



BOARDWALK REAL ESTATE INVESTMENT TRUST

TSX: BEI.UN



Q1
2011

CORPORATE PROFILE

Boardwalk REIT is an open-ended real estate investment trust formed to acquire all of the assets and undertakings of Boardwalk Equities Inc. 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 selective acquisition and where appropriate, disposition of multi family properties. Boardwalk REIT currently owns and operates in excess of 225 properties with 35,277 units (as at March 31, 2011) totaling approximately 30 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, British Columbia, Saskatchewan, Ontario and Quebec.

LETTER TO UNITHOLDERS

We are pleased to report on a solid first quarter of 2011 for Boardwalk Real Estate Investment Trust ("Boardwalk", "Boardwalk REIT", or the "Trust"). Funds from Operations (FFO) for the quarter totaled \$28.1 Million, or \$0.54 per unit, a decrease of approximately 3.5% and 1.8%, respectively, over the same quarter last year. FFO is a widely accepted supplemental measure of the performance of a Canadian Real Estate entity; however, it is not a measure defined by International Financial Reporting Standards ("IFRS"). The reconciliation of FFO and other financial performance measures can be found in the Management's Discussion and Analysis (MD&A) for the first quarter ended March 31, 2011, under the section titled, "Performance Measures".

The first quarter of 2011 marks the first period that the Trust is reporting its financial results under IFRS. Although there are many similarities with Canadian GAAP, there are also a variety of differences which are referred to in the International Financial Reporting Standards section of the Trust's MD&A. Note 3 of the Trust's Financial Statements provide a comprehensive assessment of these changes to the Trust's Financial Reporting.

The decrease in reported FFO can be attributed to higher operating expenses and loss of FFO from the sale of properties in 2010, which was moderated by lower financing costs and by the effectiveness of the Trust's Unit Buyback program when viewed on a per unit basis.

STRONG SUSTAINABLE SOCIALLY RESPONSIBLE

HIGHLIGHTS OF THE TRUST'S FIRST QUARTER 2011 FINANCIAL RESULTS

<i>\$ millions, except per unit amounts</i>	Three Months Mar 2011	Three Months Mar 2010	% Change
Rental Revenue	\$ 102.6	\$ 104.2	-1.5%
Net Operating Income (NOI)	\$ 59.2	\$ 61.7	-4.1%
Profit	\$ 722.5	\$ 43.9	1545.8%
Funds From Operations (FFO)	\$ 28.1	\$ 29.2	-3.5%
Adjusted Funds From Operations (AFFO)	\$ 24.2	\$ 25.1	-3.6%
FFO Per Unit	\$ 0.54	\$ 0.55	-1.8%
AFFO Per Unit	\$ 0.46	\$ 0.48	-4.2%
Regular Distributions Declared (Trust Units & LP B Units)	\$ 23.5	\$ 23.7	
Regular Distributions Declared Per Unit (Trust Units & LP B Units) (2011 Target \$1.80 Per Unit on an annualized basis)	\$ 0.45	\$ 0.45	
Regular Payout as a % FFO	83.5%	81.4%	
Regular Payout as a % AFFO	97.2%	94.7%	
Debt-to-GBV ("Gross Book Value") (Period Ended)	49.2%	49.1%	49.8%
Operating Margin (3 Months)	57.7%	63.1%	59.3%

HIGHLIGHTS OF THE TRUST'S FIRST QUARTER FAIR VALUE OF INVESTMENT PROPERTIES

	Three Months Mar 2011	Three Months Mar 2010
IFRS Net Asset Value (NAV) of Investment Properties per Trust Unit	\$ 37.75	\$ 33.30
Cash Per Trust Unit	\$ 3.79	\$ 3.19
Total per Trust Unit	\$ 41.45	\$ 36.49

For further detail, please refer to pages 33-49 of the MD&A.

In the first quarter of 2011, overall occupancy for Boardwalk's portfolio was 96.9%, equal to the occupancy level for the same period last year but slightly down from the previous quarter. Average market rents have increased to \$1,022, up from \$988 in March of 2010. Boardwalk's rental strategy of continuous active management of three key variables: occupancy levels, market rents, and suite-specific incentives, has allowed the Trust to report an increase in both average and occupied rents versus the last quarter and the same period a year ago. Although the Trust has benefitted from strong occupancy levels through the winter season, the market remains competitive. The Trust continues to believe that significant organic growth can be achieved with Boardwalk's rental strategy of continuous monitoring and adjusting of market rents based on demand as well as seasonal factors.

Consistent with historic trends, Calgary and Edmonton both saw decreases in occupancy for the first quarter of 2011; however, this was somewhat offset by higher occupied rents in both cities, as the Trust continues to maximize revenue through its rental strategy. Conversely, occupancy in the Trust's Ontario markets have increased year-over-year for the first quarter of 2011, as the Trust continued to focus on occupancy in Ontario's recovering economy. In Saskatchewan, occupancy increased in Regina and remained flat in Saskatoon as demand continues to be healthy. Occupancy in our Quebec market increased year-over-year with strong gains in Net Operating Income as a result of higher revenue.

With many of our competitors still experiencing lower occupancy levels, it remains a challenge to realize traction in this continued competitive environment, but we will continue to monitor occupancy and adjust market rents accordingly, as well as apply suite-specific incentives as needed to maximize revenue.

PORTFOLIO HIGHLIGHTS FOR THE FIRST QUARTER 2011

	Mar 2011	Dec 2010	Mar 2010
Average Occupancy (3 Months)	96.87%	97.29%	96.85%
Average Monthly Rent (3 Months)	\$ 988	\$ 983	\$ 973
Average Market Rent (Period Ended)	\$ 1,022	\$ 1,018	\$ 988
Average Occupied Rent (Period Ended)	\$ 1,023	\$ 1,012	\$ 1,002
Loss-to-Lease (Period Ended) (\$ millions)	\$ (0.4)	\$ 2.4	\$ (6.0)
Loss-to-Lease Per Trust Unit (Period Ended)	\$ (0.01)	\$ 0.05	\$ (0.11)
Cash (Period Ended) (\$ millions)	\$ 193.2	\$ 228.1	\$ 168.1
	% Change Year-Over-Year 3 Months Mar 2011		
Same Property Results			
Rental Revenue	1.0%		
Operating Costs	4.5%		
Net Operating Income (NOI)	-1.3%		

For further detail, please refer to pages 33-49 of the MD&A.

Stabilized Revenue Growth	# of Units	Q1 2011 vs Q4 2010	Q4 2010 vs. Q3 2010	Q3 2010 vs. Q2 2010	Q2 2010 vs. Q1 2010
Calgary	5,234	1.1%	1.4%	-1.1%	-1.3%
Edmonton	12,337	-0.7%	0.3%	-0.6%	0.3%
Other Alberta	2,172	0.3%	3.1%	-2.5%	2.0%
British Columbia	633	0.4%	0.0%	-0.2%	-1.3%
Ontario	4,265	0.1%	1.9%	-0.2%	-0.2%
Quebec	6,000	0.2%	1.2%	1.4%	0.7%
Saskatchewan	4,636	-0.4%	1.5%	0.8%	1.4%
	35,277	-0.1%	1.1%	-0.2%	0.3%

On a sequential basis, stabilized revenues for the first three months of 2011 decreased 0.1% when compared to the previous quarter, mainly the result of decreased occupancy offset by increased occupied rental levels. The increased in occupied rental amounts is a positive sign that the use of selective rental incentives are beginning to decline. This, combined with continued strong occupancy levels, is encouraging as the Trust moves forward into the Spring and Summer months, which are the strongest rental months for the REIT.

For further detail, please refer to page 43 of the MD&A.

ECONOMIC MARKET FUNDAMENTALS FROM ACROSS CANADA

Market Fundamentals	BC		Alberta		Saskatchewan		Ontario		Quebec	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010	Mar 2011	Mar 2010	Mar 2011	Mar 2010	Mar 2011	Mar 2010
Unemployment Rate	8.1%	7.9%	5.7%	7.5%	5.2%	5.1%	8.1%	8.8%	7.7%	8.0%
	Q2 2009	Q2 2008	Q2 2009	Q2 2008	Q2 2009	Q2 2008	Q2 2009	Q2 2008	Q2 2009	Q2 2008
Net Interprovincial Migration	442	2,306	2,510	-2,780	209	762	-1,811	-712	-368	267
Net International Migration	-727	9,100	-2,092	2,202	1,056	1,345	5,192	4,435	4,560	5,854
Total Net Migration	-285	11,406	418	-578	1,265	2,107	3,381	3,723	4,192	6,121
	Feb 2010 to Feb 2011	Feb 2009 to Feb 2010	Feb 2010 to Feb 2011	Feb 2009 to Feb 2010	Feb 2010 to Feb 2011	Feb 2009 to Feb 2010	Feb 2010 to Feb 2011	Feb 2009 to Feb 2010	Feb 2010 to Feb 2011	Feb 2009 to Feb 2010
Average Weekly Wages Growth	3.9%	2.7%	6.7%	2.5%	4.1%	3.4%	3.0%	3.4%	4.4%	2.7%

Source: Statistics Canada

Western Canada

In the West, economic fundamentals remain solid. British Columbia, Alberta and Saskatchewan saw positive wage growth for February, year-over-year, and it is expected that economic and employment growth will continue through 2011. In Alberta, the unemployment rate decreased in March to 5.7% from 7.5% in the prior year. Alberta and Saskatchewan continue to lead in employment growth driven by strong demand in the resource sectors. Although the reported figures for net migration in both Alberta and Saskatchewan have tempered in March, CMHC estimates that net migration for both provinces in 2011 to be strong, as an improving job market will attract both interprovincial and international migrants. The Alberta Government reported record land sales in 2010; and for the first three months of 2011, Alberta Oil Well Spuds were up 13% over the same period last year. Net migration was down in March of 2011 in British Columbia, however, CMHC forecasts that the strong job market as shown in the 3.9% wage growth for the 12 month period ended February 2011, will fuel net migration in 2011. Saskatchewan continues to enjoy Canada's lowest unemployment rate at 5.2% in March 2011. CMHC continues to estimate that Saskatchewan will see record levels of net migration in 2011 and into 2012.

Eastern Canada

Economic fundamentals in Ontario are expected to improve as the Manufacturing and Automotive Industries advance. Ontario reported a significant decrease to its unemployment rate in March 2011 to 8.1% from 8.8% in the previous year. Ontario's Auto Industry continues to support approximately 400,000 direct and indirect jobs, and continues to play a sizable portion of the Ontario economy. CMHC reports that the Ontario population will benefit from stronger international immigration and fewer migratory outflows to Western Canada. Quebec also saw a slight year-over-year decrease in unemployment in March 2011 at 7.7%. Wage growth was strong at 4.4% as many part time roles migrated into full time positions.

MLS HOUSING PRICES

British Columbia	Vancouver CMA		Victoria CMA	
	Apr 2011	Apr 2010	Apr 2011	Apr 2010
Average Single Family	na	na	\$ 601,896	\$ 614,770
Average Condo	na	na	\$ 353,858	\$ 340,105
Average Overall	\$ 622,991	\$ 593,419	na	na
Alberta	Calgary CMA		Edmonton CMA	
	Apr 2011	Apr 2010	Apr 2011	Apr 2010
Average Single Family	\$ 479,575	\$ 460,378	\$ 379,075	\$ 385,359
Average Condo	\$ 289,158	\$ 289,588	\$ 234,220	\$ 253,788
Saskatchewan	Saskatoon CMA		Regina CMA	
	Apr 2011	Apr 2010	Apr 2011	Apr 2010
Average Overall	\$ 315,866	\$ 233,792	\$ 269,061	\$ 256,871
Ontario	London CMA		Windsor CMA	
	Apr 2011	Apr 2010	Apr 2011	Apr 2010
Average Overall	\$ 242,111	\$ 229,289	\$ 167,719	\$ 159,898
Quebec	Montreal CMA			
	Mar 2011	Mar 2010		
Average Overall*	\$ 295,873	\$ 278,759		

Internally generated, NA = Data not available, * Internally calculated based on volume of sales and total sales as provided by the Greater Montreal Real Estate Board. Source: Association of Regina REALTORS®, Calgary Real Estate Board, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Edmonton Real Estate Board, Greater Montreal Real Estate Board, London and St. Thomas Association of REALTORS®, Real Estate Board of Greater Vancouver, Saskatoon Region Association of REALTORS®, Victoria Real Estate Board, Windsor-Essex County Real Estate Board

Western Canada

Home prices in Western Canada increased in most markets from the moderated prices a year ago. Favourable mortgage interest rates combined with employment growth supported the increases we have seen in the past 12 months. CMHC is predicting that housing starts across the country will moderate with the exception of BC and Alberta where estimates are that housing starts will increase between 1 and 2%. In Vancouver, average overall home prices were the highest in Canada at \$623,000, up from \$593,000 last April. Calgary also reported a sizeable increase in average single family home price at \$480,000 versus \$460,000 reported in April of 2010, whereas, condominium prices in Calgary remained flat over the same period. Edmonton is reporting a slight decline in both single family and condominium prices in April of 2011 when compared to the same period last year. Saskatoon reported the largest increase in year-over-year average home prices with a 35% increase, while Regina posted a more modest gain during the same period.

