



**BOARDWALK REAL ESTATE  
INVESTMENT TRUST**



Q2

**REPORT TO UNITHOLDERS FOR THE PERIOD ENDED JUNE 30, 2004**

**LETTER TO UNITHOLDERS**

The second quarter of 2004 marked another milestone in the evolution of Boardwalk. On May 3, 2004, Boardwalk Equities Inc. (the "Company" or "BEI") successfully completed its conversion into Boardwalk Real Estate Investment Trust (the "Trust" or "Boardwalk REIT"). We believe Boardwalk REIT Unitholders will benefit from our exceptional operating platform, which has been shaped over the years, and now results in the strongest operating and financial condition possible for the Trust going forward. Our successful track record reflects the best team we have in our history, as well as the multi-family industry's sustainable and predictable growth opportunities to which we believe our Unitholders will continue to enjoy.

**FINANCIAL AND OPERATING HIGHLIGHTS**

The second quarter of 2004 was a record quarter for the Trust. We experienced many operational challenges in the quarter such as record low interest rates enticing many of our customers to choose home ownership rather than rental. Despite this we still managed to produce industry leading operational results including double digit growth in Funds from operations "FFO", and more importantly as a trust, double digit growth in Distributable income ("DI"). Both of these terms will be discussed in more detail in the Trusts Management Discussion and Analysis.

Highlights of the Trust's results for the three months ended June 30 2004 include:

- Rental revenues increased 4.9% to \$70.0 million compared to the same period last year.
- Net operating income (NOI) increased 6.3% to \$46.9 million.
- FFO from continuing operations, which excludes all property sales, increased 21.6% to \$20.8 million.
- FFO from continuing operations per unit increased by 14.7% to \$0.39 on a diluted basis.
- DI from continued operations was \$0.41 per unit, an increase of 13.9% compared to the same period last year.
- Net income of \$3.0 million, a 15.4% increase compared to the same period last year. Earnings per unit of \$0.06 compared to \$0.05 in the first quarter of last year.

Highlights of the Trust's results for the six months ended June 30 2004 include:

- Rental revenues increased 5.7% to \$139.9 million compared to the same period last year.
- Net operating income (NOI) increased 6.4% to \$90.2 million.
- FFO from continuing operations, which excludes all property sales, increased 17.3% to \$37.3 million.
- FFO from continuing operations per unit increased by 12.7% to \$0.71 on a diluted basis.

- DI from continued operations was \$0.74 per unit, an increase of 12.1% compared to the same period last year.
- Net income of \$1.8 million, a 56.1% decrease compared to \$4.1 million in the same period last year. Earnings per unit of \$0.03 compared to \$0.08 in the first six months of last year.

Some portfolio highlights for the second quarter include:

- The average vacancy rate across the Trust's portfolio for the second quarter of 2004 was 5.67%, up from 4.32% in the first quarter of 2004, and up from 4.99% in the second quarter of last year.
- The average monthly rent realized in the second quarter of 2004 was \$739 per unit, up \$12, or 1.7%, from \$727 per unit for the same period last year.
- The average market rent for the Trust's properties at the end of June 2004 was an estimated \$790 per unit per month which compares to the average in-place monthly rent per occupied unit of \$778 for the second quarter of 2004. This translates into an estimated "loss-to-lease" of approximately \$5.0 million, maintaining existing occupancy rate levels.
- The "same-property" results for the Trust's stabilized properties (defined as properties owned for a period of over 24 months) for the three-month period ended June 30, 2004 showed rental revenue growth of 0.9%, a decrease in total operating expenses of 6.3% and an increase in NOI of 4.6% compared to the same period last year. For the six months ended 2004, rental revenue showed an increase of 1.5%, a decrease in total operating expenses of 3.6% and an increase in NOI of 4.4% compared to the same period last year. Included in the reported six-month amounts are utility rebates received from the Provincial Government of Alberta. These rebates are part of a current government program that is scheduled to continue until March of 2006.

**CONTINUED PORTFOLIO EXPANSION**

In the three month period ended June 30, 2004, Boardwalk REIT purchased 354 units adding to its Quebec and Ontario portfolio. A total of 323 of these units are located in the Quebec market place, with the remaining 31 units located in Windsor, Ontario.

**Domaine du Rocher** - Quebec City (Levis), QC - a 64 unit apartment complex consisting of 12 buildings ranging from 2 to 3 storeys in height. The property was purchased at an acquisition price of \$3.5 million using cash on hand, which equates to approximately \$54,700 per unit and approximately \$51.3 per rentable square foot. The transaction had a going in cap rate of 7.65% and closed on May 13, 2004.

**Forest Glade Townhomes** - Windsor, ON - a 2 storey townhouse complex consisting of 31 units, each with 3 bedrooms. The townhouses were purchased for \$2.5 million, which equates to approximately \$80,600 per unit and approximately \$64.5 per rentable square foot. The purchase, which closed on May 17, 2004, was funded by a combination of cash on hand and the assumption of a \$1.99 million first mortgage with a fixed interest rate of 5.5% due on February 2008. The going in cap rate on the acquisition was approximately 9.53%.

**Résidence le Quatre Cent** - Montreal (Laval), QC - a 16 storey concrete high-rise building with a total of 259 units in this well kept and strategically located property. The property was acquired for \$17.3 million, which equates to approximately \$66,800 per unit and approximately \$112.6 per rentable square foot. The transaction closed on May 26, 2004, and had a going in cap rate of 8.01%. The acquisition was funded by a combination of cash on hand and the assumption of a \$8.6 million first mortgage with a fixed interest rate of 6.53% due in February 2011.

These acquisitions expanded Boardwalk REIT's presence in the province of Quebec to just over 5,900 units, which now makes up 19% of its total portfolio and is the Trust's second largest market behind Alberta.

#### MAINTAINING FINANCIAL STRENGTH

As of June 30, 2004, 2004, the Trust's \$1.4 billion of mortgage debt had an average maturity of 4.0 years, and the weighted average interest rate was 5.54%, down slightly from 5.68% at year-end. The Trust's debt-to-total-market-capitalization ratio was 62.6% as at June 2004, which compares to 63.5% for BEI at the same time last year.

The Trust's interest coverage ratio, excluding gains, for the quarter ended June 30, 2004, was 2.2 times compared to 2.0 times in the same period last year.

#### SUMMARY AND OUTLOOK

The Trust's portfolio continued to deliver solid operating results, notwithstanding the ongoing strength and level of activity in housing markets across the country. This performance was driven in large part by our continued focus on operations and our successful entry into Quebec. Overall, there was an increase of about 1.5% in customer turnovers in the second quarter. This may have been triggered with interest rates rising, pushing some fence sitting home buyers into a home ownership position before interest rates rise to levels they cannot afford. With interest rates rising, we believe condo and home ownership costs will rise significantly. With average rents just around \$739 per month for a typical 2 bedroom unit, we continue to deliver the most competitive housing value to our customers. With the interest rate and term on our mortgage capital being higher than current rates, a further 100 basis point increase in interest will essentially be a neutral cost for us on our mortgage renewals.

Demand for our rental units continues to be strong across the country. The Edmonton market in particular is flattening and we are providing rental incentives. Revenues in Edmonton are expected to be less in the third and fourth quarters of this year compared to the record third and fourth quarters of last year. It is important to keep things in perspective as Edmonton has delivered near double-digit top line revenue growth in the past several years and continues to be a very good market for us. The most encouraging note is that our total portfolio wide rentals for the month of July 2004 were the highest ever recorded resulting in a net absorption of 400 rental units for the month. Edmonton was a significant contributor to our record month. Our Edmonton rents continue to represent exceptional housing value at approximately \$761 for an average 2 bedroom occupied unit type. Our Edmonton team set a new record too for new rentals during the month of July, breaking the old one by over 10%. August is already looking like another great month. Traditionally, July and August are our strongest rental months. We continue to use the higher seasonal demand during this time frame to increase our occupancy and revenues going into the third and fourth quarters.

We continue to grow internally as a result of our efficiency and affordability of our rental operations. We also continue to grow externally as we have succeeded in acquiring individual and portfolio properties across Canada that have added significant value and complement our existing portfolio. We remain committed to working hard in order to deliver consistent, sustainable and long-term growth in value to our unitholders. We would like to thank all our Partners and Associates for their continued success.

Sincerely,



Sam Kolias  
President and C.E.O.



Complexe Laudance,  
Quebec City (Saint-Foy),  
Quebec

*Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of Boardwalk Equities Inc. ("Boardwalk" or the "Corporation") and Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.*

*The following should also be read in conjunction with the Management's Discussion and Analysis included in Boardwalk's December 31, 2003 Financial Statements and the Notes thereto, along with all other publicly posted information on the Corporation and Boardwalk REIT.*

#### **BUSINESS OVERVIEW**

Boardwalk Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust, dated January 9, 2004 and as amended and restated on May 3, 2004, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of operations of Boardwalk Equities Inc. (the "Corporation").

