CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three months ended April 30, 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)

		April 30 2020		January 31 2020
Assets				
Investment properties	$	465,722,424	$	464,590,635
Property, plant, and equipment		125,743,902		127,775,220
Properties under development for sale		134,783,178		141,948,616
Investments in joint ventures		136,734		216,708
Deferred tax asset		17,407,406		30,491,256
Non-current assets		743,793,644		765,022,435
Current portion of properties under development for sale		213,792,240		208,796,693
Deposits held in trust		2,812,700		4,090,077
Other assets		7,536,427		8,653,746
Amounts receivable		10,313,030		8,870,519
Cash and cash equivalents		73,458,689		56,237,950
Current assets		307,913,086		286,648,985
	$	1,051,706,730	$	1,051,671,420
Liabilities				
Mortgages payable (note 3)	$	232,819,849	$	214,070,799
Deferred tax liabilities		35,812,231		62,085,569
Non-current liabilities		268,632,080		276,156,368
Current portion of mortgages payable (note 3)		138,010,794		138,456,643
Income taxes payable		15,133,088		4,393,617
Accounts payable and accrued liabilities		25,526,988		25,060,562
Deposits on real estate sales		46,126,718		47,566,840
Loans from shareholder (note 5)		20,000,000		20,000,000
Bank and other indebtedness (note 3)		275,532,668		272,581,865
Current liabilities		520,330,256		508,059,527
Total liabilities	$	788,962,336	$	784,215,895
Equity				
Share capital	$	24,099,401	$	24,099,401
Contributed surplus		370,000		370,000
Retained earnings		161,282,903		165,159,589
Equity attributable to shareholders of the Company		185,752,304		189,628,990
Non-controlling interest		76,992,090		77,826,535
Total equity		262,744,394		267,455,525
	$	1,051,706,730	$	1,051,671,420

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 months ended April 30, 2020 and 2019

(Unaudited)

	Three months ended April 30	
	2020	**2019**
Revenue (note 7)	$ 38,487,895	$ 249,756,381
Cost of sales and operating expenses	32,206,639	140,020,396
	6,281,256	109,735,985
Expenses:		
General and administration	940,976	970,229
Depreciation and amortization	4,873,991	4,526,388
	5,814,967	5,496,617
Net finance expense (income) (note 4):		
Investment and other income	(257,357)	(1,581,968)
Finance expense	3,203,498	4,520,513
Decrease in fair value of interest rate swap contracts	3,838,004	98,433
	6,784,145	3,036,978
Earnings (loss) before income taxes	(6,317,856)	101,202,390
Income tax expense (recovery):		
Current	11,755,749	1,539,998
Deferred	(13,189,592)	25,705,135
	(1,433,843)	27,245,133
Net earnings (loss) and comprehensive income (loss)	$ (4,884,013)	$ 73,957,257
Net earnings (loss) and comprehensive income (loss) attributable to:		
Shareholders of the Company	$ (3,876,686)	$ 73,662,767
Non-controlling interests	(1,007,327)	294,490
	$ (4,884,013)	$ 73,957,257
Basic and diluted earnings (loss) per share	$ (0.11)	$ 2.17
Total shares and weighted average shares outstanding	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 three months ended April 30, 2020 and 2019

(Unaudited)

	Attributable to shareholders of the company					
	Share Capital	Contributed Surplus	Retained Earnings	Total	Non-controlling Interests	Total Equity
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	-	-	(3,876,686)	(3,876,686)	(1,007,327)	(4,884,013)
Contributions	-	-	-	-	204,882	204,882
Distributions	-	-	-	-	(32,000)	(32,000)
Balance at April 30, 2020	$ 24,099,401	$ 370,000	$ 161,282,903	$ 185,752,304	$ 76,992,090	$ 262,744,394
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	-	-	73,662,767	73,662,767	294,490	73,957,257
Contributions	-	-	-	-	250,000	250,000
Distributions	-	-	-	-	(9,190,159)	(9,190,159)
Balance at April 30. 2019	$ 24,099,401	$ 370,000	$ 184,272,597	$ 208,741,998	$ 79,353,300	$ 288,095,298

See accompanying notes to these condensed consolidated interim financial statements.

WALL FINANCIAL CORPORATION

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended April 30, 2020 and 2019

(Unaudited)

		2020		2019
Cash provided by (used in):				
Cash flow from operating activities:				
Net earnings (loss)	$	(4,884,013)	$	73,957,257
Adjustments for items not involving cash:				
Depreciation		4,873,991		4,526,388
Amortization of deferred financing fees		122,660		58,892
Deferred income tax expense (recovery)		(13,189,592)		25,705,135
Current income tax expense		11,755,749		1,539,998
Finance costs (note 4)		3,203,498		4,520,513
Decrease in fair value of interest rate swap contracts (note 4)		3,838,004		98,433
		5,720,297		110,406,616
Recovery of costs through real estate sales		20,354,756		109,320,497
Additions to development properties		(14,082,440)		(14,388,250)
Interest paid (note 4)		(7,305,923)		(7,986,072)
Income taxes paid		(1,016,174)		(3,414,213)
Decrease in deposits held in trust		1,277,377		55,637,288
Decrease in deposits on real estate sales		(1,440,122)		(33,153,101)
Changes in non-cash operating working capital:				
Amounts receivable		(1,442,511)		(6,618,046)
Accounts payable and accrued liabilities		(3,371,578)		3,231,862
Inventory		47,884		(8,002)
Deposits and prepaids		937,657		2,352,130
		(320,777)		215,380,709
Cash flow from investing activities:				
Additions to investment properties		(3,570,476)		(1,163,697)
Additions to property, plant, and equipment		(53,902)		(255,078)
Additions to sales centres		(218,306)		(107,876)
Distributions from investment in joint ventures		79,974		169,210
		(3,762,710)		(1,357,441)
Cash flow from financing activities:				
Proceeds from mortgages payable		20,778,010		-
Payment of financing fees		(686,231)		-
Repayment of mortgages payable		(1,911,238)		(2,228,990)
Bank and other indebtedness		2,950,803		(182,262,642)
Contributions by non-controlling interest		204,882		250,000
Distributions to non-controlling interest		(32,000)		(9,190,159)
		21,304,226		(193,431,791)
Increase in cash and cash equivalents		17,220,739		20,591,477
Cash and cash equivalents, beginning of period		56,237,950		32,769,970
Cash and cash equivalents, end of period	$	73,458,689	$	53,361,447