According to CMHC, housing starts are expected to decrease throughout 2011 in all of the provinces with the exception of British Columbia and Alberta. In British Columbia, the single starts are forecasted to remain around the level of their ten-year average for 2011 and 2012 with 11,300 and 11,900, respectively. Multiple starts in British Columbia are expected to start increasing over the course of 2011. In Alberta, CMHC suggests that single-detached builders will be cautious in the early months of 2011, but by the end of 2011 the market will improve leading to a higher level of single starts, bringing the total to a similar number as 2010. However, multiple starts are expected to be lower in 2011 than in 2010 as a result of the amount of complete and unoccupied multi-family units currently available. In Saskatchewan, CMHC is reporting that the current elevated supply of single-detached residences will moderate the single starts throughout 2011, but by 2012 the supplies will be depleted and therefore Saskatchewan will see a slight increase in single starts in 2012. Multiple starts in Saskatchewan for 2011 are seeing similar circumstances to single starts. CMHC notes that in 2010 the construction of multi-family units was almost double that of 2009. As a direct result of this, multiple starts in 2011 will decrease to allow for time for the current high levels of supply to be depleted.

Eastern Canada

Eastern Canada is reporting similar year over year increases. Prices in London, Windsor, and Montreal are up in each of the three areas on improving economic conditions.

Housing starts in Ontario are expected to slow to 21,900 units in 2011, according to CMHC, and then increase to 23,200 in 2012. As a result of the Harmonized Sales Tax, some single starts that were expected to occur in 2011 have been moved forward. CMHC notes that there is currently less demand and higher home prices in Ontario which will therefore slow the demand for single detached housing. However, Ontario is expected to see growing multi-family construction with a forecast of 34,300 units in 2011 and 36,300 units in 2012. According to CMHC, Ontario has many sold apartments that have not yet begun to be constructed, which will support the start of multi-family units in 2011 and into 2012. In Quebec, CMHC is predicted 18,000 single starts in 2011 as a result of the easing of the resale market which has led to a decreased demand for new construction. CMHC also reports that Quebec is experiencing a trend towards affordable housing and densification that will continue to lessen the demand for single starts in the upcoming years. In 2010, multiple starts in Quebec experienced a strong rebound, however, throughout 2011 and into 2012, multiple starts will move back into more sustainable levels, CMHC is forecasting 28,000 multiple starts throughout 2011.

ACQUISITIONS AND DISPOSITIONS

There were no Investment Property acquisitions or dispositions in the first quarter of 2011. The Trust will continue to undertake a cautious approach to the sale of non-core assets to comply with the existing rules surrounding the tax treatment of publicly traded REITs (the "SIFT" Legislation.)

The Trust is currently in the early stages of exploring the viability of potential development of Multi-Family Apartment Buildings on excess land the Trust currently owns in Calgary and Edmonton. The combination of a stabilizing rental market in both Calgary and Edmonton as well as significantly lower construction costs relative to its peak in 2008, may create opportunities for the Trust to enhance value to our Unitholders.

For further detail, please refer to page 43 of the MD&A.

UNIT BUYBACK

With its significant liquidity position, the Trust continues to look for opportunities to deploy a portion of surplus funds. The Trust continues to view the purchase of its Trust Units on the public market as a good investment; however, it believes that a balanced approach is necessary with respect to its buyback strategy compared to other options for deploying surplus cash. In the first quarter of 2011, the Trust purchased and cancelled 160,900 Trust Units, representing a total purchase cost of approximately \$6.7 million, or an average of \$41.89 per Trust Unit. Cumulatively, since August 17, 2007, the Trust purchased and canceled 4,542,747 Trust Units, representing a total purchase cost of \$170.5 million, or an average cost of \$37.53 per Trust Unit. The Trust continues to review all available options that management believes will provide the greatest return to our Unitholders.

In August 2010, Boardwalk successfully renewed its Normal Course Issuer Bid, which allows Boardwalk to purchase up to 3,918,288 Trust Units, representing 10% of its public float of Trust Units, through the facilities of the Toronto Stock Exchange. The Bid commenced on August 24, 2010, and will terminate on August 23, 2011, or such earlier time as the Bid is complete.

As at March 31, 2011, Boardwalk REIT had 47,744,599 issued and outstanding Trust Units, plus 4,475,000 Class "B" Units of Boardwalk REIT Limited Partnership exchangeable for Trust Units on a one-for-one basis at the option of the holder. Accordingly, if all of the LP B Units were exchanged for REIT Units, the total issued and outstanding REIT Units would be 52,219,599.

For further detail, please refer to pages 45 and 46 of the MD&A.

LIQUIDITY AND CONTINUED FINANCIAL STRENGTH

The Trust maintained its solid financial position through the first quarter of 2011 and remains prepared for any opportunities that may arise. Boardwalk REIT's total principal mortgage and debt outstanding was \$2.35 billion as of March 31, 2011, as compared to \$2.32 billion as of March 31, 2010. As of March 31, 2011, the Trust's total debt had an average term to maturity of approximately 3 years with a weighted average interest rate of 4.25% and the debt-to-total enterprise value ratio was 51.9%.

The Trust's current liquidity position remains stable, as the following table highlights:

2011 - Q1

Cash Position - March 31, 2011	\$ 193,216,000.00
Line of Credit	\$ 196,028,000.00
Total Available Liquidity	\$ 389,244,000.00
Liquidity as a % of Total Debt	17%

The Trust's interest coverage ratio, excluding gain or loss on sale of assets, for the first quarter ended March 31, 2011, was 2.22 times compared to 2.19 times for the same period last year.

For further detail, please refer to pages 47 - 49 of the MD&A.

OUTLOOK AND 2011 FINANCIAL GUIDANCE

With improving economic fundamentals across the country, and the signals of improving rental conditions in Alberta, our largest market, we are optimistic that employment growth combined with positive migration will translate into higher demand for rental units. Positive indicators such as oil drilling activity in Alberta and Saskatchewan, as well as strong international migration into Ontario and Quebec have us prepared for the spring and summer seasons ahead. We will continue to monitor the demand for rentals on a daily basis, and adjust market rents and incentives accordingly to maximize our revenue. CMHC Insured Mortgage rates remain at reasonably low levels and continue to present an opportunity for the Trust to renew our debt at lower than maturing rates.

Despite these positive indicators, the market remains volatile and clarity on whether or not these leading indicators translate into measurable rental demand can not be determined at this time.

Our Financial Guidance for 2011 remains unchanged, and is as follows:

Description	Guidance Q1, 2011
Acquisitions	None
Stabilized Building NOI growth	-3% to 1%
FFO per Trust Unit	\$ 2.35 to \$ 2.55
AFFO per Trust Unit	\$ 2.05 to \$ 2.25

As is customary, management will update the market on Financial Guidance on a quarterly basis. The reader is cautioned that this information is forward-looking information and actual results may vary materially from those reported.

For further detail, please refer to page 60 of the MD&A.

SUPPLEMENTARY INFORMATION

Boardwalk produces the Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The First Quarter 2011 Supplemental Information is available on our investor website at <http://www.BoardwalkREIT.com/FinancialReports/>.

IN CONCLUSION

I would like to thank our team of over 1,500 Associates for their continued dedication and commitment.

I would also like to thank our Board of Trustees for their indispensable guidance and continued focus on governance, and our Unitholders and key financial community and operational partners for their continued support of the Trust.

Finally, I would like to thank our Customers for calling Boardwalk home.

Sincerely,



Sam Kolias,
Chairman and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2011 and 2010 (UNAUDITED)

Forward-Looking Statements

Caution regarding forward-looking statements

The terms "Boardwalk", "Boardwalk REIT", the "Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust and its consolidated financial position and results of operations for the three months ended March 31, 2011. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and required by all Publicly Accountable Enterprises to be adopted effective January 1, 2011. This MD&A should be read in conjunction with Boardwalk's audited annual consolidated financial statements for the years ended December 31, 2010 and 2009, which have been prepared in accordance with Canadian generally accepted accounting principles, together with the MD&A related thereto, copies of which have been filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR web site at www.sedar.com. Historical results and percentage relationships contained in the annual consolidated financial statements and MD&A related thereto, including trends, which might appear, should not be taken as indicative of future operations.

Unless otherwise indicated, all amounts are expressed in Canadian dollars.

Forward-Looking Statement Advisory

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws. These statements include, but are not limited to, statements made concerning Boardwalk's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "plan", "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking statements in this MD&A are qualified by these cautionary statements.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Boardwalk's current estimates and assumptions, which are subject to risks and uncertainties, including those described in the MD&A of Boardwalk REIT's 2010 Annual Report under the heading "Risks and Challenges", which could cause actual events or results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include, but are not limited to, those related to: liquidity in the global marketplace associated with current economic conditions, tenant concessions, occupancy levels, access to debt and equity capital, interest rates, joint ventures/partnerships, the relative illiquidity of real property, unexpected costs or liabilities related to acquisitions, construction, environmental matters, legal matters, reliance on key personnel, Unitholder liability, income taxes and the ability of Boardwalk to qualify for the REIT Exemption (as defined below). Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: a less robust rental environment compared to several years ago; relatively stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth program to enable the Trust to refinance debts as they mature; the availability of purchase opportunities for growth in Canada; and the impact of accounting principles adopted by the Trust effective January 1, 2011 under International Financial Reporting Standards ("IFRS") which includes application to the Trust's 2010 comparative financial results. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

The Income Tax Act (Canada) (the "Act") contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation"). The SIFT Legislation provides for a transition period until 2011 for publicly traded trusts, such as Boardwalk, which existed prior to November 1, 2006. In addition, the SIFT Legislation generally will not impose tax on a trust which qualifies under such legislation as a real estate investment trust (the "REIT Exemption") provided all of the Trust's income each year is paid or made payable to its Unitholders. Boardwalk has qualified for the REIT Exemption commencing January 1, 2011. Further discussion of this contained in this MD&A.

Except as required by applicable law, Boardwalk undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

BUSINESS OVERVIEW

Boardwalk Real Estate Investment Trust (“Boardwalk REIT”, “Boardwalk” or the “Trust”) is an unincorporated, open-ended real estate investment trust created pursuant to a Declaration of Trust, dated January 9, 2004, and as amended and restated on May 3, 2004, May 10, 2006, May 10, 2007, May 13, 2008, May 13, 2009, May 18, 2010 and May 12, 2011 (the “Declaration of Trust” or “DOT”), under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests, initially through the acquisition of the assets and 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 (“TSX”) under the trading symbol ‘BEL.UN’. Boardwalk REIT’s principal objectives are to provide its Unitholders (“Unitholders”) with stable and growing 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. At the end of the first quarter of 2011, Boardwalk REIT owned and operated in excess of 225 properties, comprising 35,277 residential units and totaling approximately 30 million net rentable square feet. As of March 31, 2011, Boardwalk REIT’s property portfolio was concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec.

At March 31, 2011, the fair value of Boardwalk Investment Property assets was \$4.3 billion, which generated a profit of \$25.4 million for the first three months of 2011 (before fair value losses and income tax recovery). Each of these figures was calculated based on the application of International Financial Reporting Standards (IFRS), which the Trust was required to adopt along with all Publicly Accountable Enterprises, effective January 1, 2011. Although the adoption of IFRS has not had an impact on the Trust’s net cash flows, there have been material impacts on the Condensed Consolidated Statement of Financial Position and Condensed Consolidated Statements of Comprehensive Income which are discussed further in this MD&A. During the first quarter of 2011, the Trust earned \$28.1 million of Funds From Operations.

OUTLOOK

The first quarter of 2011 continued to show signs of stability returning to the Canadian and global real estate markets. During 2010, and through the first quarter of 2011, many real estate entities elected to access the equity and debt markets to improve their existing liquidity or assist in current or future acquisition. Given Boardwalk REIT’s existing liquidity position and access to Government of Canada-backed securities the Trust to date has elected not to participate in any new issuance, but rather felt it was a better investment to purchase for cancellation its own Trust Units on the open market. Although history has shown that the apartment real estate asset class tends to demonstrate lower volatility to changes in market conditions, it is not immune to them. Notwithstanding these factors, Boardwalk REIT believes that the fundamentals of its asset class and, in particular, its specific assets, generally remain strong, mainly due to the affordability of renting versus the cost of owning a home. This fact has kept overall occupancy at reasonable levels and, when combined with the non-exposure to any one or small group of customers, has kept revenue stable and risks low. In the debt capital market, the fact that close to 100% of the Trust’s secured debt carries NHA insurance, the benefits of which will be detailed later in this report, has significantly assisted in renewing and obtaining new financing on its assets at rates that currently are better than the maturing interest rates. The Trust continues to be well-positioned in this current market place with a distribution payout ratio on the Trust Units and LP B Units of approximately 84% of Funds From Operations (“FFO”) for the first three months of 2011 (please note that the first quarter has typically higher heating cost and the distribution payout ratio on the Trust Units and LP B Units together was 81% of FFO for the first quarter of 2010). The Trust continues to have access to low-rate Government of Canada-backed debt in the form of NHA insurance, which is administered by Canada Mortgage and Housing Corporation.

As we move forward, we remain in a strong liquidity position, details of which will also be discussed later in this report. We continue to search for accretive opportunities to deploy these funds while still maintaining a balanced approach however the strong demand for our asset class both by the public and private sector purchasers has made it extremely difficult to identify and acquire risk adjusted accretive acquisitions. We continue to focus inward on our operations continuously looking for ways to reduce cost while focusing on our customers.