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT units trade on the Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal objectives are to provide its Unitholders with monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional, accretive properties. Boardwalk REIT currently owns and operates in excess of 250 properties, comprised of 31,780 units, totalling approximately 27 million net rentable square feet, and is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, Saskatchewan, Ontario and Quebec.

#### **FINANCIAL REPORTING REVIEW**

With the change in legal entity status from a corporation to a trust, we have reviewed the required financial reporting requirements. We have determined that Boardwalk REIT is a continuation of its predecessor, despite Boardwalk Equities Inc. and Boardwalk REIT being separate legal entities, and should be accounted for using continuity of interest. Under this method of accounting, Boardwalk REIT's acquisition of the operations of Boardwalk Equities Inc. is recorded at the net book value of the Corporation's assets and liabilities on May 3, 2004 and the unitholders' capital to Boardwalk REIT represents the shareholders' equity of the Corporation at that date. The Corporation's future income tax liabilities in the amount of \$73.6 million were eliminated, except the portion related to tax and accounting base differences in corporate subsidiaries of Boardwalk REIT.

The financial information, discussion and analysis for the three months ended June 30, 2004 reflect the activities of Boardwalk Equities Inc. for the period from April 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to June 30, 2004. The financial information, discussion and analysis for the six months ended June 30, 2004 reflect the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to June 30, 2004. The comparative figures represent the activities of Boardwalk Equities Inc. Note 4 to the unaudited interim financial statements for the three and six months ended June 30, 2004 provides additional details on how the earnings and cash flows for Boardwalk REIT and its predecessor were combined.

#### **PERFORMANCE REVIEW**

Boardwalk REIT generates revenues, cash flows and earnings from two separate sources - from rental operations and from the sale of real estate properties.

Boardwalk REIT's most consistent, and largest, source of income comes from its rental operations. Income from this source is derived from leasing individual apartment units to customers who have varying lease terms ranging from month-to-month to twelve-month leases.

Boardwalk REIT also generates additional income from the periodic sale of selective real estate properties. The sale of these properties is part of Boardwalk REIT's overall operating strategy whereby the equity generated through the sale is then utilized by Boardwalk REIT for the acquisition of new rental properties, to assist in its property value enhancement program or for the acquisition of Boardwalk REIT's trust units in public markets.



## MANAGEMENT DISCUSSION AND ANALYSIS

Boardwalk REIT assesses and measures segment operating results based on performance measures referred to as "Funds From Operations" ("FFO") and Distributable Income ("DI"). Both DI and FFO are widely accepted supplemental measures on the performance of a Canadian real estate investment trust; however, it is not a measure defined by generally accepted accounting principles ("GAAP"). The GAAP measurement most directly comparable to DI and FFO is net earnings. DI and FFO should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as indicators of Boardwalk REIT's performance. In addition, Boardwalk REIT's calculation methodology for FFO and DI may differ from that of other real estate companies and trusts.

DI is computed as outlined in the companies Declaration of Trust ("DOT"). The DOT also indicates that the trust is required to pay out all taxable income. It is the current policy of the trust to distribute to its units holders 85% of DI on an annualized basis. The trust has indicated that on an annualized basis it will distribute \$1.24 per outstanding unit on a monthly basis (\$.103 per trust unit for fiscal 2004). For the second quarter of 2004 a total of \$10.9 million was declared. The trust has also implemented a Distribution Reinvestment Plan "DRIP". The essence of this plan is that the unit holder has the option in lieu of receiving monthly distributions to receive trust units from treasury. This option may be part or all of the unit holders position. To promote this plan the trust is offering a 3% premium on the units distributed under this plan. This plan is relatively new and to date not a significant number of unit holders have elected this option.

In the table below, Boardwalk REIT provides a reconciliation of net earnings in accordance with GAAP to FFO and DI for the period.

	3 Months June-04	3 Months June-03	%	6 Months June-04	6 Months June-03	%
In \$000's, except per unit amounts						
Net earnings from continuing operations	\$2,981	\$2,555		\$1,754	\$3,322	
Add						
Earnings from discontinued operations					\$751	
Deferred income taxes	\$(1,718)	\$2,085		\$(1,376)	\$3,555	
Deferred income taxes on discontinued operations					\$329	
Amortization	\$19,565	\$12,442		\$36,938	\$24,617	
Total funds from operations	<b>\$20,828</b>	<b>\$17,082</b>	21.6%	<b>\$37,316</b>	<b>\$32,574</b>	14.4%
Add (Deduct)						
Amortization of deferred financing costs	\$824	\$1,169		\$1,525	\$1,833	
Gain on sale of asset					\$(1,080)	
Distributable income	<b>\$21,652</b>	<b>\$18,251</b>	18.6%	<b>\$38,841</b>	<b>\$33,327</b>	16.5%
Total funds from continuing operations (excluding all property sales)	<b>\$20,828</b>	<b>\$17,082</b>	21.6%	<b>\$37,316</b>	<b>\$31,823</b>	17.3%
Total funds from operations - per unit	<b>\$0.39</b>	<b>\$0.34</b>	14.7%	<b>\$0.71</b>	<b>\$0.64</b>	10.9%
Distributable income - per unit	<b>\$0.41</b>	<b>\$0.36</b>	13.9%	<b>\$0.74</b>	<b>\$0.66</b>	12.1%
Funds from continuing operations (excluding all property sales) - per unit	<b>\$0.39</b>	<b>\$0.34</b>	14.7%	<b>\$0.71</b>	<b>\$0.63</b>	12.7%

Overall, Boardwalk REIT earned \$20.8 million and \$37.3 million in FFO for the three and six months ended June 30, 2004, respectively, compared to \$17.1 million and \$32.6 million for the same periods in the prior year (\$31.8 million for the six months ended June 30, 2003 if discontinued operations are excluded), representing increases of approximately 21.6% and 14.4%. DI for the second quarter was \$0.41 per unit compared to the recomputed DI for the second quarter of 2003 of \$0.36 per unit, or an increase of 13.9%. The following table shows the reasons for the FFO increase for both the three and six-month periods compared to the prior year.

	June 30, 2004 3 months	June 30, 2004 6 months
<b>Per Unit</b>		
Prior year's FFO at June 30, 2004	\$0.34	\$0.62
Stabilized properties	\$0.04	\$0.07
New acquisitions (under 24 months)	\$0.02	\$0.03
Dilution effect of exercise of stock options on conversion to a trust	\$(0.01)	\$(0.02)
Savings from admin, finance and LCT	\$0.01	\$0.01
	<b>\$0.39</b>	<b>\$0.71</b>

**ACCOUNTING POLICIES**

Note 2 of Boardwalk's audited annual consolidated financial statements summarizes Boardwalk REIT's significant accounting policies. Note 3 of the June 30, 2004 unaudited interim financial statements provides an update to any significant changes to these accounting policies, which includes the following:

**BUILDING AMORTIZATION**

We are required to assess the useful economic lives of our income-producing properties for purposes of determining the amount of building amortization to record on a quarterly and annual basis. The Canadian Institute of Chartered Accountants ("CICA") adopted recommendations that effectively disallow the use of the sinking-fund method of amortization, which was used by us prior to January 1, 2004 in amortizing the cost of our buildings. This standard is prospective in application and, commencing January 1, 2004, we changed our method of depreciating our building costs to the straight-line method over their estimated useful lives of between 40 and 50 years. The adoption of this standard increased our building amortization compared to the amount that otherwise would have been computed using the sinking-fund method by approximately \$9.8 million for the six months ended June 30, 2004, with a corresponding decrease to the net carrying amount of our income-producing properties. The impact on net earnings was an estimated decrease of \$7.6 million, with a corresponding decrease to unitholders' equity. Our determination of the estimated useful economic lives of our buildings could vary under differing circumstances and result in a significantly different amount for building amortization. The amount of building amortization has a direct impact on our net earnings. The change in policy has been applied prospectively.

**IMPAIRMENT OF REAL ESTATE INVESTMENTS**

We continually evaluate the recoverability of the net carrying amount of our income-producing properties and properties under development. The CICA's new accounting standard for impairment of long-lived assets is prospective in application and requires us to record an impairment loss when the carrying amount of these real estate investments exceeds the sum of the undiscounted cash flows expected from their use and eventual disposal. Commencing January 1, 2004, any impairment we recognize should be measured as the amount by which the carrying amount of the asset exceeds its fair value. Prior to January 1, 2004, we measured any impairment of our real estate investments as the amount by which the asset's carrying value exceeded the undiscounted future cash flow from the use and eventual disposal of the asset. We have determined that the impact of this new impairment standard did not have a material impact on our financial position or results of operations. In making this determination, our estimates of future cash flow and the effects of other factors could vary and result in a significantly different assessment of impairment.



