity		
Share capital	\$ 24,099,401	\$ 24,099,401
Contributed surplus	370,000	370,000
Retained earnings	159,661,140	165,159,589
Equity attributable to shareholders of the Company	184,130,541	189,628,990
Non-controlling interest	74,165,084	77,826,535
Total equity	258,295,625	267,455,525
	\$ 988,764,637	\$ 1,051,671,420

Subsequent event (note 4)

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, 2020 and 2019

(Unaudited)

	Three months ended October 31		Nine months ended October 31	
	2020	2019	2020	2019
Revenue (note 9)	\$ 20,246,168	\$ 52,564,582	\$ 83,574,395	\$ 443,009,543
Cost of sales and operating expenses	12,601,950	25,979,445	63,712,340	249,972,523
	7,644,218	26,585,137	19,862,055	193,037,020
Expenses:				
General and administration	576,550	1,132,172	2,027,884	3,196,459
Depreciation and amortization	4,650,563	4,595,098	14,122,111	13,908,780
	5,227,113	5,727,270	16,149,995	17,105,239
Net finance expense (income) (note 5):				
Investment and other income	(89,031)	(45,331)	(531,507)	(3,260,012)
Finance expense	2,889,269	3,668,389	9,638,653	13,325,102
Decrease in fair value of interest rate swap contracts	(394,269)	67,212	3,575,396	403,006
	2,405,969	3,690,270	12,682,542	10,468,096
Earnings (loss) before income taxes	11,136	17,167,597	(8,970,482)	165,463,685
Income tax expense (recovery):				
Current	12,740,627	3,689,756	36,981,056	7,867,280
Deferred	(12,783,238)	465,090	(39,014,595)	36,143,203
	(42,611)	4,154,846	(2,033,539)	44,010,483
Net earnings (loss) and comprehensive income (loss)	\$ 53,747	\$ 13,012,751	\$ (6,936,943)	\$ 121,453,202
Net earnings (loss) and comprehensive income (loss) attributable to:				
Shareholders of the Company	\$ (115,570)	\$ 11,234,355	\$ (5,498,449)	\$ 118,994,647
Non-controlling interests	169,317	1,778,396	(1,438,494)	2,458,555
	\$ 53,747	\$ 13,012,751	\$ (6,936,943)	\$ 121,453,202
Basic and diluted earnings (loss) per share	\$ (0.00)	\$ 0.33	\$ (0.16)	\$ 3.50
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, 2020 and 2019

(Unaudited)

	Attributable to shareholders of the company			Total	Non-controlling Interests	Total Equity
	Share Capital	Contributed Surplus	Retained Earnings			
Balance at February 1, 2020	\$ 24,099,401	\$ 370,000	\$ 165,159,589	\$ 189,628,990	\$ 77,826,535	\$ 267,455,525
Loss for the period	-	-	(5,498,449)	(5,498,449)	(1,438,494)	(6,936,943)
Contributions	-	-	-	-	1,572,243	1,572,243
Distributions	-	-	-	-	(3,795,200)	(3,795,200)
Balance at October 31, 2020	\$ 24,099,401	\$ 370,000	\$ 159,661,140	\$ 184,130,541	\$ 74,165,084	\$ 258,295,625
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	-	-	(67,906,730)	(67,906,730)	-	(67,906,730)
Contributions	-	-	-	-	802,500	802,500
Distributions	-	-	-	-	(13,059,615)	(13,059,615)
Balance at October 31, 2019	\$ 24,099,401	\$ 370,000	\$ 161,697,747	\$ 186,167,148	\$ 78,200,409	\$ 264,367,557

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, 2020 and 2019

(Unaudited)