NON-GAAP FINANCIAL MEASURES

Boardwalk REIT assesses and measures operating results based on performance measures referred to as “Funds From Operations” (“FFO”), and Adjusted Funds From Operations (“AFFO”). FFO is a widely accepted supplemental measure of the performance of a Canadian real estate entity; however, it is not a measure defined by IFRS. In recent periods, additional attention has been given to AFFO as a supplemental measurement as well. FFO does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other entities. The IFRS measurement most comparable to FFO is profit. We define FFO after the adoption of IFRS as income before fair value adjustments, distributions on the LP B Units, gains (losses) on the sale of investment properties, depreciation, income tax and certain other non-cash adjustments, if any. The reconciliation from Profit under IFRS to FFO can be found below, under the section titled, “Performance Measures”. The reconciliation from FFO to AFFO can be found in the section titled, “Maintenance of Productive Capacity”. FFO and AFFO, however, should not be construed as an alternative to profit determined in accordance with IFRS as indicators of Boardwalk REIT’s performance. In addition, Boardwalk REIT’s calculation methodology for FFO and AFFO may differ from that of other real estate companies and trusts.

Changes to accounting standards over the years have prompted the boards of certain public real estate investment trust entities (“REIT Entities”) to revise their definition of Distributable Income, with the result being that it has become difficult to rely on Distributable Income as a relative financial measure amongst the various REIT Entities and a less reliable financial measure for any one REIT Entity over time. The Trust’s definition of Distributable Income as adopted in 2004 was in response to the state of GAAP in effect at that time. Changes to accounting standards over time have further decreased the reliability of Distributable Income as it has become increasingly disconnected with cash flow from operations. Accordingly, at the Annual and Special Meeting of Boardwalk REIT Unitholders on May 18, 2010, it was proposed by management and accepted by Unitholders that, effective January 1, 2011, the Trust will no longer be reporting Distributable Income and accordingly have removed it from its Declaration of Trust.

DECLARATION OF TRUST

The investment guidelines of the Trust are outlined in the Trust’s DOT, a copy of which is available on request to all Unitholders. Further information of the DOT can also be located on page 37 of the AIF. Some of the main financial guidelines and operating policies as set out in the DOT are as follows:

Investment Guidelines

1. Acquire, develop and operate multi-family residential property; and
2. No investment will be made that would disqualify Boardwalk REIT as a “mutual fund trust” or a “registered investment” as defined in the Income Tax Act (Canada).

Operating Policies

1. Maximum debt capacity not to exceed 60% of Gross Book Value;
2. No guaranteeing of third-party debt unless related to direct or indirect ownership or acquisition of real property, including potential joint venture partner structures;
3. Third-party surveys of structural and environmental conditions are required prior to the acquisition of a multi-family asset; and
4. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by Canada Mortgage and Housing Corporation (“CMHC”) on-site maintenance compensation to Associates, repairs and maintenance, as well as capital upgrades.

Compliance with DOT

At March 31, 2011, the Trust was in material compliance with all investment guidelines and operating policies as stipulated in the DOT. More details will be provided later in this document with respect to certain detailed calculations.

FFO Reconciliation - Q1 2011 versus Q1 2010

The following table shows a reconciliation of changes in FFO from Q1 2010 to Q1 2011. It should be noted that FFO as disclosed in the table below reflects FFO as calculated based on the application of IFRS standards to the Trust's financial statements. As previously noted, we define the calculation of FFO under IFRS as net income before fair value adjustments, distributions on the LP Class B Units, gains (losses) on the sale of investment properties, depreciation, income taxes and certain other non-cash items. A more detailed disclosure of the calculation of FFO will be provided later in this report.

FFO Reconciliation	3 Months
FFO Opening- March 2010	\$ 0.55
NOI from Stabilized	\$ (0.02)
Unit Buyback	\$ 0.01
Financing Cost ⁽¹⁾	\$ 0.03
FFO Loss from Sold Properties	\$ (0.03)
FFO Closing March 2011	\$ 0.54

(1) Financing costs above excludes the distribution payments for LP Class B Units, which are classified as financial liabilities under IFRS. Further discussion related to this can be found later in this report.

The Trust's cash position was \$193.2 million at March 31, 2011. This large cash position was achieved as a result of advantageous refinancing of matured mortgages at historically low interest rates over the last few years combined with net cash generated on the sales of selective non-core assets during 2010. While others in the industry were simply worried about renewing existing maturing debt, the Trust continued to be able to not only renew its matured debt, but was also able to raise additional funds for future opportunities. However, there is a cost to having this much liquidity on the statement of financial position, which is currently earning a very conservative but safe investment return. The Trust is looking into alternative investments for its excess liquidity.

HEDGING ACTIVITIES

There were no new hedging activities in the first quarter of 2011.

In 2008, the Trust entered into forward hedging arrangements with respect to some of its mortgage interest obligations. The strategy consisted of hedging, or locking in, the interest rates on the underlying bonds used to set mortgage interest rates while layering an interest rate swap on top of this to reduce overall interest rates and variability in cash flows from fluctuating interest rates. The affect on the current and prior year's financial results is outlined below.

Bond Forward Transaction

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which comprised of bond forward contracts on specific mortgages that matured and was renewed in 2008, was for a total nominal amount of \$101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. One of the bond forward contracts in the Transaction, which was assessed to be an effective hedge, was settled for a loss of \$284 thousand. This bond forward contract continues to be assessed as "effective" under IFRS and this loss continues to be amortized over the term of the new financing. As at March 31, 2011, the unamortized amount of this effective hedge was approximately \$190 thousand.

Interest Rate Swap

During the first quarter of 2008, Boardwalk REIT entered into an interest rate swap agreement on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges on March 11, 2008. The effective date of the hedges was May

1, 2008, and will continue to be designated as such until the date of maturity, May 1, 2015. Hedge accounting has been applied to these agreements in accordance with IAS-32.

Boardwalk REIT has determined that there is no ineffectiveness in its hedging of its interest rate exposure in accordance with IFRS standards. The effectiveness of the hedging relationship is reviewed on a quarterly basis and measured at fair value. Any gains or losses, which arise as a result of the “effectiveness” of the hedge, will be recognized in Other Comprehensive Income (“OCI”). The ineffective portion of the hedging gain or loss on the swap transaction will be recognized immediately in profit. On recognition of the financial liability of the hedged item on the condensed consolidation statement of financial position, the associated gains or losses that were recognized in OCI would be reclassified into income in the same period or periods during which the interest payments of the hedged item affect profit. However, if all or a portion of the loss recognized in OCI will not be recovered in one or more future periods, this amount will be immediately reclassified into income.

As at March 31, 2011, the interest rate swap agreement was assessed to be an effective hedge in accordance with IFRS and, any gains or losses on the interest rate swap agreement were recognized in income in the periods during which the interest payments on the hedged items were recognized.

Unsecured Debentures

During the first quarter of 2009, the Trust acquired in the open market a total face value of \$7.6 million of its unsecured debentures for cancellation. These were purchased at a discount to the face value and the cost paid by the Trust was \$7.2 million, of which \$55 thousand represented accrued interest. The remaining difference of \$408 thousand between the face value and the discounted price paid was reported as “Other Income” on the financial statements in the first quarter of 2009. There has been no further debenture buybacks since the first quarter of 2009.

The unsecured debenture holders, in a special meeting held July 30, 2008, approved an amendment to the Trust indenture amending the definition of Gross Book Value (“GBV”) for an additional \$410 million to be added to the one-time adjustment to assets, thereby, increasing it from \$231 million to \$641 million. In addition, the Consolidated Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) to Consolidated Interest Expense financial covenant was amended to 1.75 to 1 from 1.5 to 1, and the rate of interest on the debenture was increased to 5.61% from 5.31%.

Upon transition to IFRS, Boardwalk has elected to use the fair value model in accordance with IAS-40 to value its investment properties. The impact of this election and the transition to IFRS standards on the debt covenants related to the debenture is outlined in the section titled “Impact of Adoption of IFRS”.

The unsecured debentures principal balance of \$112.4 million is scheduled to mature on January 23, 2012. Given the current pricing in the unsecured market, it is our intention upon maturity to repay this outstanding liability through a combination of existing cash on hand, our committed revolving credit facility and new secured NHA-mortgages on existing assets, which currently would carry interest rates substantially below the face rate on the unsecured debenture of 5.61%. While the maturity of this debenture is in the near future, a risk of increasing interest rates still exists in the interim.

PERFORMANCE REVIEW

Boardwalk REIT generates revenues, cash flows and earnings from two separate sources - from rental operations and from the sale of “Non-Core” 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.

In the past Boardwalk REIT has generated additional income from the periodic sale of selective Non-Core 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 the public market. The Trust, however, is currently proceed-

ing with extreme caution regarding the sale of any of its real estate assets in the short term. This decision is the direct result of the Trust's intention to qualify as a REIT for Canadian income tax purposes and the ambiguity surrounding the current requirements to qualify for this exemption. Additional information regarding the SIFT tax legislation and the Trust's qualification as a REIT under these tax laws can be found in the section titled, "Income Tax Expense" later in this report.

Performance Measures

As was previously discussed, for fiscal years beginning after January 1, 2011, the Trust will no longer be referencing the term Distributable Income or DI, but rather will focus more on what it feels to be the more relevant financial indicators of performance, namely, FFO and AFFO. It continues to be the intention of the Trust to pay out, at a minimum, all taxable income to Unitholders in the form of monthly distributions unless the Trustees, otherwise in their absolute discretion, determine a different amount. Under its current distribution program, the Trust is distributing \$1.80 per outstanding Trust and LP B Unit on an annualized basis (or \$0.15 per Trust and LP B Unit on a monthly basis). The Trust also declared and paid out a special distribution of \$0.50 per unit to all Unitholders of record as at August 31, 2010. This special distribution was in addition to the regular normal distribution the Trust declares and pays on a monthly basis and was fully funded through the use of a portion of the cash received on past sales of non-core properties. The total dollar amount of this one-time special distribution was approximately \$26.3 million and was paid on September 15, 2010 in conjunction with the regular monthly distribution to Unitholders of record as at August 31, 2010. There have been no special distributions declared in the first three months of 2011.

For the three months ended March 31, 2011, the Trust declared regular distributions of \$23.5 million (this includes distributions paid to the LP Class B Unitholders), representing approximately 83.5% of FFO. The reader should note that the overall operating performance of the first and fourth quarters tend to generate the highest payout ratio, mainly due to the high seasonality in operating expenses. In particular, these quarters tend to be the highest demand periods for natural gas, a major operational cost for the Trust. The reader should not simply annualize these reported results. On a quarterly basis, the Trust's Board of Trustees reviews the current level of distributions and determines if any adjustment to the distributed amount is warranted.

Although the Trust believes it is important to distribute a significant portion of its FFO, it also maintains that it should withhold a portion of the available cash flow to assist with the execution of its business strategy. On an overall basis, the Trust aims to maintain a conservative payout ratio and reviews this with its Board of Trustees on a quarterly basis.

Over the past few years, AFFO has begun to surface as an additional performance measurement. AFFO is determined by taking the amounts reported as FFO and deducting what is commonly referred to as Maintenance Capital Expenditures. Maintenance Capital Expenditures are referred to as expenditures that by standard Accounting definitions are accounted for as capital in that the expenditure itself has a useful life in excess of the current financial year and also adds or maintains the value of the related asset. A more detailed discussion of this topic will be provided in the Maintenance of Productive Capacity section later in this document.

FFO Reconciliations

The Trust's adoption of IFRS standards, effective January 1, 2011, has resulted in significant changes to the financial information presented, including the Trust's calculation of FFO.

In the following table, Boardwalk REIT provides a reconciliation of FFO, a non-IFRS measure, to its closely related IFRS measures for the current quarter and the comparative period in the prior year adjusted for IFRS standards. Adjustments, which have arisen as a result of the adoption of IFRS, have been, explained in the notes below.

FFO Reconciliation <i>In \$000's, except per unit amounts</i>	3 Months March 2011	3 Months March 2010	% Change
Profit for the period	\$ 722,514	\$ 43,875	
Adjustments			
Deduct fair value gains (losses) ⁽¹⁾	\$ 43,033	\$ (28,083)	
Add back loss on sale of assets	\$ -	\$ 594	
Add back distributions to LP Class B Units recorded as financing charges ⁽²⁾	2,014	2,014	
Income tax expense (recovery)	\$ (740,194)	\$ 9,979	
Depreciation expense on PP&E	\$ 765	\$ 777	
Funds from operations	\$ 28,132	\$ 29,156	(3.5)%
Funds from operations - per unit	\$.54	\$.55	(1.8)%

- (1) Under IFRS, the Trust has a number of statement of financial position items, which are measured using a fair value model with fluctuations related to these fair value amounts from period to period flowing through the statement of comprehensive income. These fair value adjustments are considered "non-cash items" and are added back in the calculation of FFO.
- (2) Under IFRS, the LP Class B Units are considered financial instruments in accordance with IAS 32. As a result of this classification, their corresponding distribution amounts are considered "financing charges" under IFRS. The Trust believes these distribution payments do not truly represent "financing charges", as these amounts are only payable if the Trust declares distributions and only for the amount of any distributions declared both of which are at the discretion of the Board of Directors as outlined in the DOT. Therefore, these distributions are excluded from the calculation of FFO, consistent with the treatment of distributions paid to all other Unitholders.

All other adjustments in the calculation of FFO above are consistent with those adjustment made in the calculation of FFO previously under Canadian GAAP.