Domaine du Rocher,  
Quebec City (Levis),  
Quebec



Forest Glade Townhomes,  
Windsor, Quebec

**ACCOUNTING FOR OPERATING LEASES**

In accordance with EIC-140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination, an enterprise that acquires real estate, such as an office building, retail centre, or apartment complex in either an asset acquisition or business combination, should allocate a portion of the purchase price to in-place operating leases that the enterprise acquires in connection with the real estate property. Application of EIC-140 has been applied prospectively by Boardwalk REIT to real estate acquisitions initiated subsequent to the effective date of the EIC. For the six months ended June 30, 2004, approximately \$1.8 million of the corresponding purchase price was allocated to in-place operating leases. As this EIC was applied prospectively, beginning January 1, 2004, there is no comparable allocation for the prior year.

**REVIEW OF RENTAL OPERATIONS**  
(In \$000's)  
(Unaudited)

	3 Months June-04	3 Months June-03	Change	6 Months June-04	6 Months June-03	Change
Rental revenue	\$70,040	\$66,675	4.9%	\$139,865	\$132,382	5.7%
Expenses:						
Operating expenses	\$7,908	\$8,141	-2.5%	\$16,302	\$16,379	-0.6%
Utilities	8,438	8,061	3.7%	\$20,687	\$18,294	13.1%
Utilities rebate	-	-		\$(812)	\$-	
Property taxes	6,784	6,376	6.2%	\$13,529	\$12,889	4.7%
	<b>\$23,130</b>	<b>\$22,578</b>	<b>2.2%</b>	<b>\$49,706</b>	<b>\$47,562</b>	<b>4.4%</b>
Net operating income from continuing operations	<b>\$46,910</b>	<b>\$44,097</b>	<b>6.3%</b>	<b>\$90,159</b>	<b>\$84,820</b>	<b>6.4%</b>

**RENTAL REVENUE**

Included in rental revenue are amounts pertaining to revenue generated directly from the leasing of residential locations as well as interest generated from invested cash. The amount reported as interest income represents less than 1% of total rental revenue and, as such, has not been reported separately. All amounts reported on a per unit basis exclude interest in their determination.

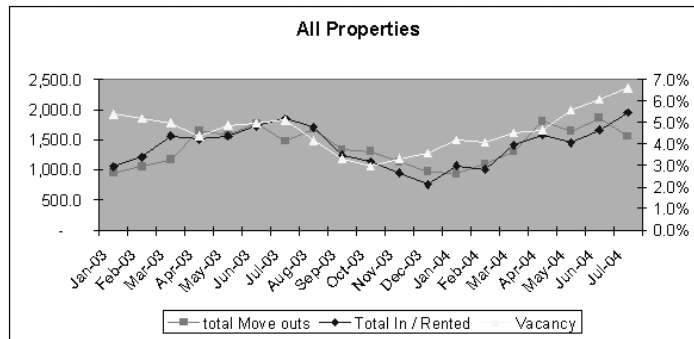
Overall, Boardwalk REIT's rental revenue has increased by 4.9% for the current quarter and 5.7% on a year-to-date basis compared to the same periods in the prior year. The increase is mainly the result of increased revenue generated by new property acquisitions that occurred during fiscal 2003 and the beginning of 2004.

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents as of June 30, 2004 adjusted for current occupancy levels, totalled \$5.0 million on an annualized basis. The reader is cautioned that market rents can be very seasonal and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" amount. The importance of this estimate, however, is that it can be an indicator of future rental performance assuming consistent economic conditions and trends.

**BOARDWALK REIT'S PORTFOLIO VACANCY**

	Q2 2004	Q2 2003	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Calgary	5.77%	7.21%	4.94%	5.19%	5.56%	7.21%
Edmonton	6.64%	4.99%	5.15%	4.03%	3.66%	4.99%
Gatineau	8.54%	3.12%	6.04%	3.02%	2.40%	3.12%
Kitchener	5.47%	3.04%	3.70%	3.85%	3.65%	3.04%
Laval	0.77%	-	-	-	-	-
London	3.55%	4.08%	3.32%	3.04%	2.99%	4.08%
Montreal	1.74%	1.68%	2.47%	2.47%	2.27%	1.68%
Other AB	4.29%	9.32%	2.87%	3.99%	6.48%	9.32%
Quebec City	2.63%	0.78%	3.20%	2.15%	1.24%	0.78%
Regina	4.63%	4.32%	2.58%	2.36%	2.76%	4.32%
Saskatoon	6.90%	6.73%	5.61%	3.45%	2.85%	6.73%
Windsor	9.04%	4.06%	4.92%	3.75%	3.42%	4.06%
<b>Grand Total</b>	<b>5.67%</b>	<b>4.99%</b>	<b>4.32%</b>	<b>3.67%</b>	<b>3.66%</b>	<b>4.99%</b>

The second quarter of fiscal 2004 saw the portfolio's overall vacancy rate increase to 5.67% compared to 4.99% from the same period in the prior year. The increase is mainly the result increasing vacancy in selective markets such as Edmonton and Windsor, partially offset by decreases in other markets such as Calgary and other regions in Alberta. Management attributes the vacancy rate increase of 168 bps compared to the prior year primarily to a higher proportion of tenants who took advantage of record low interest rates to purchase houses or condominiums, and continues to focus efforts on attracting and retaining tenants.



The issue of demand and supply, as with other industries, is an important performance indicator for multi-family real estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported vacancy. The cumulative impact of supply being greater than demand is the primary driver in the reported vacancy rate. On a positive note, July of 2004 was the highest-ever reported move-ins and showed the largest spread between demand and supply (net absorption). If this trend continues, after adjusting for seasonality, Boardwalk REIT will be well positioned to regain pricing power in our core rental markets.



Residence le Quatre Cent, Montreal (Laval), Quebec

**EXPENSES**

**Rental expenses** are made up of costs directly associated with the operations of the rental portfolio. Overall, rental expenses for the second quarter of 2004 increased 2.2% and 4.4% compared to those reported in the prior comparative three and six-month periods, respectively. The increase was due to the combined effect of recent property acquisitions, along with upward pressure in utilities and property taxes, partially offset by a notable decrease in operating expenses. The decrease in operating expenses is mainly the result of lower turnover costs.

**Utilities** for the current quarter were only slightly higher in comparison to the comparable prior period, mainly the result of increased natural gas pricing. On a six-month basis, utility costs were up 13.1% compared to the prior year. A significant reason for this increase relates to the expiry in 2003 of an accretive natural gas contract in our Nun's Island portfolio located in Montreal. When the property was acquired in fiscal 2002, Boardwalk inherited a gas contract at \$4.25 per gigajoule. This contract has since expired and the price of gas under a new contract is significantly higher.

**Utilities rebate** for the current period relates to the Alberta Natural Gas Rebate Program. Unlike prior reported natural gas rebates, the current Alberta program is scheduled to stay in place for at least a three-year period. The following quote was extracted from the Government of Alberta web site:

*"The rebate program will remain in effect for a three-year term ending March 31, 2006. At a rate of \$1.50 per GJ, it is estimated a rebate program would cost about \$50 million for each winter month a rebate is paid"*

As a result of this rebate, Boardwalk REIT is entitled to receive approximately \$800 thousand dollars for its natural gas consumption in the first quarter of 2004. Based on this continued commitment of the Alberta provincial government, it is also reasonable to assume that this will be an ongoing benefit to Boardwalk REIT and should be treated as a normal volume-based supplier rebate rather than a special one-time rebate.



Place Charlesbourg,  
Quebec City  
(Charlesbourg), Quebec

#### **FINANCING COSTS**

Financing costs for the second quarter and the first half of fiscal 2004 have decreased by 1.1% compared to prior year's reported results. Although our mortgage portfolio has increased, Boardwalk REIT has been able to take advantage of the current low interest environment to refinance and renew certain mortgages, resulting in a lower overall weighted average mortgage rate. At June 30, 2004, the weighted average interest rate for Boardwalk REIT was 5.54% compared to weighted average interest rates of 5.79% at June 30, 2003 and 5.68% at December 31, 2003. The average maturity of the mortgage portfolio is approximately four years.

Boardwalk REIT's acquisition strategy involves locating and acquiring accretive properties at prices that are below replacement value. Once acquired, these properties undergo various value enhancing upgrades as part of Boardwalk REIT's stabilization program. Boardwalk REIT utilizes external financing to leverage these properties up to 75% of the purchase price and, where appropriate, Boardwalk REIT adds additional financing for all upgrades performed.

Boardwalk REIT concentrates on multi-family residential real estate; thus, it is eligible to obtain government-backed insurance through the National Housing Act ("NHA"), which is administered by the Canadian Mortgage and Housing Corporation ("CMHC"). The benefits of purchasing this insurance are threefold. The first benefit is that the use of this insurance allows Boardwalk REIT to increase the lending limit on its properties from the conventional 75% threshold to an 85% level.