	2020	2019
Cash provided by (used in):		
Cash flow from operating activities:		
Net earnings (loss)	\$ (6,936,943)	\$ 121,453,202
Adjustments for items not involving cash:		
Depreciation	14,122,111	13,908,780
Amortization of deferred financing fees	293,211	211,500
Deferred income tax expense (recovery)	(39,014,595)	36,143,203
Current income tax expense	36,981,056	7,867,280
Finance costs (note 5)	9,638,653	13,325,102
Decrease in fair value of interest rate swap contracts (note 5)	3,575,396	403,006
	18,658,889	193,312,073
Recovery of costs through real estate sales	41,365,245	167,445,172
Additions to development properties	(37,745,189)	(42,374,616)
Interest paid (note 5)	(18,990,897)	(22,822,937)
Income taxes paid	(10,391,618)	(5,809,445)
Decrease in deposits held in trust	3,784,269	85,579,508
Decrease in deposits on real estate sales	(3,469,940)	(47,345,870)
Changes in non-cash operating working capital:		
Amounts receivable	(587,100)	(2,068,271)
Accounts payable and accrued liabilities	(8,187,102)	(7,849,405)
Inventory	134,213	22,454
Deposits and prepaids	592,308	6,886,491
	(14,836,922)	324,975,154
Cash flow from investing activities:		
Additions to investment properties	(5,356,729)	(3,900,475)
Additions to property, plant, and equipment	(540,546)	(1,087,905)
Additions to sales centres	(436,440)	(308,512)
Distributions from investment in joint ventures	79,973	213,310
	(6,253,742)	(5,083,582)
Cash flow from financing activities:		
Repayment of loans from shareholder	-	(80,000,000)
Proceeds from mortgages payable	32,075,208	37,854,977
Payment of financing fees	(890,690)	(367,236)
Repayment of mortgages payable	(17,620,943)	(5,765,514)
Bank and other indebtedness	(27,456,410)	(161,055,764)
Contributions by non-controlling interest	1,572,243	802,500
Distributions to non-controlling interest	(3,795,200)	(13,059,615)
Dividends paid	-	(67,906,730)
	(16,115,792)	(289,497,382)
Increase (decrease) in cash and cash equivalents	(37,206,456)	30,394,190
Cash and cash equivalents, beginning of period	56,237,950	32,769,970
Cash and cash equivalents, end of period	\$ 19,031,494	\$ 63,164,160

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, 2020 and 2019
(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.

The declaration of the COVID-19 virus as a pandemic by the World Health Organization on March 11, 2020, and the subsequent shut downs globally, domestically and locally have had a significant impact on the Company’s hotel operations. The Company enacted cost reduction programs at its two hotels, which include the closure of one of the two towers at its downtown hotel, the furlough of all non-essential staff, and the elimination of all but the most necessary expenses in order to preserve cash flow. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company’s business are not known at this time; however, for the nine months ended October 31, 2020, the Company’s hotel operations have experienced a significant decline in current and future guest bookings and occupancy levels remain low.

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 condensed consolidated interim 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, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

For the nine months ended October 31, 2020 and 2019, 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, 2020 and 2019 except as disclosed in note 3.

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

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020 and 2019
(unaudited)

2. Basis of presentation (continued):

(a) Statement of compliance (continued):

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 11, 2020, 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.

3. Significant accounting policies:

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited financial statements, except as noted below.

IAS 20 Accounting for government grants and disclosure of government assistance

The Company recognizes government assistance when there is reasonably assurance that the entity will comply with the conditions attached to them and the grants will be received. The Company recognizes government assistance on a systematic basis over the periods in which the Company recognizes the related expenses for which the assistance is intended to compensate.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020 and 2019
(unaudited)

4. Debt on properties:

	October 31, 2020	January 31, 2020
Bank and other indebtedness:		
Properties under development	\$ 224,707,220	\$ 266,081,865
General corporate debt	20,418,235	6,500,000
Total bank and other indebtedness	245,125,455	272,581,865
Mortgages payable:		
Investment properties	265,358,162	237,593,310
Property, plant and equipment	107,991,382	121,301,969
	373,349,544	358,895,279
Less: deferred financing fees	(6,965,316)	(6,367,837)
	366,384,228	352,527,442
Less: current portion of mortgages payable	(125,390,615)	(138,456,643)
Non-current portion of mortgages payable	\$ 240,993,613	\$ 214,070,799

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

At October 31, 2020, the Company had outstanding borrowings of \$224,707,220 (January 31, 2020 - \$266,081,865) 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 \$251,194,000 (January 31, 2020 - \$350,660,000). The credit facilities are secured by first mortgages and assignment of rents and insurance proceeds on the related properties. The borrowings are due on demand.

An interest rate swap is in place to fix the interest rate on the bank and other indebtedness on properties under development of \$25,000,000 (January 31, 2020 - \$75,000,000) at 3.53% for 5 years maturing March 2, 2025. On September 3, 2020, the Company terminated \$50,000,000 of the original interest rate swap of \$75,000,000 at a cost of \$655,500 and repaid \$50,000,000 of the loan. As at October 31, 2020, the fair value of the interest rate swap liability is \$246,920 and is included in accounts payable (January 31, 2020 - nil) on the statement of financial position. For the nine months ended October 31, 2020, a mark-to-market loss in the fair value of the interest rate swap of \$939,694 (October 31, 2019 - nil) was recorded in finance costs on the Statements of Earnings and Comprehensive Income.

Subsequent to October 31, 2020, the balance of the interest rate swap of \$25,000,000 was terminated at a cost of \$282,905. The fees incurred to terminate the interest rate swaps were expensed in the period in which they were incurred and included in finance cost.