Overall, Boardwalk REIT earned \$28.1 million in FFO for the three months ended March 31, 2011 compared to \$29.2 million for the same period last year. FFO on a per unit basis for the three months ended March 31, 2011 decreased approximately 1.8% compared to the same period in the prior year, from \$0.55 to \$0.54.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Trust's first IFRS condensed consolidated interim financial statements for the first quarter of the year covered by the first annual IFRS consolidated financial statements to be presented in accordance with IFRS for the year ended December 31, 2011. Previously, the Trust prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP.

Impact of Adoption of IFRS

IFRS is premised on a conceptual framework similar to Canadian GAAP, although significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS did not have an impact on our reported net cash flows, it does have a material impact on our condensed consolidated statement of financial position and statement of comprehensive income. In preparing the opening IFRS statement of financial position, comparative information for January 1, 2010 and the year ended December 31, 2010 have been adjusted from amounts previously reported in financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Trust's financial position, financial performance and cash flow, is set out in the following section and in the tables below:

First-Time Adoption of IFRS

The adoption of IFRS required the application of IFRS 1- "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS standards effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and permits limited optional exemptions.

Elected exemptions from full retrospective application

The following are the optional exemptions available under IFRS 1, which the Trust applied in preparation of its first financial statements under IFRS:

Business combinations

The Trust has applied the business combinations exemption in IFRS 1 which allows the Trust not to apply IFRS 3 retrospectively to past business combinations. Accordingly, the Trust has not restated business combinations that took place prior to the Transition Date.

IFRS 1 allows for certain other optional exemptions, however, such exemptions were deemed either to be not applicable or not significant upon the adoption of IFRS.

Based on a review of IFRS 3 - Business Combinations, the Trust believes that the acquisition of individual investment properties will likely, meet the definition of a business combination in accordance with IFRS standards.

All asset acquisitions, which meet this definition of a business combination, will be recorded using the acquisition method outlined in this standard and all costs directly related to the acquisition will be expensed in the condensed consolidated statement of comprehensive income.

Mandatory exemptions from full retrospective application

The following are the mandatory exemptions available under IFRS, which the Trust applied in preparation of its first financial statements under IFRS:

Hedge accounting

Only hedging relationships that satisfied the hedge accounting criteria as of the Transition Date are reflected as hedges in the Trust's results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting were recorded as non-hedging derivative financial instruments.

Estimates

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Trust under Canadian GAAP are consistent with the application under IFRS.

All other mandatory exemptions from full retrospective application were deemed, either, not applicable or not significant to the Trust's adoption of IFRS.

Impact of IFRS on the Balance Sheet (Statement of Financial Position)

The following tables outline and quantify the impact of significant differences between Canadian GAAP and IFRS on our Condensed Consolidated Statement of Financial Position. All other financial assets and liabilities not specifically addressed in the table below maintained their designations consistent with designations made under Canadian GAAP and were not significantly impacted by the Trust's adoption of IFRS:

Financial Statement Item	Applicable IFRS Standard	Summary of IFRS Policy adopted by Boardwalk REIT	Impact of significant differences between IFRS and Canadian GAAP as at the date specified below:	
			As at January 1, 2010	As at December 31, 2010
Presentation of Financial Statements	IAS 1	Present Statement of Financial Position as a classified statement of financial position with separate classifications for current and non-current assets and liabilities. Previously presented using reverse liquidity (Canadian GAAP).	Assets and liabilities are presented distinguishing between their current and non-current portion.	Assets and liabilities are presented distinguishing between their current and non-current portion.
Investment Properties (IP)	IAS 40	Measured initially at cost and then subsequently measured using the "fair value" model under IFRS. Fair values are determined based on valuations performed by third party appraisers or available market evidence. See section below entitled "Valuation Process of Investment Properties" for information on how the fair value of investment properties is determined. Gains or losses resulting from changes in fair value are recorded in profit or loss.	Increase in fair value of investment properties of \$2.0 billion on the opening IFRS Condensed Consolidated Statement of Financial Position. In addition, \$8.7 million of assets previously recorded as Revenue Producing Property under Canadian GAAP have been reclassified to PP&E, which is disclosed separately on the Statement of Financial Position.	Increase in fair value of investment properties of \$2.3 billion on the December 31, 2010 Condensed Consolidated Statement of Financial Position for the 12 months ended December 31, 2010. In addition, \$9.5 million of assets previously recorded as Revenue Producing Property under Canadian GAAP have been reclassified to PP&E, which is disclosed separately on the Statement of Financial Position.
Property, Plant and Equipment (PP&E)	IAS 16	Recorded using the "cost model" to measure all classes of property, plant and equipment. Depreciation and amortization related to these assets are recognized. Properties considered used predominately for "administrative purposes" by the Trust are included as part of PP&E, carried at cost less accumulated amortization. Recoverable amount is used to determine impairment of assets.	Reclassification of assets of \$8.7 million from revenue producing property and a reclass of \$6.1 from assets which were classified as other assets under Canadian GAAP to assets which are classified as inventories and prepaid assets and presented separately under IFRS.	Reclassification of assets of \$9.5 million from revenue producing property and a reclass of \$6.6 from assets which were classified as other assets under Canadian GAAP to assets which are classified as inventories and prepaid assets and presented separately under (under IFRS).
Inventories	IAS 2	Inventories are presented separately on the IFRS Condensed Consolidated Statement of Financial Position. Inventories are carried at the lower of cost or net realizable value. Uses of inventory items are either expensed or capitalized depending on the nature of the inventory used and if the useful life of the related asset is being extended.	Reclassification of assets from other assets (CDN GAAP) to inventories under IFRS. Inventories balance was \$2.9 million on the IFRS opening Condensed Consolidated Statement of Financial Position as a result of reclassification.	Reclassification of assets from other assets (CDN GAAP) to inventories under IFRS. Inventories balance was \$3.0 million on the IFRS Condensed Consolidated Statement of Financial Position as a result of reclassification.

Financial Statement Item	Applicable IFRS Standard	Summary of IFRS Policy adopted by Boardwalk REIT	Impact of significant differences between IFRS and Canadian GAAP as at the date specified below:	
			As at January 1, 2010	As at December 31, 2010
Mortgages Payable	IFRS 7, IAS 32 and 39	Classified as a financial liability and carried at amortized cost on the Statement of Financial Position. Split between current and long term portion.	No impact on total carrying amount of mortgages payable. Current portion of \$0.5 billion presented as part of current liabilities. \$1.7 billion presented as part of long-term liabilities on the IFRS classified statement of financial position.	No impact on total carrying amount of mortgages payable. Current portion of \$0.3 billion presented as part of current liabilities. \$1.8 billion presented as part of long-term liabilities on the IFRS statement of financial position.
Debentures	IFRS 7, IAS 32 and 39	Classified as a financial liability and carried at amortized cost on the Statement of Financial Position.	No impact on the carrying amount of the debenture on the IFRS statement of financial position. The treatment of debenture under IFRS is similar to the treatment under CDN GAAP.	No impact on the carrying amount of the debenture on the IFRS statement of financial position. The treatment of debenture under IFRS is similar to the treatment under CDN GAAP.
LP Class B Units	IFRS 7, IAS 32 and 39	Designated as "fair value through profit or loss" (FVTPL) financial liability under IFRS. Recorded at fair value at each reporting date with changes in fair value flowing through the statement of comprehensive income .	The LP Class B Units are recorded as a liability under IFRS and carried at their fair value. Previously recorded as equity under Canadian GAAP. Impact of transition to IFRS is an increase of the Trust's liabilities by \$165.8 million, the fair value of the LP Class B Units at January 1, 2010, and a decrease of Unitholders' equity by \$24.8 million, which was the cost of the B Units recorded in Unitholders' equity under Canadian GAAP.	The LP Class B Units are recorded as a liability under IFRS and carried at their fair value. Previously recorded as equity under Canadian GAAP. Impact of transition to IFRS is an increase of the Trust's liabilities by \$184.6 million, the fair value of the LP Class B Units at December 31, 2010, and a decrease of Unitholders' equity by \$24.8 million, which was the cost of the B units recorded in Unitholders' equity under Canadian GAAP.

Financial Statement Item	Applicable IFRS Standard	Summary of IFRS Policy adopted by Boardwalk REIT	Impact of significant differences between IFRS and Canadian GAAP as at the date specified below:	
			As at January 1, 2010	As at December 31, 2010
Deferred unit-based compensation	IFRS 2, IFRS 7, IAS 32 and 39	<p>In accordance with IFRS 2, the deferred units issued under the deferred unit compensation plan are recorded at their fair value of the deferred units at the grant date and expensed on a straight line bases over their associated vesting period based on the Trust's estimate of the deferred units that will actually vest at each reporting date.</p> <p>The estimated number of units which will vest is reviewed at each reporting date with any adjustments made, flowing through the statement of comprehensive income.</p> <p>This plan is designated as a "fair value through profit or loss" (FVTPL) financial liability.</p> <p>Outstanding units are recorded at their fair value at each reporting date with changes to this fair value recorded as a "fair value adjustment" in the statement of comprehensive income.</p>	<p>The impact of the deferred unit compensation plan calculation under IFRS 2, is an increase in financial statement liabilities of \$4.2 million (this includes both the current and non-current portion of the liability) and a decrease to Unitholders equity as recorded under Canadian GAAP of \$4.1 million.</p> <p>The total of this liability is broken up into a current portion of \$1.4 million and a non-current portion of \$2.8 million as a result of the use of a classified Statement of Financial Position under IFRS.</p> <p>The transition from Canadian GAAP to IFRS resulted in a change in the methodology to calculate the amortization of deferred unit compensation, as well as, required a fair value adjustment of \$104 thousand recorded to Unitholders' equity at January 1, 2010.</p>	<p>The impact of the deferred unit compensation plan calculation under IFRS 2, is an increase in financial statement liabilities of \$5.4 (this includes both the current and noncurrent portion of the liability) and a decrease to Unitholders equity as recorded under Canadian GAAP of \$4.5 million.</p> <p>The total of this liability is broken up into a current of \$2.5 million and a non-current portion of \$2.9 million as a result of the use of a classified Statement of Financial Position under IFRS.</p> <p>The transition from Canadian GAAP to IFRS resulted in a change in the methodology to calculate the amortization of deferred unit compensation as well as required a fair value adjustment of \$623 thousand recorded to Unitholders' equity at December 31, 2010.</p>
Deferred tax liabilities	IAS 12	<p>Deferred tax assets and liabilities have been separated for presentation on the Trust's Statement of Financial Position.</p> <p>Deferred taxes are recorded on temporary differences between carrying amounts of assets and liabilities on the financial statements and corresponding tax bases used in the computation of taxable profit.</p> <p>As a result of the use of the "fair value model" to value investment properties, under IAS 40, there has been a significant increase in the amount of deferred taxes the Trust has recorded.</p> <p>Changes to applicable tax rates have also been applied as a result of the adoption of IAS 12.</p>	<p>A deferred tax asset has been recorded as an asset on the Statement of Financial Position.</p> <p>This reclassification totals an increase to deferred tax assets and a decrease to deferred tax liabilities of \$0.7 million on the Condensed Consolidated Statement of Financial Position.</p> <p>Impact of change of the adoption of the "fair value model" of Investment property and the change in the applicable tax rates used resulted in an increase of \$598.6 million to the deferred tax liability recorded.</p>	<p>A deferred tax asset has been recorded as an asset on the Statement of Financial Position.</p> <p>This reclassification totals an increase to deferred tax assets and a decrease to deferred tax liabilities of \$0.7 million on the Condensed Consolidated Statement of Financial Position.</p> <p>Impact of change of the adoption of the "fair value model" of Investment property and the change in the applicable tax rates used resulted in an increase of \$640.5 million to the deferred tax liability recorded.</p>

Financial Statement Item	Applicable IFRS Standard	Summary of IFRS Policy adopted by Boardwalk REIT	Impact of significant differences between IFRS and Canadian GAAP as at the date specified below:	
			As at January 1, 2010	As at December 31, 2010
Unitholders' equity (deficit)	Framework of IFRS and IFRS 1	<p>Equity is the result of residual interest in the assets of the Trust after deducting all of its liabilities.</p> <p>In accordance with IFRS 1 all opening statement of financial position adjustments upon initial transition to IFRS standards are recorded in retained earnings which is a component of equity.</p>	<p>The impact of the adjusting entries recorded in Unitholders' equity as a result of the transition to IFRS resulted in an increase of Unitholders equity by \$1.2 billion or approximately \$23.00 per Trust Unit based on 52,744,467 trust Units outstanding, including the LP Class B Units at January 1, 2010.</p> <p>A reconciliation of Unitholders' equity from Canadian GAAP to IFRS has been included below as at January 1, 2010.</p>	<p>The impact of the transition from Canadian GAAP to IFRS resulted in an increase of \$1.4 million in Unitholders' equity or \$27.14 per Trust Unit based on 52,366,133 Trust Units outstanding, including the LP Class B Units at December 31, 2010.</p> <p>A reconciliation of Unitholders' equity from Canadian GAAP to IFRS has been included below as at December 31, 2010.</p>
Earnings per unit		<p>LP Class B Units are considered a financial liability and not included as part of the basic earnings per unit calculation.</p> <p>These Units are included as part of the diluted earnings per unit calculation under IFRS. This differs from Canadian GAAP where the LP Class B Units were considered equity and, therefore, included as part of the basic per unit calculation.</p> <p>While the adoption of IFRS has not resulted in significant changes to cash flows reported by the Trust, these new standards have resulted in significant changes to the net earnings calculated under IFRS when compared to earnings previously reported under Canadian GAAP. The changes to both net earnings and the number of basic and fully diluted trust units calculated under IFRS have resulted in significant changes to the calculation of basic and fully diluted earnings per unit from those reported under Canadian GAAP. The impact of IFRS on the Trust's earnings can be found later in this report.</p>	<p>There is no comparative basic or fully diluted earnings per share calculation at January 1, 2010 under IFRS as no earning under IFRS have been recorded at that date.</p>	<p>Impact of changes from the application of IFRS standard have resulted in significant difference between basic and fully diluted trust units calculated under Canadian GAAP compared to those calculated under IFRS.</p> <p>At December 31, 2010 the Trust reported basic and fully diluted earnings per unit of \$1.36 under Canadian GAAP. However, under IFRS basic earnings per share is calculated at \$5.78 and fully diluted earnings per unit is calculated at \$5.67 per trust unit.</p>

Valuation Process of Investment Properties

Boardwalk REIT utilized an external valuation company ("the Appraisers"), to conduct an external evaluation of all of its Investment Properties to determine the fair value of the portfolio for its January 1, 2010 opening statement of financial position. The individual properties were valued using capitalization rates ranging from 5.25% to 11.66% based on property type, market characteristics and building specific circumstances, such as properties, which have excess density or are subject to ground

lease agreements. This resulted in an overall weighted average Capitalization Rate for the portfolio of approximately 6.64%. Boardwalk REIT's properties were grouped by geographic location.