The second benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing. Although the amount of the interest rate spreads will vary, they are currently between 40 and 60 basis points above the respective Government of Canada Bonds. This compares favourably to the spreads on conventional financing, which currently range from 120 to 175 basis points.

The third benefit of the CMHC insurance relates to the lowering of Boardwalk REIT's overall renewal risk. Once insurance is obtained on the related mortgage, the insurance is transferable and follows the mortgage for the complete amortization period, typically between 25 and 40 years depending on the type of asset being insured. With the insurance being transferable between approved lenders, it lowers the overall risk of Boardwalk REIT not being able to refinance the asset on maturity.

At June 30, 2004, approximately \$1.4 billion of Boardwalk REIT's debt is backed by this NHA insurance with a weighted average term of approximately 23 years.

#### **DEFERRED FINANCING COSTS AMORTIZATION**

The amounts reported here relate primarily to the amortization of CMHC premiums, which are paid as part of first mortgage financing. Under current reporting requirements, if Boardwalk REIT replaces an existing mortgage with a new mortgage, all costs associated with the original mortgage, including the unamortized balance of the CMHC premium, are required to be charged to income in the period that this occurs. As a result of this, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. In the current quarter, Boardwalk REIT was able to take advantage of CMHC's new product to increase its leverage rather than refinance the entire mortgage. This lowered the cost of CMHC premiums and minimized the amount of borrowing costs, resulting in a decrease in the amortization charged to earnings in the quarter.

#### **AMORTIZATION**

As was discussed in more detail above, the increase in the reported amortization is the result of a change in amortization of Boardwalk REIT's building asset from the "sinking fund" amortization policy to a straight-line methodology. The change in policy was applied prospectively based on balances reported on January 1, 2004, consistent with the recommendation of the CICA.

#### **SAME PROPERTY RESULTS**

With the significant acquisitions in Quebec over the last several quarters, Boardwalk REIT's overall percentage of stabilized properties was 91% of its total rental unit portfolio as at June 30, 2004, or a total of 28,875 units. The following compares the "same-store" results for the three and six months ended June 30, 2004 with the same periods in the prior year.

SAME PROPERTY RESULTS

3 Months	Number of Units	Total Rental Revenue	Total Expenses	NOI
Calgary	4,881	-0.2%	-10.6%	4.0%
Edmonton	10,552	-0.2%	-4.9%	1.9%
Other Alberta	1,604	-0.2%	-20.8%	11.5%
Saskatchewan	4,606	1.1%	0.7%	1.3%
Ontario	4,132	2.4%	-6.3%	9.4%
Montreal	3,100	4.2%	-5.7%	9.0%
	<b>28,875</b>	<b>0.9%</b>	<b>-6.3%</b>	<b>4.6%</b>

6 Months	Number of Units	Total Rental Revenue	Total Expenses	NOI
Calgary	4,881	-0.1%	-4.2%	1.5%
Edmonton	10,552	0.2%	-6.6%	3.8%
Other Alberta	1,604	4.3%	14.3%	-0.8%
Saskatchewan	4,606	1.6%	2.2%	1.2%
Ontario	4,132	3.7%	-6.5%	13.8%
Montreal	3,100	4.3%	-4.5%	8.3%
	<b>28,875</b>	<b>1.5%</b>	<b>-3.6%</b>	<b>4.4%</b>

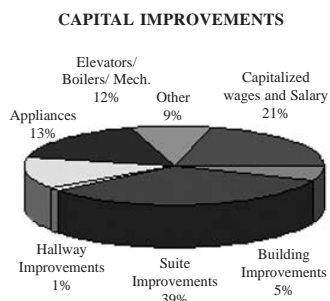
For the second quarter 2004, same-store revenue increased by 0.9%. Rental operating expenses reported decreased by 6.3%, resulting in a net operating income ("NOI") increase of 4.6%. For the six-month ended June 2004, same-store revenue increased by 1.5%. Rental operating expenses reported decreased by 3.6%, resulting in a NOI increase of 4.4%. As was discussed above, the reported six months results were impacted favourably by the receipt of an Alberta Provincial Natural Gas Rebate in the amount of approximately \$800 thousand. Unlike previous rebates, this rebate most likely will be recurring in nature to help offset spikes in natural gas pricing. If we were to exclude this rebate, NOI would have increased by 3%.

REAL ESTATE ASSETS

During the first half of 2004, Boardwalk REIT acquired a total of 537 rental units for a total acquisition cost of \$40.6 million, or \$76 thousand per unit, excluding a fair value adjustment to assumed debt of approximately \$1 million. A portion (approximately \$2 million) of the purchase price has been allocated to the value of the in-place operating leases as is now required under EIC 140, which was previously discussed in detail.

CAPITAL IMPROVEMENTS

For the first six months of the current year of 2004, Boardwalk REIT (and its predecessor) invested approximately \$12 million in its properties in the form of project enhancements. The following chart details which areas these funds were expended.



This amount expended is down dramatically from the \$23 million invested in the first half of 2003. The decrease was expected as Boardwalk REIT begins to leverage off the approximately \$300 million its predecessor spent on upgrading its assets over the past five fiscal years.

Included in these amounts is approximately \$2.5 million of capitalized on-site wages and salaries, representing approximately 21% of total capital expenditures for the current period. This amount is an estimate of site personnel cost associated with the completion of these capital projects, and is consistent with internal expectations since a significant portion of the improvements are now performed "in-house".



Place Samuel De  
Champlain,  
Quebec City, Quebec

#### LIQUIDY AND CAPITAL RESOURCES

Boardwalk REIT's financial position continues to be strong, with the overall mortgage level reported at 81% of depreciated book value and with the portfolio at over 97% CMHC-insured at June 30, 2004. Currently, Boardwalk REIT has an operating facility with a major financial institution with excess available of approximately \$45 million. In addition, at the date of writing, Boardwalk REIT has an additional \$20 million of cash available for investment. For the second quarter of 2004, Boardwalk REIT's interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense after excluding gains was 2.20, up from 2.0 for same period last year. The increase in the ratio is partially due to Boardwalk REIT's lower weighted average interest rate on its debt.

#### MORTGAGE SCHEDULE (CDN\$ THOUSANDS)

Fiscal Year	Mortgage Balance as at June 30, 2004	Average by Year
2004	\$ 82,193	5.13%
2005	165,780	4.73%
2006	194,596	4.47%
2007	243,383	5.43%
2008	254,292	6.08%
2009	193,190	5.80%
2010	90,312	6.23%
2011	86,093	6.19%
2012	30,565	6.19%
2013	36,863	5.46%
2014	4,704	5.91%
Subsequent	27,360	6.59%
<b>Grand Total</b>	<b>1,409,331</b>	<b>5.54%</b>

#### FINANCIAL OUTLOOK AND MARKET GUIDANCE

In its 2003 annual report, Boardwalk outlined specific targets for its fiscal 2004 overall financial performance. These targets, and any revisions, are outlined in the following table:

	2004 Objectives
FFO Forecast	\$1.37 to \$1.44
RDI Forecast	\$1.43 to \$1.49
New Unit Acquisitions	1,000 to 2,000
NOI Growth - Stabilized Buildings	1.0% to 2.0%
2004 Annualized Distribution - Per Unit	\$1.24

Although the first half of the year has reported slightly better than expected operating results, we continue to be cautious and, as result, are maintaining our 2004 annual guidance as originally posted. Boardwalk REIT does not provide specific FFO guidance on a quarterly basis, but will revise its annual guidance range on a quarterly basis if warranted.

#### FORWARD LOOKING STATEMENTS

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. The forward-looking statements are statements that involve risks and uncertainties, including, but not limited to, changes in the demand for apartment and townhome rentals, the effects of economic conditions, the impact of competition and competitive pricing, the effects of Boardwalk REIT's accounting policies and other matters detailed in Boardwalk REIT's and Boardwalk Equities Inc.'s filings with Canadian and United States securities regulators available on SEDAR in Canada and by request through the Securities and Exchange Commission in the United States, including matters set forth in Boardwalk's Annual Report to Shareholders under the heading "Management's Discussion and Analysis". Because of these risks and uncertainties, the results, expectations, achievements, or performance described in this release may be different from those currently anticipated by Boardwalk REIT.