(b) General corporate debt:

At October 31, 2020, the Company's borrowings of \$20,418,235 (January 31, 2020 - \$6,500,000) are made available by way of lines of credit with a maximum available aggregate amount of \$148,600,000 (January 31, 2020 - \$175,100,000). The debt is secured by fixed and floating demand debentures, second mortgages, and an assignment of rents on certain

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020 and 2019
(unaudited)

4. Debt on properties (continued):

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 on investment properties:

Mortgages payable on investment properties of \$265,358,162 (2019 - \$237,593,310) bears interest at fixed rates ranging from 1.65% to 3.99% (January 31, 2020 - 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.

(d) Mortgages payable on property, plant, and equipment:

Interest rate swaps are in place to fix the interest rate on the mortgages payable on property, plant and equipment of \$107,991,380 (January 31, 2020 - \$121,301,969) at rates ranging from 3.80% to 4.10% for terms of 3 years maturing between August 2, 2022 to February 10, 2023. For the nine months ended October 31, 2020, a mark-to-market loss in the fair value of the interest rate swap of \$2,635,695 (October 31, 2019 – \$403,006) was recorded in finance costs on the statement of earnings. As at October 31, 2020, the fair value of the interest rate swap liability is \$2,809,230 and is included in accounts payable (January 31, 2020 – \$491,255) on the statement of financial position.

Subsequent to October 31, 2020, the interest rate swaps of \$107,991,380 were terminated on at a cost of \$2,666,215.

5. Net finance costs:

	October 31, 2020	October 31, 2019
Finance income:		
Investment income	\$ 43,801	\$ 43,920
Interest income	487,706	3,216,092
	531,507	3,260,012
Finance costs:		
Interest on:		
Bank and other indebtedness	12,516,151	16,883,459
Mortgages payable	6,474,746	5,939,478
	18,990,897	22,822,937
Interest capitalized to properties under development for sale	(9,352,244)	(9,497,835)
	9,638,653	13,325,102
Decrease in fair value of interest rate swap contracts	3,575,389	403,006
	13,214,042	13,728,108
Net finance cost	\$ 12,682,535	\$ 10,468,096

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020 and 2019
(unaudited)

6. Related party transactions:

As at October 31, 2020, the Company has a \$20,000,000 (January 31, 2020 - \$20,000,000) loan payable due to a company owned by a significant shareholder of the Company. The loan is secured by a charge over property under development, bearing interest at 6.00% and matured on April 11, 2020. The loan renewal terms are currently being negotiated.

For the nine months ended October 31, 2020, the Company recorded interest on loans payable to the significant shareholder totaling \$900,000 (October 31, 2019 - \$2,880,000).

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 is 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 notes 3(a) and (d).

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, 2020 is \$388,837,000 (January 31, 2020 - \$361,361,260).

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.

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020 and 2019
(unaudited)

8. Government assistance:

During the nine months ended October 31, 2020, the Company has applied and received \$2,823,454 in government assistance related to COVID-19 relief programs. The amounts are recorded in the Statements of Earnings and Comprehensive Income.

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.

The following summarizes the Company's assets as at October 31, 2020 with comparative information as at January 31, 2020:

	October 31, 2020	January 31, 2020
Identifiable assets:		
Properties		
Investment properties (Rental)	\$ 467,074,523	\$ 484,203,007
Property, plant, and equipment (Hotel)	127,049,644	135,046,284
Properties under development for sale (Development)	389,363,975	411,983,113
	983,488,142	1,031,232,404
Corporate	5,276,495	20,439,016
	\$ 988,764,637	\$ 1,051,671,420

WALL FINANCIAL CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended October 31, 2020 and 2019
(unaudited)

9. Segment disclosures (continued):

The following summarizes the Company's operating results for the three and nine months ended October 31, 2020 and 2019:

	Rental		Hotel		Development		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the nine months ended October 31										
Revenue	\$ 26,098,291	\$ 25,822,949	\$ 13,312,809	\$ 73,769,108	\$ 44,163,295	\$ 343,417,486	\$ -	\$ -	\$ 83,574,395	\$ 443,009,543
Depreciation expense	7,197,241	7,426,394	6,117,500	5,937,956	794,530	544,430	12,840	-	14,122,111	13,908,780
Earnings (loss) before taxes	2,716,443	1,857,377	(6,873,276)	24,298,710	544,297	146,145,963	(5,357,946)	(6,838,365)	(8,970,483)	165,463,685
For the three months ended October 31										
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	\$ 8,727,084	\$ 8,915,622	\$ 2,626,995	\$ 27,962,925	\$ 8,892,089	\$ 15,686,035	\$ -	\$ -	\$ 20,246,168	\$ 52,564,582
Depreciation expense	2,399,853	2,385,945	2,022,402	1,989,073	215,468	220,080	12,840	-	4,650,563	4,595,098
Net earnings (loss) before taxes	1,801,393	916,976	(2,393,064)	10,716,137	1,150,951	7,061,329	(548,143)	(1,526,845)	11,136	17,167,597