As at December 31, 2010, no properties were valued by external appraisals. Fair value was determined internally based on assumptions and market data provided by the Appraisers and by applying the same valuation techniques as the Appraisers.

The third-party valuation of the Trust's investment property portfolio utilizes the "Overall Capitalization Rate" method. This method requires that rental income from current leases and assumptions about rental income, vacancies and inflation rates among other factors are used to determine a one-year income forecast for each individual property within the Trust's portfolio and also considers any capital expenditures anticipated within the year. Given the short-term nature of residential leases (typically one year), revenue and costs are not discounted. A capitalization rate was also determined for each property based on market information related to the external sale of similar buildings within a similar geographic location. These factors were used to determine the fair value of investment properties at each reporting date.

The key valuation metrics for residential rental properties are set out in the following tables:

As at	December 31, 2010		January 1, 2010	
Capitalization rate by city:				
Calgary	5.75%	6.50%	6.00%	6.50%
Edmonton	6.00%	6.25%	6.25%	7.00%
Other Alberta	6.00%	8.25%	6.25%	8.50%
Vancouver	5.25%	6.75%	5.25%	7.25%
Kitchener	6.50%	6.50%	6.75%	6.75%
London	6.50%	6.75%	6.75%	7.00%
Windsor	7.25%	7.75%	7.25%	7.75%
Montreal	6.25%	7.25%	6.50%	7.50%
Quebec City	6.00%	6.50%	6.25%	7.50%
Regina	7.00%	7.25%	6.75%	7.00%
Saskatoon	7.00%	7.25%	6.75%	7.00%
	5.25%	8.25%	5.25%	8.50%
Land Lease	6.25%	11.75%	6.18%	11.66%

Values are sensitive to changes in capitalization rates.

Investment property with a fair value of \$352.5 million at January 1, 2010 and \$361.5 million at December 31, 2010 is situated on land held under land leases.

Investment properties with a fair value at January 1, 2010 of \$489.0 million and \$528.0 million at December 31, 2010 are pledged as security against the Trust's committed revolving credit facility. In addition, investment properties with a fair value of \$3.8 billion at January 1, 2010 and \$4.1 billion at December 31, 2010 are pledged as security against the Trust's mortgages payable.

Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Trust's equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS on the Transition Date - January 1, 2010:

Note	Trust Units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings (deficit)	Cash flow hedge	Total Unitholders' equity (deficiency)
As reported under Canadian GAAP, January 1, 2010	\$ 236,385	\$ 203,343	\$ (484,544)	\$ (281,201)	\$ (224)	\$ (45,040)
Reclassification of LP B Units as a financial liability (i)	(24,840)	-	-	-	-	(24,840)
Reclassification of LP B Units distributions to cumulative profit (i)	-	(38,383)	38,383	-	-	-
Reclassification of deferred unit-based compensation as a financial liability (i)	(4,122)	-	-	-	-	(4,122)
Differences increasing (decreasing) reported amounts						
Investment property (ii)	-	1,980,262	-	1,980,262	-	1,980,262
Financial instruments (iii)						
LP B Units	-	(140,959)	-	(140,959)	-	(140,959)
Deferred unit-based compensation	-	(74)	-	(74)	-	(74)
Deferred taxes (iv)	-	(597,274)	-	(597,274)	-	(597,274)
As reported under IFRS, January 1, 2010	\$ 207,423	\$ 1,406,915	\$ (446,161)	\$ 960,754	\$ (224)	\$ 1,167,953

The following is a reconciliation of the Trust's equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS at December 31, 2010:

Note	Trust Units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings (deficit)	Cash flow hedge	Total Unitholders' equity (deficiency)
As reported under Canadian GAAP, December 31, 2010	\$ 221,645	\$ 275,072	\$ (605,532)	\$ (330,460)	\$ (201)	\$ (109,016)
Reclassification of LP B Units as a financial liability (i)	(24,840)	-	-	-	-	(24,840)
Reclassification of LP B Units distributions to cumulative profit (i)	-	(48,676)	48,676	-	-	-
Reclassification of deferred unit-based compensation as a financial liability (i)	(4,533)	-	-	-	-	(4,533)
Differences increasing (decreasing) reported amounts						
Investment property (ii)	-	2,258,442	-	2,258,442	-	2,258,442
Financial instruments (iii)						
LP B Units	-	(159,754)	-	(159,754)	-	(159,754)
Deferred unit-based compensation	-	(896)	-	(896)	-	(896)
Deferred taxes (iv)	-	(640,481)	-	(640,481)	-	(640,481)
As reported under IFRS, December 31, 2010	\$ 192,272	\$ 1,683,707	\$ (556,856)	\$ 1,126,851	\$ (201)	\$ 1,318,922

(i) Reclassification of LP B Units and deferred unit-based compensation plan

Under IAS 32, the LP B Units issued by a wholly owned subsidiary of the Trust, as well as the deferred units issued as part of the deferred unit-based compensation plan are considered financial liabilities under IFRS and are reclassified from equity to liabilities on the financial statements. Under Canadian

GAAP, the LP Class B Units were carried at cost (\$24.8 million as at January 1, 2010, March 31, 2010 and December 31, 2010). Additionally, as the LP Class B Units are liabilities, all distributions previously paid were reclassified to cumulative profit as they would have been recorded as a financing charge under IFRS.

(ii) Investment property

The Trust considers its revenue-producing properties to be investment properties under IAS 40. Investment property includes land (including excess land) and buildings held primarily to earn rental income and capital appreciation, rather than for use in the production or supply of goods or services or for sale in the ordinary course of business. Similar to Canadian GAAP, investment property is initially recorded at cost under IAS 40. However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for investment property. The Trust has elected to use the fair value method upon initial transition to IFRS and in subsequent reporting periods. This adjustment to retained earnings represents the cumulative unrealized gain in respect of the fair value of the Trust's investment property under IFRS on January 1, 2010, March 31, 2010 and December 31, 2010.

(iii) Financial instruments

IAS 39 outlines recognition and measurement principles in respect of financial assets and liabilities, which differ from Canadian GAAP in respect of the following instruments:

LP Class B Units

Under IFRS, the LP B Units are classified as a financial liability and the Trust has designated the Units as FVTPL on the basis that this financial liability is classified as "Fair Value through Profit or Loss" in accordance with IAS 39. This financial liability is carried at fair value on the statement of financial position as determined by the observable market price of the Trust's Units. Under Canadian GAAP, the LP B Units were carried at cost. The market value for the LP Class B Units was \$165.8 million as at January 1, 2010, \$180.1 million as at March 31, 2010 and \$184.6 million as at December 31, 2010.

Deferred unit-based compensation plan

Under IFRS, the deferred unit-based compensation plan is classified as a financial liability and the Trust has designated the deferred units issued as part of the deferred unit-based compensation plan as "Fair Value through Profit or Loss" in accordance with IAS 39. This financial liability is carried at fair value on the statement of financial position as determined by the observable market price of the Boardwalk REIT's Trust Units. The market value for the deferred unit-based compensation plan was \$4.2 million as at January 1, 2010, \$4.7 million as at March 31, 2010 and \$5.4 million as at December 31, 2010. In addition, compensation expensed is based on a graded amortization rather than straight-line amortization under Canadian GAAP.

(iv) Deferred Taxes

The increase in deferred income tax liability under IFRS compared with Canadian GAAP primarily relates to the increase in the carrying values of the Trust's investment properties as a result of adopting the fair value method under IAS 40. The deferred income tax liability method under IFRS is determined by applying tax rates to temporary differences that are consistent with the Trust's expectation that the method of realization will be through the sale of its properties rather than through owning and operating the properties.



Reconciliation of Condensed Consolidated Statement of Financial Position from Canadian GAAP to IFRS

The following information reflects a reconciliation of the Trust's Condensed Consolidated Statements of Financial Position from Canadian GAAP to the application of IFRS standards as reported for comparative purposes (that is, January 1, 2010 and December 31, 2010) in the Interim condensed consolidated financial statements for the current period.

As at	Note	Canadian GAAP, January 1, 2010	IFRS Adjustments	IFRS January 1, 2010
Assets				
Non-current assets				
Investment properties	(i)	\$ 2,158,079	\$ 1,971,557	\$ 4,129,636
Property, plant and equipment	(ii)	13,908	2,609	16,517
Deferred tax assets	(vi)	–	686	686
		2,171,987	1,974,852	4,146,839
Current assets				
Inventories		–	2,899	2,899
Prepaid assets		–	3,197	3,197
Trade and other receivables		3,049	–	3,049
Segregated tenants' security deposits		12,917	–	12,917
Cash		190,325	–	190,325
		206,291	6,096	212,387
Total assets		\$ 2,378,278	\$ 1,980,948	\$ 4,359,226
Liabilities				
Non-current liabilities				
Mortgages payable	(iii)	\$ 2,145,638	\$ (474,449)	\$ 1,671,189
Debentures		111,834	–	111,834
LP Class B Units	(iv)	–	165,799	165,799
Deferred unit-based compensation	(v)	–	2,777	2,777
Deferred tax liabilities	(vi)	94,956	597,960	692,916
		2,352,428	292,087	2,644,515
Current liabilities				
Mortgages payable		–	474,449	474,449
Debentures		–	–	–
Deferred unit-based compensation		–	1,419	1,419
Refundable tenants' security deposits		16,263	–	16,263
Trade and other payables		54,627	–	54,627
		70,890	475,868	546,758
Total Liabilities		2,423,318	767,955	3,191,273
Equity				
Unitholders' equity		\$ (45,040)	\$ 1,212,933	\$ 1,167,953
Total Equity		(45,040)	1,212,933	1,167,953
Total Liabilities and Equity		\$ 2,378,278	\$ 1,980,948	\$ 4,359,226

(i) Investment properties

In accordance with IFRS and the Trust's accounting policy choice, the Trust measured its investment properties at fair value. In addition, items that were previously considered Revenue producing property under Canadian GAAP were reclassified to Property, plant and equipment under IFRS. In addition, the Canadian GAAP balance is comprised of the revenue producing properties balance of \$2,084,382 and discontinued operations of \$73,697. Below is a reconciliation of the investment properties adjustment:

Fair value adjustment	1,980,262
Reclass to PP&E	(8,705)
	1,971,557

(ii) Property, plant and equipment (“PP&E”)

The balance under Canadian GAAP is comprised of Other Assets (which represented corporate technology, head office building and prepaid expenses). Under IFRS, corporate technology and head office building remain under PP&E however some elements previously classified under revenue producing properties for Canadian GAAP (such as site equipment and automobiles) have been reclassified to PP&E. In addition, under IFRS, inventories must be presented in the statement of financial position. For presentation purposes, prepaid assets have also been disclosed separately. The reconciliation of the PP&E adjustment is below:

Reclass from investment properties	8,705
Reclass to inventories	(2,899)
Reclass to prepaid assets	(3,197)
	2,609

(iii) Mortgages payable

The balance under Canadian GAAP is comprised of mortgages payable of \$2,106,852 and discontinued operations of \$38,786. In addition, under IFRS a classified statement of financial position is presented, therefore mortgages payable and allocated between the current and non-current portions.