Respectfully,



Roberto A. Geremia  
Senior Vice President, Finance and Chief Financial Officer



## CONSOLIDATED BALANCE SHEETS

(CDN\$ THOUSANDS)  
(UNAUDITED)

As at	June 30, 2004	December 31, 2003
<b>Assets</b>		
Revenue producing properties	\$1,731,322	\$1,713,171
Properties held for resale	7,695	7,493
Deferred financing costs	39,135	38,044
Other assets	16,070	14,652
Future income taxes (NOTE 9)	224	-
Mortgages and accounts receivable	13,321	13,126
Segregated tenants' security deposits	6,680	6,771
Cash and cash equivalents	23,393	10,123
	<b>\$1,837,840</b>	<b>\$1,803,380</b>
<b>Liabilities</b>		
Mortgages payable	\$1,409,330	\$1,387,067
Accounts payable and accrued liabilities	28,452	19,801
Refundable tenants' security deposits and other	9,687	9,730
Capital lease obligations	2,931	3,515
Future income taxes (NOTE 9)	-	74,765
	<b>\$1,450,400</b>	<b>\$1,494,878</b>
<b>Unitholders' Equity</b>		
Unitholders' capital (NOTE 7)	295,041	275,509
Accumulated earnings	92,399	32,993
	\$387,440	\$308,502
	<b>\$1,837,840</b>	<b>\$1,803,380</b>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ON BEHALF OF THE TRUST:

SAM KOLIAS, TRUSTEE

DAVID V. RICHARDS, TRUSTEE



## CONSOLIDATED STATEMENTS OF EARNINGS

INFORMATION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2004 COMBINES INFORMATION FROM BOARDWALK REAL ESTATE INVESTMENT TRUST AND ITS PREDECESSOR (NOTES 2 AND 4)  
(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)  
(UNAUDITED)

	3 months ended June 30, 2004	3 months ended June 30, 2003	6 months ended June 30, 2004	6 months ended June 30, 2003
	<b>Notes 2 and 4</b>			
<b>Revenue</b>				
Rental income	\$70,040	\$66,675	\$139,865	\$132,382
<b>Expenses</b>				
Revenue producing properties:				
Operating expenses	7,908	8,141	16,302	16,379
Utilities	8,438	8,061	20,687	18,294
Utility rebate (NOTE 10)	-	-	(812)	-
Property taxes	6,784	6,376	13,529	12,889
Administration	6,040	5,826	11,963	11,678
Financing costs	18,810	19,002	38,155	37,975
Deferred financing costs amortization	824	1,169	1,525	1,833
Amortization (NOTE 3)	19,565	12,442	36,938	24,617
	<b>68,369</b>	<b>61,017</b>	<b>138,287</b>	<b>123,665</b>
<b>Earnings from continuing operations before income taxes</b>	1,671	5,658	1,578	8,717
Large corporations taxes	408	1,018	1,200	1,840
Future income taxes (recovery) (NOTE 9)	(1,718)	2,085	(1,376)	3,555
<b>Earnings from continuing operations</b>	2,981	2,555	1,754	3,322
Earnings from discontinued operations, net of tax	-	-	-	751
	<b>\$2,981</b>	<b>\$2,555</b>	<b>\$1,754</b>	<b>\$4,073</b>
<b>Net earnings for the period</b>				
<b>Basic earnings per unit (NOTE 8)</b>				
- from continuing operations	\$0.06	\$0.05	\$0.03	\$0.07
- from discontinued operations	-	-	-	0.01
<b>Basic earnings per unit</b>	<b>\$0.06</b>	<b>\$0.05</b>	<b>\$0.03</b>	<b>\$0.08</b>
<b>Diluted earnings per unit (NOTE 8)</b>				
- from continuing operations	\$0.06	\$0.05	\$0.03	\$0.07
- from discontinued operations	-	-	-	0.01
<b>Diluted earnings per unit</b>	<b>\$0.06</b>	<b>\$0.05</b>	<b>\$0.03</b>	<b>\$0.08</b>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENTS OF ACCUMULATED EARNINGS

(CDN\$ THOUSANDS)  
(UNAUDITED)

	6 months ended June 30, 2004	6 months ended June 30, 2003
Accumulated earnings, beginning of period	\$32,993	\$35,229
Net earnings for the period	1,754	4,073
Distribution on units	(14,878)	(2,010)
Premium on unit repurchases	(1,023)	(392)
Elimination of future income taxes on conversion to trust (NOTE 2)	73,553	-
Accumulated earnings, end of period	<b>\$92,399</b>	<b>\$36,900</b>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENTS OF CASH FLOWS

INFORMATION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2004 COMBINES INFORMATION FROM BOARDWALK REAL ESTATE INVESTMENT TRUST AND ITS PREDECESSOR (NOTES 2 AND 4)  
(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)  
(UNAUDITED)

	3 months ended June 30, 2004	3 months ended June 30, 2003	6 months ended June 30, 2004	6 months ended June 30, 2003
<b>Notes 2 and 4</b>				
<b>Operating activities</b>				
Net earnings for the period	\$2,981	\$2,555	\$1,754	\$4,073
Earnings from discontinued operations, net of tax	-	-	-	(751)
Future income taxes (recovery)	(1,718)	2,085	(1,376)	3,555
Amortization	19,565	12,442	36,938	24,617
<b>Funds from continuing operations</b>	<b>20,828</b>	<b>17,082</b>	<b>37,316</b>	<b>31,494</b>
Funds from discontinued operations	-	-	-	33
Net change in operating working capital	155	2,828	(2,259)	324
Net change in properties held for resale	(94)	1,783	(202)	1,672
<b>Total operating cash flows</b>	<b>20,889</b>	<b>21,693</b>	<b>34,855</b>	<b>33,523</b>
<b>Financing activities</b>				
Issue of trust units (net of issue costs) (NOTE 7)	6,165	1,310	28,642	4,013
Unit repurchase program	(610)	-	(610)	(628)
Distributions paid	(10,940)	(1,008)	(14,878)	(2,010)
Financing of revenue producing properties	34,656	46,061	69,855	88,864
Repayment of debt on revenue producing properties	(29,978)	(51,982)	(66,473)	(75,888)
Deferred financing costs incurred (net of amortization)	(1,504)	(664)	(2,967)	(937)
	<b>(2,211)</b>	<b>(6,283)</b>	<b>13,569</b>	<b>13,414</b>
<b>Investing activities</b>				
Purchases of revenue producing properties (NOTE 5)	(13,089)	(3,915)	(22,263)	(46,433)
Project improvements to revenue producing properties	(5,938)	(11,812)	(12,025)	(23,299)
Net cash proceeds from sale of properties	-	-	-	1,223
Technology for real estate operations	(109)	(648)	(866)	(938)
	<b>(19,136)</b>	<b>(16,375)</b>	<b>(35,154)</b>	<b>(69,447)</b>
<b>Net increase (decrease) in cash and cash equivalents balance during period</b>	<b>(458)</b>	<b>(965)</b>	<b>13,270</b>	<b>(22,510)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>23,851</b>	<b>2,086</b>	<b>10,123</b>	<b>23,631</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$23,393</b>	<b>\$1,121</b>	<b>\$23,393</b>	<b>\$1,121</b>
<b>Supplementary cash flow information:</b>				
Taxes paid	\$336	\$918	\$1,242	\$1,734
Interest paid	<b>\$18,901</b>	<b>\$19,235</b>	<b>\$38,291</b>	<b>\$38,088</b>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### THREE AND SIX MONTHS ENDED JUNE 30, 2004

(TABULAR AMOUNTS IN CDN\$ THOUSANDS, EXCEPT NUMBER OF UNITS AND PER UNIT AMOUNTS UNLESS OTHERWISE STATED)  
(UNAUDITED)

#### NOTE 1 - ORGANIZATION OF TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust, dated January 9, 2004 and as amended and restated on May 3, 2004, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of operations of Boardwalk Equities Inc. (the "Corporation"), which was acquired on May 3, 2004.

#### NOTE 2 - BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"), and are consistent with those used in the audited consolidated financial statements of Boardwalk Equities Inc. as at and for the year ended December 31, 2003, except as described in Note 3 below. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, should be read in conjunction with the Corporation's audited consolidated financial statements.

Boardwalk REIT is considered to be a continuation of Boardwalk Equities Inc. following the continuity of interest method of accounting. Under the continuity of interest method of accounting, Boardwalk REIT's acquisition of the operations of Boardwalk Equities Inc. is recorded at the net book value of the Corporation's assets and liabilities on May 3, 2004 and the unitholders' capital to Boardwalk REIT represents the shareholders' equity of the Corporation at that date. Future income tax liabilities in the amount of \$73.6 million were eliminated, except the portion related to tax and accounting base differences in corporate subsidiaries of Boardwalk REIT.

The statements of earnings and cash flows for the three months ended June 30, 2004 reflect the activities of Boardwalk Equities Inc. for the period from April 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to June 30, 2004. The statements of earnings and cash flows for the six months ended June 30, 2004 reflect the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to June 30, 2004 (see Note 4). The comparative figures represent the activities of Boardwalk Equities Inc.