See accompanying notes to condensed consolidated interim financial statements.

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 three months ended April 30, 2020, the Company's hotel operations have experienced a significant decline in current and future guest bookings and occupancy levels are 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 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 three months ended April 30, 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.

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.

2. Basis of presentation (continued):

(a) Statement of compliance (continued):

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on June 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.

(c) Comparative information:

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

3. Debt on properties:

	April 30, 2020	January 31, 2020
Bank and other indebtedness:		
Properties under development	$ 269,011,310	$ 266,081,865
General corporate debt	6,521,358	6,500,000
Total bank and other indebtedness	275,532,668	272,581,865
Mortgages payable:		
Investment properties	256,966,370	237,593,310
Property, plant and equipment	120,795,681	121,301,969
	377,762,051	358,895,279
Less: deferred financing fees	(6,931,408)	(6,367,837)
	370,830,643	352,527,442
Less: current portion of mortgages payable	(138,010,794)	(138,456,643)
Non-current portion of mortgages payable	$ 232,819,849	$ 214,070,799

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

At April 30, 2020, the Company had outstanding borrowings of $269,011,310 (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 $334,984,000 (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.

3. Debt on properties (continued):

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

The Company has entered into an interest rate swap on $75,000,000 (January 31, 2020 – nil) of the bank and other indebtedness to fix the interest rate at 3.53% for 5 years maturing March 2, 2025. For the three months ended April 30, 2020, a mark-to-market loss in the fair value of the interest rate swap of $784,373 (April 30, 2019 – nil) was recorded in finance costs on the statement of earnings. As at April 30, 2020, the fair value of the interest rate swap liability is $784,373 and is included in accounts payable (January 31, 2020 – nil) on the statement of financial position.

(b) General corporate debt:

At April 30, 2020, the Company's borrowings of $6,521,358 (January 31, 2020 - $6,500,000) are made available by way of lines of credit with a maximum available aggregate amount of $165,500,000 (January 31, 2020 - $275,100,000). 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 on investment properties:

Mortgages payable on investment properties of $237,593,310 (2019 - $243,122,213) bears interest at fixed rates ranging from 1.97% 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 $120,795,681 (January 31, 2020 - $121,301,969) at rates ranging from 3.80% to 4.10% for terms of 3 years maturing August 2, 2022 to February 10, 2023. For the three months ended April 30, 2020, a mark-to-market loss in the fair value of the interest rate swap of $3,053,631 (April 30, 2019 – $98,433) was recorded in finance costs on the statement of earnings. As at April 30, 2020, the fair value of the interest rate swap liability is $3,544,886 and is included in accounts payable (January 31, 2020 – $491,255) on the statement of financial position.

4. Net finance costs:

	April 30, 2020	April 30, 2019
Finance income:		
Investment income	$ 14,614	$ 83,996
Interest income	242,743	1,497,972
	257,357	1,581,968
Finance costs:		
Interest on:		
Bank and other indebtedness	5,325,540	6,017,376
Mortgages payable	1,980,384	1,968,696
	7,305,924	7,986,072
Interest capitalized to properties under development for sale	(4,102,426)	(3,465,559)
	3,203,498	4,520,513
Decrease in fair value of interest rate swap contracts	3,838,004	98,433
	7,041,502	4,618,946
Net finance cost	$ 6,784,145	$ 3,036,978

5. Related party transactions:

As at January 31, 2020, the Company has a $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 three months ended April 30, 2020, the Company recorded interest on loans payable to the significant shareholder totaling $300,000 (April 30, 2019 - $990,000).

6. 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 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 April 30, 2020 is $390,432,000 (January 31, 2020 - $361,361,260).

6. 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.

7. 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 April 30, 2020 with comparative information as at January 31, 2020:

	April 30, 2020	January 31, 2020
Identifiable assets:		
Properties		
Investment properties (Rental)	$ 484,905,325	$ 484,203,007
Property, plant, and equipment (Hotel)	129,774,438	135,046,284
Properties under development for sale (Development)	399,475,487	411,983,113
	1,014,155,250	1,031,232,404
Corporate	37,551,480	20,439,016
	$ 1,051,706,730	$ 1,051,671,420

7. Segment disclosures (continued):

The following summarizes the Company's operating results for the three months ended April 30, 2020 and 2019:

	Rental		Hotel		Development		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the three months ended April 30										
Revenue	$ 8,796,858	$ 8,371,918	$ 8,884,077	$ 17,241,196	$ 20,806,960	$ 224,143,267	$ -	$ -	$ 38,487,895	$ 249,756,381
Depreciation expense	2,438,686	2,401,273	2,085,220	1,977,095	350,084	148,020	-	-	4,873,990	4,526,388
Earnings (loss) before taxes	(122,984)	768,894	(1,486,140)	2,153,031	(449,691)	99,212,449	(4,259,040)	(931,984)	(6,317,855)	101,202,390