(iv) LP Class B Units

Under IFRS the LP Class B Units are considered a financial liability and are carried at Fair Value Through Profit or Loss. As a result, upon adoption an entry was required to reclass the Units from Unitholders’ equity (deficit) to liabilities. Once reclassified, the Units were adjusted to reflect market value based on the Trust Unit price on the date of transition. The adjustment is as follows:

Reclass from Unitholders’ equity (deficit)	24,840
Fair value adjustment	140,959
	165,799

(v) Deferred unit-based compensation

Similar to the LP Class B Units, under IFRS, the deferred unit-based compensation is considered a financial liability and is carried at Fair Value Through Profit or Loss. As a result, upon adoption, deferred unit-based compensation was reclassified from Unitholders’ equity (deficit) to liabilities. Once reclassified, the deferred unit-based compensation was adjusted to reflect market value based on the Trust Unit price on the date of transition. In addition, the compensation expense differed slightly from Canadian GAAP as a graded amortization is used under IFRS as opposed to a straight-line amortization. The adjustment is as follows:

Reclass from Unitholders’ equity (deficit)	4,122
Adjustment to compensation expense	(30)
Fair value adjustment	104
Reclass to current liabilities	(1,419)
	2,777

(vi) Deferred income taxes

The increase in deferred income tax liability under IFRS compared with Canadian GAAP primarily relates to the increase in the carrying values of the Trust’s investment properties as a result of adopting the fair value method. The deferred income tax liability method under IFRS is determined by applying tax rates to temporary differences that are consistent with the Trust’s expectation that the method of realization will be through their sale rather than through owning and operating its properties. In addition, deferred tax assets are not to be netted against deferred tax liabilities and as such are disclosed separately. The deferred income tax liability adjustment is as follows:

Increase in liability due to increase in carrying value	598,646
Reclass to deferred income tax asset	(686)
	597,960

As at	Note	Canadian GAAP, December 31, 2010	IFRS Adjustments	IFRS December 31, 2010
Assets				
Non-current assets				
Investment properties	(i)	\$ 2,069,292	\$ 2,248,950	\$ 4,318,242
Property, plant and equipment	(ii)	14,393	2,855	17,248
Deferred tax assets	(vi)	–	681	681
		2,083,685	2,252,486	4,336,171
Current assets				
Inventories		–	3,017	3,017
Prepaid assets		–	3,620	3,620
Trade and other receivables		3,044	–	3,044
Segregated tenants' security deposits		11,987	–	11,987
Cash		228,086	–	228,086
		243,117	6,637	249,754
Total assets		\$ 2,326,802	\$ 2,259,123	\$ 4,585,925
Liabilities				
Non-current liabilities				
Mortgages payable	(iii)	\$ 2,153,206	\$ (290,122)	\$ 1,863,084
Debentures		112,211	–	112,211
LP Class B Units	(iv)	–	184,594	184,594
Deferred unit-based compensation	(v)	–	2,904	2,904
Deferred tax liabilities	(vi)	99,197	641,162	740,359
		2,364,614	538,538	2,903,152
Current liabilities				
Mortgages payable		–	290,122	290,122
Debentures		–	–	–
Deferred unit-based compensation		–	2,525	2,525
Refundable tenants' security deposits		15,556	–	15,556
Trade and other payables		55,648	–	55,648
		71,204	292,647	363,851
Total Liabilities		2,435,818	831,185	3,267,003
Equity				
Unitholders' equity		\$ (109,016)	\$ 1,427,938	\$ 1,318,922
Total Equity		(109,016)	1,427,938	1,318,922
Total Liabilities and Equity		\$ 2,326,802	\$ 2,259,123	\$ 4,585,925

(vii) Investment properties

In accordance with IFRS and the Trust's accounting policy choice, the Trust measured its investment property at fair value. In addition, items that were previously considered Revenue producing property under Canadian GAAP were reclassified to Property, plant and equipment under IFRS. Below is a reconciliation of the investment properties adjustment:

Fair value adjustment	2,258,442
Reclass to PP&E	(9,492)
	2,248,950

(viii) Property, plant and equipment ("PP&E")

The balance under Canadian GAAP is comprised of Other Assets (which represented corporate technology, head office building and prepaid expenses). Under IFRS, corporate technology and head office building remain under PP&E however some elements previously classified under revenue producing properties for Canadian GAAP (such as site equipment and automobiles) have been reclassified to PP&E. In addition, under IFRS, inventories must be presented in the statement of financial position. For presentation purposes, prepaid assets have also been disclosed separately. The reconciliation of the PP&E adjustment is below:

Reclass from investment properties	9,492
Reclass to inventories	(3,017)
Reclass to prepaid assets	(3,620)
	2,855

(ix) Mortgages payable

Under IFRS a classified statement of financial position is presented, therefore mortgages payable and allocated between the current and non-current portions.

(x) LP Class B Units

Under IFRS the LP Class B Units are considered a financial liability and are carried at Fair Value Through Profit or Loss. As a result, upon adoption an entry was required to reclass the Units from Unitholders' equity (deficit) to liabilities. Once reclassified, the Units were adjusted to reflect market value based on the Trust Unit price on the date of transition. The adjustment is as follows:

Reclass from Unitholders' equity (deficit)	24,840
Fair value adjustment	159,754
	184,594

(xi) Deferred unit-based compensation

Similar to the LP Class B Units, under IFRS, the deferred unit-based compensation is considered a financial liability and is carried at Fair Value Through Profit or Loss. As a result, upon adoption, deferred unit-based compensation was reclassified from Unitholders' equity (deficit) to liabilities. Once reclassified, the deferred unit-based compensation was adjusted to reflect market value based on the Trust Unit price on the reporting date. In addition, the compensation expense differed slightly from Canadian GAAP as a graded amortization is used under IFRS as opposed to a straight-line amortization. The adjustment is as follows:

Reclass from Unitholders' equity (deficit)	4,533
Adjustment from January 1, 2010	74
Adjustment to compensation expense	199
Fair value adjustment	623
Reclass to current liabilities	(2,525)
	2,904

(xii) Deferred income taxes

The increase in deferred income tax liability under IFRS compared with Canadian GAAP primarily relates to the increase in the carrying values of the Trust's investment properties as a result of adopting the fair value method. The deferred income tax liability method under IFRS is determined by applying tax rates to temporary differences that are consistent with the Trust's expectation that the method of realization will be through the sale of its properties rather than through owning and operating them. In addition, deferred tax assets are not to be netted against deferred tax liabilities and as such are disclosed separately. The deferred income tax liability adjustment is as follows:

Increase in liability due to increase in carrying value	641,843
Reclass to deferred income tax asset	(681)
	641,162

Impact of IFRS on Statement of Comprehensive Income

The following paragraphs and reconciliations highlight the significant differences between Canadian GAAP and IFRS that affect the Trust's Statement of Comprehensive Income

Rental Revenue

The adoption of IFRS standards has not required significant changes to the way the Trust recognized and recorded rental revenues previously under Canadian GAAP. Tenant leases continue to be considered operating leases under IFRS, consistent with their treatment under Canadian GAAP. The Trust continues to recognize its rental revenue systematically over the term of the lease, which is generally not more than twelve months. Suite specific incentives offered or initial direct costs incurred in negotiating and arranging an operating lease are also amortized over the term of the operating lease.

Depreciation expense

Under the fair value model, depreciation of investment properties is not recorded. However, depreciation associated with assets now classified as 'Property, Plant and Equipment', which includes properties the Trust uses substantially for administrative purposes, such as the corporate head office known as First West Place, continue to be depreciated on a straight-line basis of the estimated useful life of the asset. In addition, under IFRS the amortization of intangible assets, previously disclosed separately on the Trust's Canadian GAAP income statement, have now been included as part of depreciation expense on the Condensed

Consolidated Statement of Comprehensive Income under IFRS. The presentation change had no impact on the amount of depreciation recorded on the Trust's financial statements.

The impact of no longer recording depreciation on investment properties results in a decrease in the depreciation expense recorded under IFRS, in comparison to the depreciation expense previously recorded for the same periods under Canadian GAAP. However, rather than recording depreciation expense related to investment properties, fluctuations in the fair value of these properties are now recorded in the statement of comprehensive income as "fair value adjustments".

The transition from Canadian GAAP to IFRS resulted in a decrease in depreciation expense of \$20.7 million for the three months ended March 31, 2010 and \$84.9 million for the year ended December 31, 2010. This was offset by the fair value adjustment related to investment property, which was recorded for these corresponding financial statement periods. These fair value adjustments will be discussed later in this section.

Additionally historic intangible balances established under Canadian GAAP in connection with past business combinations are no longer separately recognized and accordingly not amortized under IFRS. No longer amortizing these historic intangible assets had no impact on the Trust's statement of comprehensive income under IFRS for the three months ended March 31, 2010 or the year ended December 31, 2010 as the Trust has no balances related to these intangible assets being amortized at those dates.

Financing Costs

As a result of the LP Class B Unit's classification as a financial liability in accordance with IAS 32, distribution payments associated with these Units, which were previously recorded as a reduction in equity under Canadian GAAP, must now be recorded as financing costs under IFRS. The amount reported includes the fair value changes related to the LP Class B Units are included in the fair value gains and losses amount reported on the Condensed Consolidated Statement of Comprehensive Income.

The impact of this change resulted in an increase in financing charges and a corresponding decrease in profit of approximately \$2.0 million for the three months ended March 31, 2010 and \$10.3 million for the year ended December 31, 2010 under IFRS in comparison to the same periods previously reported under Canadian GAAP. It should be noted that the December 31, 2010 LP B Unit distribution amount includes a special distribution of \$2.2 million declared and paid in 2010.

Gain (loss) on sale of investment properties

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value shall be adjusted to reflect the fair value as outlined in the purchase and sale agreement (assuming the purchase and sale agreement is the best evidence of fair value). This adjustment is recorded as a fair value gain (loss). Any remaining gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized as a gain (loss) on the sale of assets.

This differs from its treatment under Canadian GAAP where the gain (loss) on the sale of an asset was calculated by taking the proceeds from the sale (less any costs associated with the sale) and subtracting the net book value of the asset.

This change results in a loss on the sale of assets being recorded on the Statement of Comprehensive Income, under IFRS, of (\$3.0) million for the year ended December 31, 2010 and (\$0.6) million for the three months ended March 31, 2010 compared to a gain on sale of \$34.2 million and \$2.7 million, recorded under Canadian GAAP.

The impact of this change results in a decrease to profit of \$37.2 million and \$3.3 million for the year ended December 31, 2010 and three months ended March 31, 2010, respectively, under IFRS when compared to profit for the same periods previously reported on the Trust's Canadian GAAP financial statements.

Fair value gains (losses)

Investment property

As a result of electing to use the fair value model to account for our investment properties, profit during a given period may be higher or lower than that determined under Canadian GAAP depending on whether there is an increase or a decrease in the

fair value of investment properties during the period. Fluctuations to the fair value of our investment properties are recorded on the statement of comprehensive income under IFRS as fair value gains or losses.

This differs from Canadian GAAP where investment properties were carried at their net book value and fluctuations in their related fair values were not recorded on the financial statements.

The Trust recorded an increase to the carrying value of its investment properties on its statement of financial position of \$2.0 billion at January 1, 2010 as a result of the Trust's election to use the fair value model upon adoption of IFRS standards. Many factors will impact the valuation of investment properties including, but not limited to, market rents, capitalization rate and capital expenditures on investment properties.

A fair value gain of \$42.7 million was recorded for the three months ended March 31, 2010 and \$230.6 million was recorded for the year ended December 31, 2010. The increase in the fair value of investment properties at those dates is largely the result of decreasing capitalization rates used in the fair value determination. Fair value gains on investment properties recorded on the Condensed Consolidated Statement of Comprehensive Income will result in a corresponding increase to profit.

Financial Instruments

As outlined above, certain financial instruments recognized in accordance with IFRS standards were not previously recognized as such under Canadian GAAP and were, therefore, measured on a different basis. As a result of the classification of the LP Class B Units and the deferred unit compensation plan as "FVTPL" financial liabilities under IFRS, these items are recorded at their fair value at each reporting date. The corresponding fair value changes are accounted for as fair value gains or losses on the statement of comprehensive income.

LP Class B Units

The impact of the fair value changes of the LP Class B Units for the three months ended March 31, 2010 and year ended December 31, 2010 resulted in the recognition of a fair value loss of \$14.3 million and \$18.8 million, respectively on the statement of comprehensive income. A closing market price of the REIT Units on the principal market on which the REIT Units are quoted for trading was used to determine the fair value loss recorded on the Trust's financial statements. These closing market prices were \$40.25 as at March 31, 2010 and \$41.25 on December 31, 2010.

Deferred unit based compensation plan

In accordance with IFRS 2, the deferred units issued under the deferred unit compensation plan are recorded at their fair value of the deferred units at the grant date and expensed on a graded straight-line bases over their associated vesting period based on the Trust's estimate of the deferred units that will actually vest at each reporting date.

This methodology differs slightly from that applied under Canadian GAAP, which amortized the deferred compensation based on a straight-line basis over the vesting term of the deferred units. This change in methodology has resulted in decrease of \$147 thousand and increase of \$199 thousand to the compensation expense recognized for the three months ended March 31, 2010 and year ended December 31, 2010 when compare to the corresponding amounts recorded previously under Canadian GAAP.

In addition to this, the deferred unit compensation plan is considered a financial liability under IFRS and recorded at its fair value at each reporting date. Fluctuations in the fair values are recorded as fair value gains or losses on the statement of comprehensive income. For the three months ended March 31, 2010 and the year ended December 31, 2010, the Trust recorded a fair value loss of \$323 thousand and \$623 thousand related to the deferred unit compensation plan. The same closing market prices were applied as those related to the LP Class B Units discussed above.

Discontinued operations

Previously under Canadian GAAP, the sale of an investment property by the Trust met the definition of a "discontinued operation" and was disclosed as such on the Trust's financial statements. However, a discontinued operation, under IFRS 5, is a component of an entity that either has been disposed of or is classified as held for sale and:

- (a) represent a separate major line of business or geographical area of operations,
- (b) is part of a single co-ordinate plan to dispose of a separate major line of business or geographical area of operations or

(c) is a subsidiary acquired exclusively with a view to resale.