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Due to seasonality, the operating results for the three and six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the full fiscal year. Revenues and expenses during the reporting period. Actual results may differ from those estimates.

Due to seasonality, the operating results for the three and six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the full fiscal year.

### **NOTE 3 - ACCOUNTING POLICY CHANGES**

#### **AMORTIZATION OF REVENUE PRODUCING BUILDINGS**

Effective January 1, 2004, the straight-line method was adopted to compute amortization of its revenue producing buildings. The adoption of the straight-line method from the sinking-fund method has been applied prospectively in accordance with the transitional provision of CICA Handbook Section 1100. Had the change not been made, the effect on the financial statements would have been a decrease to amortization of \$9.8 million and an increase to net earnings of approximately \$7.6 million for the period ended June 30, 2004.

#### **ACCOUNTING FOR OPERATING LEASES**

In accordance with EIC-140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination, an enterprise that acquires real estate, such as an office building, retail centre, or apartment complex in either an asset acquisition or business combination, should allocate a portion of the purchase price to in-place operating leases that the enterprise acquires in connection with the real estate property. Application of EIC-140 has been applied prospectively as of January 1, 2004 to real estate acquisitions initiated subsequent to the date of issue of EIC-140.

#### **IMPAIRMENT OF LONG-LIVED ASSETS**

Effective January 1, 2003, the provisions of CICA Handbook Section 3063, Impairment of Long-lived Assets, was adopted. With the adoption of this section, an impairment loss will be recognized in the period when the carrying amount of the revenue producing properties exceeds the net recoverable amount represented by the undiscounted estimated future cash flows expected to be received from the ongoing use of the properties plus their residual value. If it is determined that an impairment exists, the carrying value of the revenue producing properties will be reduced to their estimated fair value. The adoption of this section has had no impact on the financial statements of the current and prior periods.

#### **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the presentation of the current period, or as a result of accounting changes.



**NOTE 4 - RESULTS OF BOARDWALK REIT AND ITS PREDECESSOR**

THE FOLLOWING STATEMENTS OF EARNINGS AND CASH FLOWS REFLECT THE ACTIVITIES OF BOARDWALK REIT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2004, SEPARATED TO SHOW THE RESULTS OF BOARDWALK EQUITIES INC. PRIOR TO MAY 3, 2004 AND THE RESULTS OF BOARDWALK REIT SUBSEQUENT TO MAY 2, 2004.

	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to June 30, 2004	6 months ended June 30, 2004
<b>Statement of Earnings</b>			
Revenue			
Rental income	\$93,108	\$46,757	\$139,865
Expenses			
Revenue producing properties:			
Operating expenses	11,429	4,873	16,302
Utilities	15,965	4,722	20,687
Utility rebate	(812)	-	(812)
Property taxes	9,000	4,529	13,529
Administration	7,720	4,243	11,963
Financing costs	24,856	13,299	38,155
Deferred financing costs amortization	1,051	474	1,525
Amortization	23,273	13,665	36,938
	<b>92,482</b>	<b>45,805</b>	<b>138,287</b>
Earnings from continuing operations before income taxes	626	952	1,578
Large corporations taxes	1,032	168	1,200
Future income tax recovery	(1,291)	(85)	(1,376)
Earnings from continuing operations	<b>885</b>	<b>869</b>	<b>1,754</b>
Earnings from discontinued operations, net of tax	-	-	-
Net earnings for the period	<b>\$885</b>	<b>\$869</b>	<b>\$1,754</b>
Basic earnings per unit			
- from continuing operations	\$0.02	\$0.02	\$0.03
- from discontinued operations	-	-	-
Basic earnings per unit	<b>\$0.02</b>	<b>\$0.02</b>	<b>\$0.03</b>
Diluted earnings per unit			
- from continuing operations	\$0.02	\$0.02	\$0.03
- from discontinued operations	-	-	-
Diluted earnings per unit	<b>\$0.02</b>	<b>\$0.02</b>	<b>\$0.03</b>

	April 1, 2004 to May 2, 2004	May 3, 2004 to June 30, 2004	6 months ended June 30, 2004
<b>Statement of Cash Flows</b>			
<b>Operating activities</b>			
Net earnings for the period	\$885	\$869	\$1,754
Future income tax recovery	(1,291)	(85)	(1,376)
Amortization	23,273	13,665	36,938
<b>Funds from continuing operations</b>	<b>22,867</b>	<b>14,449</b>	<b>37,316</b>
Net change in operating working capital	(4,425)	2,166	(2,259)
Net change in properties held for resale	(141)	(61)	(202)
<b>Total operating cash flows</b>	<b>18,301</b>	<b>16,554</b>	<b>34,855</b>
<b>Financing activities</b>			
Issue of trust units (net of issue costs)	28,372	270	28,642
Unit repurchase program	-	(610)	(610)
Distributions paid	(3,938)	(10,940)	(14,878)
Financing of revenue producing properties	47,718	22,137	69,855
Repayment of debt on revenue producing properties	(47,414)	(19,059)	(66,473)
Deferred financing costs incurred (net of amortization)	(1,969)	(998)	(2,967)
	<b>22,769</b>	<b>(9,200)</b>	<b>13,569</b>
<b>Investing activities</b>			
Purchases of revenue producing properties	(9,174)	(13,089)	(22,263)
Project improvements to revenue producing properties	(7,303)	(4,722)	(12,025)
Technology for real estate operations	(868)	2	(866)
	<b>(17,345)</b>	<b>(17,809)</b>	<b>(35,154)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$23,725</b>	<b>\$(10,455)</b>	<b>\$13,270</b>



The following statements of earnings and cash flows reflect the activities of Boardwalk REIT for the three-month period ended June 30, 2004, separated to show the results of Boardwalk Equities Inc. prior to May 3, 2004 and the results of Boardwalk REIT subsequent to May 2, 2004.

	April 1, 2004 to May 2, 2004	May 3, 2004 to June 30, 2004	3 months ended June 30, 2004
<b>Statement of Earnings</b>			
<b>Revenue</b>			
Rental income	\$23,283	\$46,757	\$70,040
<b>Expenses</b>			
Revenue producing properties:			
Operating expenses	3,035	4,873	7,908
Utilities	3,716	4,722	8,438
Utility rebate	-	-	-
Property taxes	2,255	4,529	6,784
Administration	1,797	4,243	6,040
Financing costs	5,511	13,299	18,810
Deferred financing costs amortization	350	474	824
Amortization	5,900	13,665	19,565
	<b>22,564</b>	<b>45,805</b>	<b>68,369</b>
<b>Earnings from continuing operations before income taxes</b>	719	952	1,671
Large corporations taxes	240	168	408
Future income tax recovery	(1,633)	(85)	(1,718)
<b>Earnings from continuing operations</b>	2,112	869	2,981
Earnings from discontinued operations, net of tax	-	-	-
<b>Net earnings for the period</b>	<b>\$2,112</b>	<b>\$869</b>	<b>\$2,981</b>
<b>Basic earnings per unit</b>			
- from continuing operations	\$0.04	\$0.02	\$0.06
- from discontinued operations	-	-	-
<b>Basic earnings per unit</b>	<b>\$0.04</b>	<b>\$0.02</b>	<b>\$0.06</b>
<b>Diluted earnings per unit</b>			
- from continuing operations	\$0.04	\$0.02	\$0.06
- from discontinued operations	-	-	-
<b>Diluted earnings per unit</b>	<b>\$0.04</b>	<b>\$0.02</b>	<b>\$0.06</b>



	April 1, 2004 to May 2, 2004	May 3, 2004 to June 30, 2004	3 months ended June 30, 2004
<b>Statement of Cash Flows</b>			
<b>Operating activities</b>			
Net earnings for the period	\$2,112	\$869	\$2,981
Future income tax recovery	(1,633)	(85)	(1,718)
Amortization	5,900	13,665	19,565
<b>Funds from continuing operations</b>	<b>6,379</b>	<b>14,449</b>	<b>20,828</b>
Net change in operating working capital	(2,011)	2,166	155
Net change in properties held for resale	(33)	(61)	(94)
Total operating cash flows	<b>4,335</b>	<b>16,554</b>	<b>20,889</b>
<b>Financing activities</b>			
Issue of trust units (net of issue costs)	5,895	270	6,165
Unit repurchase program	-	(610)	(610)
Distributions paid	-	(10,940)	(10,940)
Financing of revenue producing properties	12,519	22,137	34,656
Repayment of debt on revenue producing properties	(10,919)	(19,059)	(29,978)
Deferred financing costs incurred (net of amortization)	(506)	(998)	(1,504)
	<b>6,989</b>	<b>(9,200)</b>	<b>(2,211)</b>
<b>Investing activities</b>			
Purchases of revenue producing properties	-	(13,089)	(13,089)
Project improvements to revenue producing properties	(1,216)	(4,722)	(5,938)
Technology for real estate operations	(111)	2	(109)
	<b>(1,327)</b>	<b>(17,809)</b>	<b>(19,136)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$9,997</b>	<b>\$(10,455)</b>	<b>\$(458)</b>

