

WALLACE HILL DEVELOPMENT INCORPORATED

FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2020



LENEHAN
MCCAIN
& Associates

CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Directors of
Wallace Hill Development Incorporated

We have reviewed the accompanying financial statements of Wallace Hill Development Incorporated that comprise the balance sheet as at March 31, 2020, and the statements of income and (deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Wallace Hill Development Incorporated as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Woodstock, New Brunswick

December 17, 2020

Lenahan McCain & Associates
Chartered Professional Accountants

WALLACE HILL DEVELOPMENT INCORPORATED

BALANCE SHEET

AS AT MARCH 31, 2020

(unaudited)

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Current assets | | |
| Cash | \$ 835 | \$ 929 |
| HST receivable | 113 | 113 |
| | <u>948</u> | <u>1,042</u> |
| Property, plant and equipment (Note 3) | <u>554,359</u> | <u>577,457</u> |
| | <u>\$ 555,307</u> | <u>\$ 578,499</u> |
| <u>LIABILITIES</u> | | |
| Current liability | | |
| Accounts payable | \$ 900 | \$ 900 |
| Due to related party (Note 5) | <u>555,049</u> | <u>578,199</u> |
| | <u>555,949</u> | <u>579,099</u> |
| <u>SHAREHOLDERS' (DEFICIT)</u> | | |
| Share capital (Note 6) | 1 | 1 |
| (Deficit) | <u>(643)</u> | <u>(601)</u> |
| | <u>(642)</u> | <u>(600)</u> |
| | <u>\$ 555,307</u> | <u>\$ 578,499</u> |

APPROVED



Director

WALLACE HILL DEVELOPMENT INCORPORATED
STATEMENT OF INCOME
AND (DEFICIT)
YEAR ENDED MARCH 31, 2020
(unaudited)

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-----------------|-----------------|
| Revenues | | |
| Rent | \$ 24,000 | \$ 60,000 |
| Expenses | | |
| Management and administration fees | - | 26,000 |
| Bank charges and interest on mortgage | 94 | 1,755 |
| Accounting and legal | 850 | 900 |
| | <u>944</u> | <u>28,655</u> |
| Income before other item | 23,056 | 31,345 |
| Other expense | | |
| Amortization | <u>23,098</u> | <u>24,061</u> |
| (Loss) Net income | (42) | 7,284 |
| (Deficit), beginning of year | <u>(601)</u> | <u>(7,885)</u> |
| (Deficit), end of year | <u>\$ (643)</u> | <u>\$ (601)</u> |

WALLACE HILL DEVELOPMENT INCORPORATED
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020
(unaudited)

| | 2020 | 2019 |
|--|----------|----------|
| Operating activities | | |
| (Loss) Net income | \$ (42) | \$ 7,284 |
| Adjustment for Amortization | 23,098 | 24,061 |
| | 23,056 | 31,345 |
| Change in non-cash working capital items | | |
| Increase in HST receivable | - | (113) |
| (Decrease) increase in A/P and accrued liabilities | - | 150 |
| | 23,056 | 31,382 |
| Investing activity | | |
| Advances (to) from shareholder | (23,150) | 42,863 |
| Financing activity | | |
| Repayment of bank loan | - | (75,000) |
| Decrease in cash | (94) | (755) |
| Cash, beginning of year | 929 | 1,684 |
| Cash, end of year | \$ 835 | \$ 929 |

WALLACE HILL DEVELOPMENT INCORPORATED

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

(unaudited)

1. Description of business

Wallace Hill Development Incorporated was incorporated under the Nova Scotia Business Corporations Act on October 12, 2010 and is engaged in leasing commercial real estate.

2. Significant accounting policies

The company applies the Canadian accounting standards for private enterprises.

(a) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(b) Revenue recognition

Operating revenues are recorded based on the accrual method of accounting and are recognized when they are earned, specifically when:

- There is a clear proof that a lease arrangement exists.
- Amounts are fixed or can be determined.
- The ability to collect is reasonably assured.

(c) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(d) Property, plant and equipment

Property, plant and equipment is recorded at cost. The company provides for depreciation using the following methods at rates designed to depreciate the cost of the property, plant and equipment over its estimated useful life. The annual depreciation rates and methods are as follows:

WALLACE HILL DEVELOPMENT INCORPORATED
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(unaudited)

2. Significant accounting policies, continued

(d) Property, plant and equipment, continued

| | |
|-----------|----------------------|
| Buildings | 4% Declining balance |
|-----------|----------------------|

(e) Income taxes

The company has elected to account for income taxes using the taxes payable method. The taxes payable and provision for income taxes are based on the corporate income tax returns filed. There is no adjustment for income taxes related to temporary differences and no recognition of the benefit of income tax losses carried forward.

(f) Financial instruments

Financial instruments are financial assets or liabilities of the company where the company has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another entity.

Measurement of financial instruments

The company initially measures its financial instruments at fair value. The company's financial instruments that are measured at cost or amortized cost, are cash, accounts receivable and accounts payable and accrued liabilities.

Fair value estimates, where applicable, are made at a specific point in time, based on relevant cash flows, market discount rates and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and significant matters of judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

WALLACE HILL DEVELOPMENT INCORPORATED
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(unaudited)

2. Significant accounting policies, continued

(f) Financial instruments, continued

Impairment

Financial assets that are measured at cost or amortized cost are tested for impairment at each balance sheet date, to determine whether there are indicators that the asset may be impaired. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the write-down and reversal, if any, are recognized in net income in the year in which these occur.

3. Property, plant and equipment

| | | 2020 | 2019 |
|----------|------|--------------------------|----------------|
| Rate | Cost | Accumulated depreciation | Net book value |
| Building | 4% | \$ 722,665 | \$ 168,306 |
| | | \$ 554,359 | \$ 577,457 |

4. Related party transactions

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The balance due to related party (Sipekne'katik) is unsecured, non-interest bearing with no specific terms of repayment. The balance is comprised of a \$555,049 cumulative advance (\$578,198 - 2019).

5. Share capital

Authorized: 100,000 common shares having a par value of \$1 each and one (1) incorporation preferred share having a par value of \$1.

WALLACE HILL DEVELOPMENT INCORPORATED
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(unaudited)

5. Share capital, continued

| | 2020 | 2019 |
|---|------|------|
| Issued and outstanding: 1 incorporation preferred share | \$ 1 | \$ 1 |

6. Fair value of financial assets and financial liabilities

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the relatively short periods to maturity of these items.

7. Subsequent event

Since March 31, 2020, the outbreak of the COVID-19 virus, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include travel bans, self-imposed quarantine periods, social and physical distancing, have caused disruptions to businesses locally, nationally and globally. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of this world economic event is unknown and therefore, the impact on this Company, if any, is not determinable.

8. Financial instruments

(a) Credit risk

The financial instruments that potentially subject the company to a significant concentration of credit risk consist primarily of cash.

The company maintains cash balances with Canadian chartered banks which is insured by the Canada Deposit Insurance Corporation up to CDN \$100,000. From time to time, these balances may exceed the federally insured limits and expose the company to credit risk from concentration of cash. The company limits this risk by transacting with reputable financial institutions. In the opinion of management, the credit risk exposure to the company is low and is not material.

WALLACE HILL DEVELOPMENT INCORPORATED
NOTES TO FINANCIAL STATEMENTS
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(unaudited)

8. Financial instruments, continued

(b) Interest rate risk

The company is exposed to interest rate risk. Interest rate risk is the risk that the company has interest rate exposure on its bank loan, which is variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The company reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. The company does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the company is low and is not material.