Based on the above definition, the sale of a single investment property does not qualify as a component sale under IFRS 5 and therefore, Boardwalk is not required to classify the sale of a single building as a discontinued operation on its financial statements.

Income tax expense (recovery)

We have recorded the corresponding tax effect of the above noted difference, which resulted in the recognition of an increase in the deferred tax expense of \$10.4 million and \$43.2 million, respectively, for the three months ended March 31, 2010 and year ended December 31, 2010 in comparison to those recorded previously under Canadian GAAP. These deferred tax expense increases are largely related to the adoption of the fair value method used to record investment properties and corresponding fluctuations in the investment property fair value between reporting periods. The increase in income tax expense has resulted in a corresponding decrease in profit recorded under IFRS.

Reconciliation of profit as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Trust's net earnings reported in accordance with Canadian GAAP to its profit in accordance with IFRS for the year ended December 31, 2010 and three months ended March 31, 2010.

	Note	Year ended December 31, 2010	3 months ended March 31, 2010
Net earnings as reported under Canadian GAAP		\$ 71,729	\$ 10,565
Differences increasing (decreasing) reported amounts			
Investment properties	(i)		
Fair value gain		230,575	42,726
Reverse Canadian GAAP depreciation expense		84,880	20,748
Adjustment to gain (loss) on sale		(37,273)	(3,257)
Financial instruments	(ii)		
LP B Units			
Fair value loss		(18,795)	(14,320)
Distributions recorded as financing charge		(10,293)	(2,014)
Deferred unit-based compensation			
Fair value gain loss		(623)	(323)
Compensation expense		(199)	147
Deferred taxes	(iii)	(43,207)	(10,397)
Profit as reported under IFRS		\$ 276,794	\$ 43,875

(i) Investment Properties

In accordance with IFRS and the Trust's accounting policy choice, the Trust measures investment properties at fair value and records changes in fair value in the statement of comprehensive income during the period of change. Under Canadian GAAP, all revenue-producing properties were recorded at cost and depreciated over their estimated useful economic lives. In addition, intangible assets and liabilities recognized on the acquisition of investment property were also amortized to profit or loss under Canadian GAAP, which is no longer the case under IFRS as the value of the intangible assets and liabilities are considered in the determination of the fair value of the investment property at each reporting date. As a result of applying the fair value model, depreciation expense taken under Canadian GAAP for the Trust's investment property was reversed prior to determining the fair value adjustment. In addition, the gain or loss on disposition varies from Canadian GAAP as the asset sold is now carried at fair value which approximates the purchase and sale agreement resulting in a loss on sale due to disposition costs.

(ii) Financial Instruments

This adjustment relates to the classification of both LP Class B Units and the Trust's deferred unit-based compensation plan as financial instruments designated as FVTPL. Under Canadian GAAP, these Units were previously classified as equity and the related distributions recorded as a reduction Unitholders' equity. As a result of the reclassification of these Units as financial liabilities under IFRS, the distributions related to the LP Class B Units will now be treated as financing costs and recorded on the condensed consolidated statement of comprehensive income, while changes to the deferred unit-based compensation plan will continue to be expensed as part of compensation expense on the condensed consolidated statement of comprehensive income. In addition, since these financial liabilities are classified as FVTPL, they are recorded at fair value at each reporting date. Gains and losses resulting from the FVTPL approach are recorded in the condensed consolidated statement of comprehensive income.

(iii) Deferred taxes

The adjustment related to deferred taxes reflects the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP for the Trust's investment properties

Other comprehensive Income

No reconciling items occurred between the Trust's other comprehensive income reported in accordance with Canadian GAAP to its other comprehensive income in accordance with IFRS for the year ended December 31, 2010 and three months ended March 31, 2010.

Impact of IFRS on the statement of cash flows

As a result of the LP Class B Units being classified as a financial liability, the distributions related to these Units are treated as a financing cost and are recorded on the statement of comprehensive income. These distributions now appear within operating activities on the statement of cash flow while they were previously recorded as a financing activity on the statement of cash flows under Canadian GAAP. This resulted in a \$2.0 million cash inflow to financing activities for the three months ended March 31, 2010 from Canadian GAAP to IFRS and a corresponding cash outflow to operating working capital for the same amount.

There were no material adjustments to the cash flow statement as a result of the conversion to IFRS.

Information technology ("IT") and data systems

With the conversion to IFRS, a significant focus has been placed on information technology and data systems. All changes resulting from the conversion to IFRS have occurred on a transactional level, meaning systems have been redesigned to ensure transactions are accounted for correctly under IFRS. In addition, IFRS has resulted in significant changes to accounting policies and disclosure requirements and requiring that new data be captured which was not previously required under Canadian GAAP.

The majority of Boardwalk REIT's software applications are designed and developed in house, with required system changes and alterations to be completed by Boardwalk REIT's IT department.

Two significant IT initiatives were undertaken as a result of the Trust's transition to and adoption of IFRS standards on January 1, 2011. The first initiative was the development of a fixed asset module to track all capital assets of the Trust. This system allows the Trust to track all assets as was required under Canadian GAAP as well their corresponding fair values in accordance with IFRS. In addition to tracking the cost basis of all of Boardwalk REIT's assets, this system tracks the fair value of each Boardwalk REIT Investment Property as required under IAS 40. This system along with the external valuation information provided by an independent third party, has been used to provide the fair value of investment properties recorded on the Trust's financial statements. Additional information on the valuation process and the third party independent information used in this valuation can be found in the section titled "Valuation Process" in this report.

The second initiative involved the development of a new general ledger accounting system. The significance of this development is that, beginning January 1, 2010, Boardwalk REIT was required to maintain two sets of financial records. The first set related to financial accounting/reporting under Canadian GAAP. As a public entity, the Trust was required to report its public financial information under Canadian GAAP until December 31, 2010. The second set relates to financial accounting/reporting information under IFRS. While the requirement to adopt IFRS was not required until January 1, 2011, a year of comparative information must also be disclosed upon conversion to IFRS. As a result, Boardwalk REIT was required to maintain and provide financial information under IFRS beginning January 1, 2010. This new general ledger system was utilized to report the current and comparative financial information disclosed in this reporting period.

Other minor modifications to the Trust's accounting systems were required; however, the above two systems were the most significant IT requirements identified for the Trust's transition to IFRS. As with any other system development or conversion, all systems developed or modified have been tested extensively prior to implementation.

Internal controls over financial reporting and disclosure

In accordance with Boardwalk REIT's approach to the certification of internal controls required under National Instrument 52-109, all entity level, information technology, disclosure and business process controls have been updated to reflect the changes which have arisen as a result of Boardwalk's convergence to IFRS. All material changes identified have been mapped and testing is completed quarterly basis on these material items to ensure that no material deficiencies exist as a result of the Trust's transition to these new accounting standards. For the first quarter of 2011, this testing has been completed on these material changes

and no material deficiencies have been identified. Where minor process changes exist as a result of the conversion to IFRS, these changes will be tested as part of the Trust's annual internal controls testing process.

Financial Reporting Expertise

In order to complete the conversion to IFRS, Boardwalk REIT assembled an IFRS project team, which was involved in the conversion from inception to transition and continues to be involved in the Trust's financial reporting requirements under IFRS. This team is comprised largely of senior accounting staff, all of whom have experience in public reporting. Representatives from Boardwalk REIT's IT department have also been involved in this where system changes have been required. It is important to note that IFRS continues to evolve and change and as such, the IFRS team must continuously adapt to ensure that the most current standards are being reviewed and considered as part of our IFRS financial statement disclosure. Throughout the conversion process and on an on-going basis, the project team relies upon publications and updates from the AcSB, the CICA, the IASB, public accounting firms and any other resources deemed necessary, in order to ensure that sufficient knowledge is obtained to make informed decisions.

Prior to the implementation of IFRS, accounting staff was trained to ensure they are aware of the changes implemented and understand how these standards impact their work areas. In addition, as IFRS was implemented at the transactional level, operational departments have also been trained based on those standards, which impact their day-to-day operations.

Business Activities

The adoption of IFRS has resulted in changes to Boardwalk's financial results, and impacted many business activities including, but not limited to, hedging, performance measures, debt covenants, distribution policies and compensation arrangements.

Hedging Activities

Under IFRS, it is more difficult to obtain hedge accounting as the "matching of critical terms" is not an acceptable criterion to apply hedging accounting. Under Canadian GAAP, hedge accounting was applied to Boardwalk's interest rate swaps based on the matching of critical terms. Under IFRS, all required documentation (including effectiveness testing to ensure the interest rate swaps were effective under IFRS) was completed with no issues noted. As such, hedge accounting continues to be applied to the Interest rate swaps under IFRS.

Performance Measures

Currently, Boardwalk REIT assesses and measures operating results based on FFO and AFFO. DI has been discontinued as a performance measurement after the 2010 fiscal year. AFFO is simply FFO adjusted for maintenance capital expenditures. Additional information on AFFO can be found in the "Maintenance of Productive Capacity" section of this report.

FFO

The Trust has defined the calculation of FFO under the application of IFRS standards as Profit before fair value gains (losses), distributions on the LP B Units, gains (losses) on the sale of investment properties, depreciation and amortization, income taxes and certain other non-cash items. This performance measure requires some adjustments in order to provide meaningful information on performance for investors and stakeholders. The Trust has concluded that the treatment of fair value fluctuations in investment properties, the LP Class B Units and deferred unit compensation plan, as well as, the corresponding distributions paid to the LP Class B Unit holders, being recorded as financing charges all of which flow through the statement of comprehensive income, are not relevant in determining the Trust's normal recurring funds from operations (similar to the Trust's rationale for not including gains (losses) on dispositions in FFO). As a result of this rationale, these items have not been included in calculating FFO to maintain comparability and relevancy of the measurements from period to period. See the section titled "Performance Measures" for the calculation of FFO.

Net Operating Income is a key performance measure of Boardwalk REIT's operational results and has not been significantly impacted as a result of the adoption of IFRS.

Debt Covenants

The following table shows is a summary of the Trusts debt covenants and the impact of the adoption of IFRS on these covenants:

Name of Debt Covenant	Covenant Test	Impact on debt covenant upon the adoption of IFRS
Declaration of Trust ("DOT")	Debt to Gross Book Value should not exceed 70% ("Debt to GBV")	<p>The \$641 million "bump" included as part of the debt to gross book value calculation was removed as a result of the use of the fair value model to value investment properties under IFRS.</p> <p>Upon the adoption of IFRS, the LP Class B Units, previously recorded as equity under Canadian GAAP, were reclassified as debt on the Condensed Consolidated Statement of Financial Position. The calculation of Debt to Gross Book value excludes the LP Class B Units in this calculation on the basis that the DOT specifies that the calculation of the components of Debt in this calculation specifically excludes trade accounts payable, distribution payable, securities issued by the Trust or its Subsidiaries, including, but not limited to, the LP Class B Units, and accrued liabilities arising in the ordinary course of business.</p> <p>The Trust continues to be onside with this debt covenant</p>
Unsecured Debenture	Consolidated EBITDA to Consolidated interest expense ratio will not fall below 1.75 to 1	<p>Upon reclassification of LP Class B Units as debt on the Condensed Consolidated Statement of Financial Position under IFRS, the distribution payments associated with these Units are considered "financing charges" in accordance with IAS 32.</p> <p>The Trust has determined that the fair value adjustments of its Investment Properties and financial liabilities and the distributions on its LP Class B Units will not affect the calculation of EBITDA, but the distributions on its LP Class B Units will affect the calculation of Interest Expense. The Trust has determined that the distributions on the LP B Units will not be considered financing costs as such distributions were not considered as such In accordance with Canadian GAAP as at January 21, 2005. The Trust has reviewed the EBITDA to Consolidated Interest Expense ratio upon the adoption of IFRS and continues to be on side with this debt covenant.</p>
	Debt to GBV should not exceed 60%	<p>The debenture trust indenture specifies that the debt component of this calculation are determined based on amounts calculated in accordance with Canadian GAAP as at January 21, 2005.</p> <p>See above for discussion on the impact of IFRS on this covenant</p> <p>Boardwalk continues to be onside with this debt covenant</p>
	Adjusted Unitholders' Equity should not fall below \$300 million	<p>The threshold for this covenant and calculation for this covenant have not been materially affected by the adoption of IFRS standards.</p> <p>Boardwalk continues to be onside with this debt covenant</p>
Committed Revolving Credit Facility	Debt Service coverage ratio should not fall below 1.2 to 1	<p>The calculation of this covenant has been impacted by the adoption of IFRS since the distribution on the LP B Units will now be considered financing charges.</p> <p>Although the DSC ratio will be lower under IFRS, the Trust is still In compliance with the minimum threshold.</p>
	Debt Service coverage ratio, specific to the Security Portfolio should not fall below 1.15 to 1	<p>The threshold and calculation of this covenant has not been impacted by the adoption of IFRS</p> <p>This covenant is only calculated semi-annually. At December 31, 2010, the Trust was in compliance with this covenant.</p>
	Debt to GBV should not exceed 70%	<p>This covenant has the same threshold and is calculated in the same manner as the Debt GBV covenant related to the DOT above. See above for discussion on the impact of IFRS on this covenant</p> <p>Boardwalk continues to be onside with this debt covenant</p>
Mortgage Payable Agreements	CMHC Debt Covenants and various restrictive covenants	<p>The thresholds and calculations of the CMHC debt covenants have not been impacted by the adoption of IFRS</p> <p>Boardwalk continues to be onside with the CMHC debt and restrictive covenants</p>

As outlined in NOTE 28 of the condensed consolidated financial statements, Boardwalk REIT is required to meet its financial covenants stipulated in the Declaration of Trust, the debenture trust Indenture and the credit facility agreement.