**NOTE 5 - REVENUE PRODUCING PROPERTIES**

	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to June 30, 2004	6 months ended June 30, 2004	6 months ended June 30, 2003
<b>Acquisitions</b>				
Cash paid	\$9,174	\$13,089	\$22,263	\$46,433
Debt assumed	7,912	10,409	18,321	15,468
Total purchase price	17,086	23,498	40,584	61,901
Fair value adjustments to debt	560	774	1,334	869
Book value	<b>\$17,646</b>	<b>\$24,272</b>	<b>\$41,918</b>	<b>\$62,770</b>
Allocation of book value to revenue producing properties	\$16,910	\$23,235	\$40,145	\$62,770
Allocation of book value to other assets (NOTE 2 - Accounting for Operating Leases)	736	1,037	1,773	-
	<b>\$17,646</b>	<b>\$24,272</b>	<b>\$41,918</b>	<b>\$62,770</b>
<b>Units acquired</b>	<b>183</b>	<b>354</b>	<b>537</b>	<b>1,307</b>
<b>Dispositions</b>				
Cash received	\$-	\$-	\$-	\$1,385
Debt assumed	-	-	-	1,655
Total proceeds	-	-	-	3,040
Net book value	-	-	-	1,993
<b>Gain on sales</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,047</b>
<b>Units sold</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>

**NOTE 6 - DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS**

During the first quarter of 2003, a \$3.0 million unsolicited offer was received to purchase a 40-unit property located in Edmonton, Alberta. The sale was completed by the end of the first quarter of 2003. There were no dispositions in the first six months of 2004. Note 5 discloses the carrying amounts of the major assets and liabilities included in the disposition. The following table sets forth the results of operations associated with the long-lived asset, separately reported as discontinued operations.

	<b>Jan. 1, 2004 to May 2, 2004</b>	<b>May 3, 2004 to June 30, 2004</b>	<b>6 months ended June 30, 2004</b>	<b>6 months ended June 30, 2003</b>
<b>Revenue</b>				
Rental income	\$-	\$-	\$-	\$86
<b>Expenses</b>				
Revenue producing properties:				
Operating expenses	-	-	-	4
Utilities	-	-	-	17
Property taxes	-	-	-	6
Administration	-	-	-	2
Financing costs	-	-	-	24
	-	-	-	<b>53</b>
<b>Operating earnings from discontinued operations before income taxes</b>	-	-	-	33
Future income taxes	-	-	-	12
<b>Operating earnings from discontinued operations</b>	-	-	-	21
Gain on disposition	-	-	-	1,047
Future income taxes	-	-	-	(317)
<b>Earnings from discontinued operations</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$751</b>

**NOTE 7 - UNITHOLDERS' CAPITAL**

The Plan of Arrangement (the "Arrangement") to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of Boardwalk Equities Inc. to a trust, Boardwalk Equities Inc. incurred \$8.5 million in restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT units or Class B Limited Partnership ("LP Class B") units of a controlled limited partnership of Boardwalk REIT, Boardwalk REIT Limited Partnership.

The LP Class B units are exchangeable, on a one-for-one basis, into Boardwalk REIT units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the units of Boardwalk REIT been issued. Each LP Class B unit was accompanied by a Special Voting unit, which will entitle the holder to receive notice of, attend and vote at all meetings of unitholders. There is no value assigned to the Special Voting units. The LP Class B units issued are included in the unitholders' capital contributions on the balance sheet. The change in unitholders' capital contribution for 2004 are as follows:

	Shares	Amount
Share capital of Boardwalk Equities Inc. at December 31, 2003	50,868,119 2,345,155	\$275,509 28,372
Options exercised	<b>53,213,274</b>	<b>\$303,881</b>
Share capital of Boardwalk Equities Inc. at May 2, 2004 exchanged for trust units		

<b>Summary of Unitholders' Capital Contributions</b>	Units	Amount
Units issued in exchange for Boardwalk Equities Inc. shares	53,213,274	\$303,881
Issuance of 15,000 units for cash at \$18.00 per unit on May 3, 2004	15,000	270
Unit repurchases, recorded at book value of units	(104,700)	(610)
Restructuring cost	-	(8,500)
Total unitholders' capital contribution	<b>53,123,574</b>	<b>\$295,041</b>

The Declaration of Trust authorizes Boardwalk REIT to issue an unlimited number of units for the consideration and on terms and conditions established by the Trustees without the approval of any unitholders. The interests in Boardwalk REIT are represented by two classes of units: a class described and designated as "REIT Units" and a class described and designated as "Special Voting Units". The beneficial interest of the two classes of units is as follows:

**(A) REIT UNITS**

REIT Units represents an undivided beneficial interest in Boardwalk REIT and in distributions made by Boardwalk REIT. The REIT Units are freely transferable, subject to applicable securities regulatory requirements. Each REIT Unit entitles the holder to one vote at all meetings of unitholders. Except as set out under the redemption rights below, the REIT Units have no conversion, retraction, redemption or pre-emptive rights.

REIT Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt by Boardwalk REIT of a written redemption notice and other documents that may be required, all rights to and under the REIT Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per REIT Unit equal to the lesser of:

- i) 90% of the "market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading during the twenty- day period ending on the trading day prior to the day on which the REIT Units were surrendered to Boardwalk REIT for redemption; and
- ii) 100% of the "closing market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading on the redemption date.

**(B) SPECIAL VOTING UNITS**

The Declaration of Trust provides for the issuance of an unlimited number of Special Voting Units that will be used to provide voting rights to holders of LP Class B units or other securities that are, directly or indirectly, exchangeable for REIT Units.

Each Special Voting Unit entitles the holder to the number of votes at any meeting of unitholders, which is equal to the number of REIT Units which may be obtained upon surrender of the LP Class B unit to which the Special Voting Unit relates. The Special Voting Units do not entitle or give any rights to the holders to receive distributions or any amount upon liquidation, dissolution or winding-up of Boardwalk REIT.

The breakdown of trust units of Boardwalk REIT by class is as follows:



	Units	Amount
Boardwalk REIT Units	48,648,574	
Special Voting Units issued to holders of LP Class B units	4,475,000	
<b>Total trust units</b>	<b>53,123,574</b>	<b>\$295,041</b>

**STOCK OPTIONS**

The following table illustrates the impact on net earnings and earnings per unit if compensation expense had been recorded in the current and prior periods based on the fair value of all options granted on or after January 1, 2002:

	6 months ended June 30, 2004	6 months ended June 30, 2003
Compensation costs	\$(2,278)	\$(1,046)
Net earnings		
As reported	\$1,754	\$4,073
Pro forma	\$(524)	\$3,027
Net earnings per unit		
Basic		
As reported	\$0.04	\$0.08
Pro forma	\$(0.01)	\$0.06
Diluted		
As reported	\$0.04	\$0.08
Pro forma	\$(0.01)	\$0.06

As a result Boardwalk REIT's conversion, all previously granted stock options vested prior to May 3, 2004. Consequently, net earnings and earnings per unit shown above for the current period reflect all remaining compensation costs not previously recognized in prior periods.

The fair value of each option granted in 2002 was estimated to be \$6.74 on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

Risk free interest rate	5.33%
Expected lives (years)	7 - 10
Expected volatility	42.56%
Dividend per unit	\$0.05

No stock options were granted subsequent to December 31, 2002.



**NOTE 8 - DISTRIBUTABLE INCOME AND PER UNIT INFORMATION**

**Distributable cash per unit**

Boardwalk REIT makes distributions to unitholders on a monthly basis on or about the 15th day of the following month, except December. On December 31, Boardwalk REIT makes a distribution for the month of December.

Net earnings, subsequent to Boardwalk REIT conversion	\$869
Add:	
Amortization	13,665
Amortization of deferred financing costs incurred prior to May 3, 2004	459
Deduct:	
Future income tax recovery	(85)
Amortization of net premium on long-term debt assumed after May 2, 2004	(17)
Distributable income	\$14,891
Distribution paid to unitholders	\$10,940
Weighted average units outstanding - basic and diluted	53,159,181
Distributable income earned per unit	\$0.280
Actual distributions declared per unit	\$0.206

**Earnings per unit**

	<b>6 months ended June 30, 2004</b>	<b>6 months ended June 30, 2003</b>
<b>Numerator</b>		
Earnings from continuing operations	\$1,754	\$3,322
Earnings from discontinued operations	-	\$751
<b>Denominator</b>		
Denominator for basic earnings per unit - weighted average units (THOUSANDS)	52,395	50,225
Effect of dilutive units issued in respect of long-term incentive plan (THOUSANDS)	-	521
Denominator for diluted earnings per unit adjusted for weighted average shares and assumed conversion (THOUSANDS)	52,395	50,746
<b>Earnings per unit from continuing operations</b>		
Basic	\$0.03	\$0.07
Diluted	\$0.03	\$0.07
<b>Earnings per unit from discontinued operations</b>		
Basic	\$0.00	\$0.01
Diluted	\$0.00	\$0.01

**NOTE 9 - INCOME TAXES**

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. Total future income tax recovery for the six-month ended June 30, 2004 combines the results of Boardwalk Equities Inc. prior to May 3, 2004 with the results of Boardwalk REIT subsequent to May 2, 2004. The adjustment for change in effective tax rate reflects the reduction of the current combined federal and provincial substantially enacted rate in the province of Alberta.

	<b>Jan. 1, 2004 to May 2, 2004</b>	<b>May 3, 2004 to June 30, 2004</b>	<b>6 months ended June 30, 2004</b>	<b>6 months ended June 30, 2003</b>
Continuing operations	\$(1,291)	\$(85)	\$(1,376)	\$3,555
Discontinued operations	-	-	-	329
<b>Total future income taxes (recovery)</b>	<b>\$(1,291)</b>	<b>\$(85)</b>	<b>\$(1,376)</b>	<b>\$3,884</b>

Future income taxes (recovery) consist of the following::

	<b>6 months ended June 30, 2004</b>	<b>6 months ended June 30, 2003</b>
Tax expense based on expected rate	\$201	\$3,785
Non-taxable portion of capital gains	-	(223)
Adjustment to future income tax liabilities	(26)	916
Adjustment for change in effective tax rate	(1,551)	(594)
<b>Future income taxes (recovery)</b>	<b>\$(1,376)</b>	<b>\$3,884</b>

The future income tax asset (liability) is calculated as follows:

<b>AS AT</b>	<b>June 30, 2004</b>	<b>June 30, 2003</b>
Tax assets related to operating losses	\$675	\$77,354
Tax liabilities related to differences in tax and book basis	(451)	(152,119)
<b>Future income tax asset (liability)</b>	<b>\$224</b>	<b>\$(74,765)</b>

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

At June 30, 2004, Boardwalk REIT has long-term physical supply arrangements with two electrical utility companies to supply it with its electrical power needs for Alberta for the next sixteen to thirty months at a blended rate of approximately \$0.066/kwh. These agreements provide that Boardwalk REIT purchase its power for all Alberta properties under contract for the upcoming months.

Boardwalk REIT also has two physical settlement fixed-price supply contracts for Alberta natural gas requirements. These contracts fix the price of natural gas for 75% of its requirements in Alberta. The two contracts are for physical settlement, and each represents approximately 37.5% of Boardwalk REIT's Alberta requirements. The first of these contracts runs from January 1, 2003 to September 30, 2004 and provides the commodity at a price of \$5.44/GJ. The second contract runs from October 1, 2003 to September 30, 2005 and provides the commodity at a price of \$6.16/GJ.

In Saskatchewan, Boardwalk REIT has a physical supply agreement to supply 100% of its natural gas requirements for that province. The agreement extends until October 31, 2005 at a fixed price of \$5.20/GJ.

In Eastern Canada, Boardwalk REIT has procured approximately 75% of its gas usage requirements under two physical fixed-price supply contracts until the fall, priced near \$6.00/GJ.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November thru March. This program will be in effect for a remaining thirty-three month term ending March 31, 2006. The rebate program becomes active when the natural gas consumer price exceeds \$5.50/GJ for any individual winter usage month. There was no rebate for November and December 2003. For January to March 2004, Boardwalk REIT's predecessor was eligible for an estimated rebate of \$812,000.

#### **NOTE 11 - GUARANTEES**

In the normal course of business, various agreements may be entered that may contain features that meet the AcG-14 definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires an entity to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay its indebtedness when due.

In connection with the sales of properties, a mortgage assumed by the purchaser will have an indirect guarantee provided to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, the seller would be liable for the outstanding mortgage balance. Boardwalk REIT's maximum exposure at June 30, 2004 is approximately \$6.1 million. In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at June 30, 2004, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

#### **NOTE 12 - SEGMENTED INFORMATION**

Boardwalk REIT specializes in multi-family residential housing and operates primarily within one business segment in four provinces located in Canada. The following summary presents segmented financial information for Boardwalk REIT's business by geographic location, and reflects the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 or from April 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to June 30, 2004. The comparative figures represent the activities of Boardwalk Equities Inc.

	3 months ended June 30, 2004	3 months ended June 30, 2003	6 months ended June 30, 2004	6 months ended June 30, 2003
<b>Alberta</b>				
Revenue	\$37,792	\$37,885	\$75,876	\$75,528
Expenses				
Operating	3,552	4,652	8,197	9,368
Utilities	4,634	4,510	10,217	9,826
Property taxes	2,741	2,738	5,435	5,643
	<b>10,927</b>	<b>11,900</b>	<b>23,849</b>	<b>24,837</b>
<b>Net operating income</b>	<b>\$26,865</b>	<b>\$25,985</b>	<b>\$52,027</b>	<b>\$50,691</b>
<b>Saskatchewan</b>				
Revenue	\$8,482	\$8,389	\$17,110	\$16,843
Expenses				
Operating	1,040	1,004	2,116	2,161
Utilities	909	841	2,425	2,073
Property taxes	1,118	1,200	2,235	2,399
	<b>3,067</b>	<b>3,045</b>	<b>6,776</b>	<b>6,633</b>
<b>Net operating income</b>	<b>\$5,415</b>	<b>\$5,344</b>	<b>\$10,334</b>	<b>\$10,210</b>
<b>Ontario</b>				
Revenue	\$8,891	\$8,683	\$17,865	\$17,220
Expenses				
Operating	964	1,170	2,065	2,446
Utilities	1,237	1,367	2,926	3,344
Property taxes	1,445	1,353	2,947	2,704
	<b>3,646</b>	<b>3,890</b>	<b>7,938</b>	<b>8,494</b>
<b>Net operating income</b>	<b>\$5,245</b>	<b>\$4,793</b>	<b>\$9,927</b>	<b>\$8,726</b>
<b>Quebec</b>				
Revenue	\$14,620	\$11,454	\$28,459	\$22,004
Expenses				
Operating	1,504	1,203	3,024	2,324
Utilities	1,580	1,340	4,211	2,959
Property taxes	1,474	1,095	2,893	2,130
	<b>4,558</b>	<b>3,638</b>	<b>10,128</b>	<b>7,413</b>
<b>Net operating income</b>	<b>\$10,062</b>	<b>\$7,816</b>	<b>\$18,331</b>	<b>\$14,591</b>
<b>Total</b>				
Net operating income	\$47,587	\$43,938	\$90,619	\$84,218
Unallocated revenue*	255	348	555	3,912
Unallocated expenses**	(44,861)	(41,731)	(89,420)	(84,057)
<b>Net earnings for the period</b>	<b>\$2,981</b>	<b>2,555</b>	<b>\$1,754</b>	<b>\$4,073</b>

	June 30, 2004	December 31, 2003
<b>AS AT</b>		
<b>Alberta</b>		
Identifiable assets		
Revenue producing properties	\$951,688	\$969,196
Mortgages and accounts receivable	6,167	8,338
Deferred financing costs	24,729	26,621
Tenants' security deposit	5,519	5,674
	<b>\$988,103</b>	<b>\$1,009,829</b>
<b>Saskatchewan</b>		
Identifiable assets		
Revenue producing properties	\$176,397	\$178,867
Mortgages and accounts receivable	77	11
Deferred financing costs	4,440	4,585
Tenants' security deposits	1,161	1,097
	<b>\$182,075</b>	<b>\$184,560</b>
<b>Ontario</b>		
Identifiable assets		
Revenue producing properties	\$214,703	\$215,428
Mortgages and accounts receivable	253	250
Deferred financing costs	2,671	2,709
	<b>\$217,627</b>	<b>\$218,387</b>
<b>Quebec</b>		
Identifiable assets		
Revenue producing properties	\$378,899	\$342,364
Mortgages and accounts receivable	4,691	4,425
Deferred financing costs	5,727	4,102
	<b>\$389,317</b>	<b>\$350,891</b>
<b>Total assets</b>		
Identifiable assets	\$1,777,122	\$1,763,667
Unallocated assets***	60,718	39,713
	<b>\$1,837,840</b>	<b>\$1,803,380</b>

\* Unallocated revenue includes property sales, interest income, revenue from discontinued operations and other non-rental income.

\*\* Unallocated expenses include cost of property sales, operating expenses from discontinued operations, non-rental operating expenses, administration, financing costs, amortization, income taxes and other provisions.

\*\*\* Unallocated assets include properties held for development, cash, short-term investments and other assets.



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