Distributions Policies

The Trust has amended its Declaration of Trust to allow distribution by the Trust to be at the sole discretion of the Board of Trustees; therefore, the payment of Unitholder distributions is not considered a constructive obligation to deliver cash under IAS 37.

Compensation Arrangements

Currently, Boardwalk REIT's incentive compensation is largely based on obtaining (and exceeding) targeted FFO, which has not been materially affected by the adoption of IFRS.

External communications

Boardwalk REIT updated its Management's Discussion and Analysis document in accordance with CSA Notice 52-320 throughout the IFRS transition project and continues to update its MD&A in accordance with Form 51-102F1 (the MD&A form). All public disclosure documentation has been updated to ensure disclosure is accurate and complete for the effects of the implementation of IFRS standards on the Trust.

REVIEW OF RENTAL OPERATIONS

<i>In \$000's, except number of suites</i>	3 Months March 31, 2011	3 Months March 31, 2010	Change
Rental revenue	\$ 102,642	\$ 104,174	(1.5)%
Expenses			
Operating expenses	\$ 20,474	\$ 19,082	7.3%
Utilities	\$ 13,508	\$ 14,323	(5.7)%
Property taxes	\$ 9,446	\$ 9,023	4.7%
	\$ 43,428	\$ 42,428	2.4%
Net operating income	\$ 59,214	\$ 61,746	(4.1)%
Operating margins	58%	59%	
Number of suites at Dec. 31	35,277	36,098	

Overall, Boardwalk REIT's rental operations reported good results for the first quarter of 2011. The Trust reported a 1.5% decrease in revenue for the three months ended March 31, 2011 compared to the same period in the prior year. The majority of the decrease was the result of the loss of rental revenue generated from properties that were strategically sold during 2010 offset slightly by an increase in revenue generated from our same-store properties, or properties referred to as stabilized. Total rental expenses increased by 2.4% for the three months ended March 31, 2011 compared to 2010. This increase is mainly attributable to higher rental operating expenses and property taxes. Utility cost decreases occurred largely in the provinces of Saskatchewan and Quebec as a result of the renewal of fixed rate natural gas contracts at significantly lower fixed rates in both of these provinces. Property taxes increased 4.7% for the three months ended March 31, 2011 compared to the same period last year, primarily due to increased property valuations, largely in the provinces of Saskatchewan, Ontario and Quebec. The Trust is constantly reviewing property tax assessments and related charges and, where it feels appropriate, will appeal all or a part of the related assessment. It is not uncommon for the Trust to receive property tax refunds; however, due to the uncertainty of the amount and timing of the refunds, these amounts are included in income when they are received.

Overall, the operating margin for the year decreased slightly to 58%, when compared to 59% for the same period in 2010.

Boardwalk REIT closely monitors and individually manages the performance of each of its rental properties. For the reader's convenience, we have provided below a summary of our operations on a province-by-province basis.

British Columbia Rental Operations

<i>In \$000's, except number of suites</i>	3 Months March 31, 2011	3 Months March 31, 2010	% Change
Rental revenue	\$ 1,947	\$ 1,967	(1.0)%
Expenses			
Operating expenses	\$ 328	\$ 272	20.8%
Utilities	\$ 214	\$ 225	(5.1)%
Property taxes	\$ 90	\$ 110	(18.2)%
	\$ 632	\$ 607	4.1%
Net operating income	\$ 1,315	\$ 1,360	(3.3)%
Operating margins	67.6%	69.2%	

Boardwalk REIT's British Columbia portfolio continued to report good results. Rental revenues decreased by 1.0% for the three months ended March 31, 2011 compared to the same period in the prior year largely a result of the sale of non-core properties in this province in the latter part of 2010. Expenses increased slightly due to increases in operating costs that were for the most part offset by lower utility and property taxes. Operating margins for the three months ended March 31, 2011 decreased slightly to 67.6% from 69.2% for the same period in the prior year.

Alberta Rental Operations

<i>In \$000's, except number of suites</i>	3 Months March 31, 2011	3 Months March 31, 2010	% Change
Rental revenue	\$ 60,284	\$ 60,339	(0.1)%
Expenses			
Operating expenses	\$ 11,806	\$ 10,593	11.4%
Utilities	\$ 7,017	\$ 7,314	(4.1)%
Property taxes	\$ 5,062	\$ 4,513	12.2%
	\$ 23,884	\$ 22,420	6.5%
Net operating income	\$ 36,400	\$ 37,919	(4.0)%
Operating margins	60.4%	62.8%	

Boardwalk REIT's Alberta operations for the three months ended March 31, 2011 posted a slight decrease in rental revenue when compared to the same period reported in 2010. Expenses have increased for the three months ended March 31, 2011, mainly as a result of an increase in operating expenses. In particular, increased repairs & maintenance related to the harsher and longer winter during the first quarter of 2011 and related damages resulting from this such as increased snow removal costs. Much of these increases were offset by lower utilities and property taxes. The reported property tax increase is mainly the result of the property tax refund the Trust received from the City of Calgary during the first quarter of 2010, which was not available during the first quarter of 2011. These factors have contributed to a decrease in Net Operating Income of 4.0% for the province.

In 2010, the Trust entered into two contracts, one for 3 years and the other for 5 years, with two utility companies to supply the Trust with its electrical power needs for Alberta commencing October 1, 2010 and ending September 30, 2013 for one and September 30, 2015 for the other. The blended rate of these electricity contracts is \$0.06/kWh.

Saskatchewan Rental Operations

<i>In \$000's, except number of suites</i>	3 Months March 31, 2011	3 Months March 31, 2010	% Change
Rental Revenue	\$ 13,874	\$ 13,467	3.0%
Expenses			
Operating expenses	\$ 2,079	\$ 1,732	20.0%
Utilities	\$ 1,561	\$ 1,599	(2.4)%
Property taxes	\$ 1,034	\$ 977	5.8%
	\$ 4,674	\$ 4,308	8.5%
Net operating income	\$ 9,200	\$ 9,159	0.5%
Operating margins	66.3%	68.0%	

Boardwalk REIT's Saskatchewan operations reported strong results for the three months ended March 31, 2011 compared to the same period in fiscal 2010. Overall rental revenue increased by 3.0%. The increase is mainly the result of strong rental market fundamentals in both Regina and Saskatoon. Rental expenses increased by 8.5% for the three months ended March 31, 2011 compared to the same period in the prior year, mainly as a result of an increase in operating expenses and to a lesser degree an increase in property taxes for our Saskatchewan properties. As with Alberta, the significant increase in operating expenses can be attributed to increased costs associated with the harsh winter experienced in Saskatchewan and increased indirect costs such as snow removal. Property taxes also increased as a result of increased property valuations. The Trust had previously locked into a fixed price natural gas contract for its Saskatchewan natural gas consumption at a quoted price of \$8.28/GJ. This compared to a current AECO natural gas market price for Alberta in the low \$3.00/GJ range. This contract expired in October of 2009 and the Trust negotiated a physical supply contract agreement for Saskatchewan, which covered the period from November 1, 2009 to October 31, 2010. The supply contract provided the commodity at a price of \$4.98/GJ. This physical supply contract was renewed for an additional one-year term commencing November 1, 2010. The renewed contract locked-in price of natural gas is \$4.81/GJ. More details of this commitment are reported in Note 25 of the Trust's condensed consolidated financial statements for the three months ended March 31, 2011.

Ontario Rental Operations

<i>In \$000's, except number of suites</i>	3 Months March 31, 2011	3 Months March 31, 2010	% Change
Rental revenue	\$ 9,534	\$ 9,409	1.3%
Expenses			
Operating expenses	\$ 1,719	\$ 1,616	6.4%
Utilities	\$ 2,116	\$ 2,077	1.9%
Property taxes	\$ 1,507	\$ 1,505	0.1%
	\$ 5,342	\$ 5,198	2.8%
Net operating income	\$ 4,192	\$ 4,211	(0.4)%
Operating margins	44.0%	44.8%	

Overall, Ontario's reported net operating income for the three months ended March 31, 2011 decreased by approximately 0.4% from the prior year. Rental revenues increased by 1.3% for the quarter compared to the prior year while total operating expenses increased by 2.8% as a result of increased occupancy levels. All categories of expenses reported increases. Similar to the Trust's Saskatchewan property portfolio, there was a fixed price natural gas contract in place for Ontario and Quebec. The fixed price of this contract was \$7.65/GJ for 50% of our Ontario usage. This contract expired on October 31, 2010 and was renewed for an additional one-year term at a fixed price of \$4.07/GJ. On October 21, 2010, the Trust negotiated a two-year supply contract to ensure supply for the remaining 50% of the natural gas usage in Ontario at a price of \$4.11/GJ for the period from November 1, 2010 to October 31, 2012. The details of this are reported in Note 25 of the Trust's consolidated financial statements for the three months ended March 31, 2011. The fixed price is below the current floating prices for natural gas.

Quebec Rental Operations

<i>In \$000's, except number of suites</i>	3 Months March 31, 2011	3 Months March 31, 2010	% Change
Rental revenue	\$ 16,932	\$ 16,451	2.9%
Expenses			
Operating expenses	\$ 3,351	\$ 3,585	(6.5)%
Utilities	\$ 2,523	\$ 2,530	(0.3)%
Property taxes	\$ 1,725	\$ 1,682	2.6%
	\$ 7,599	\$ 7,797	(2.5)%
Net operating income	\$ 9,333	\$ 8,564	7.9%
Operating margins	55.1%	52.6%	

Boardwalk REIT's Quebec operations reported an increase in rental revenue of 2.9% for the three months ended March 31, 2011 compared to the same period in the prior year. This increase is attributed to higher occupancy levels. Reported rental expenses for the current year were down slightly from the same period in the prior year. The reported decrease in operating expenses and utilities were somewhat offset by the 2.6% increase in property taxes. Similar to Ontario, the Trust negotiated a two-year supply contract to ensure supply of the remaining 50% of the natural gas usage in Quebec at a price of \$4.11/GJ for the period from November 1, 2010 to October 31, 2012. More details of this commitment are reported in Note 25 of the Trust's consolidated financial statements for the three months ended March 31, 2011.

Boardwalk's Rental Strategy

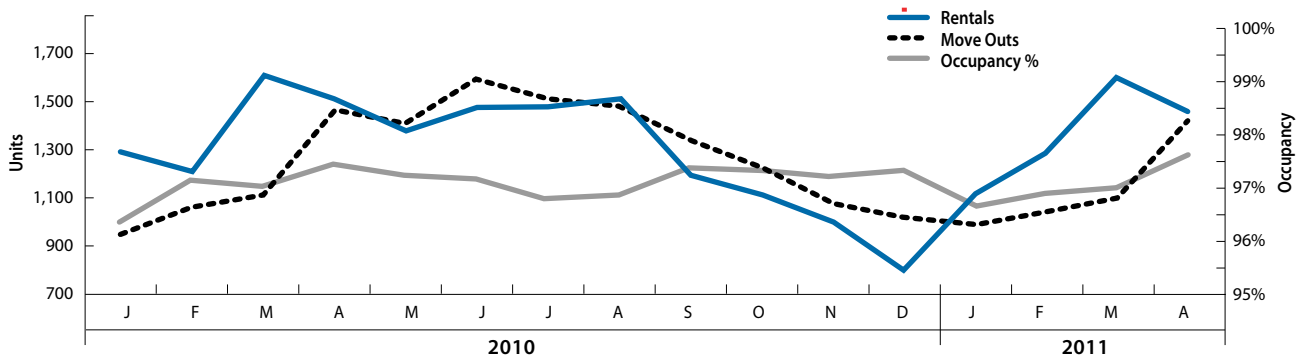
Boardwalk's rental revenue strategy focuses on maximizing rental revenues through actively managing three main variables: occupancy levels, market rents and suite-specific incentives. It is important to note that these variables are in constant flux and may be different between regions and buildings within the same region. The main goal of our strategy is to maximize revenues over the year. In a more competitive market like the one we are in, the Trust locks in rentals on selective suites for future months, but does not collect revenues for certain months in the immediate future. What this means is that the Trust may decide to rent a suite today with the Customer not moving in until later in the year. Although the suite is rented, it will not generate revenue until the Customer actually moves in, for example, in April, which corresponds to the next quarter. The percentages reported as occupancy levels below represent those occupied units that are generating revenue for the period noted. The Trust closely monitors 'apartment availability', which represents unoccupied units not generating revenue for the period, after taking into account forward committed leases. Although occupancy rates provide a good indication of current revenue, apartment availability provides the reader a more detailed indication of future potential revenue.

Boardwalk REIT's Portfolio OCCUPANCY

City	Q1 2011	Q1 2010
Calgary	96.20%	98.41%
Edmonton	95.90%	96.28%
Gatineau	-	98.81%
Kitchener	99.39%	98.58%
London	97.77%	97.27%
Montreal	96.52%	97.29%
Other Alberta	95.77%	92.88%
Quebec City	98.31%	98.13%
Regina	98.01%	96.83%
Saskatoon	97.29%	97.58%
Windsor	99.32%	96.34%
Vancouver	96.40%	98.47%
Verdun	99.32%	96.87%
Victoria	97.31%	97.92%
Windsor	98.26%	96.34%
Total	96.87%	96.85%

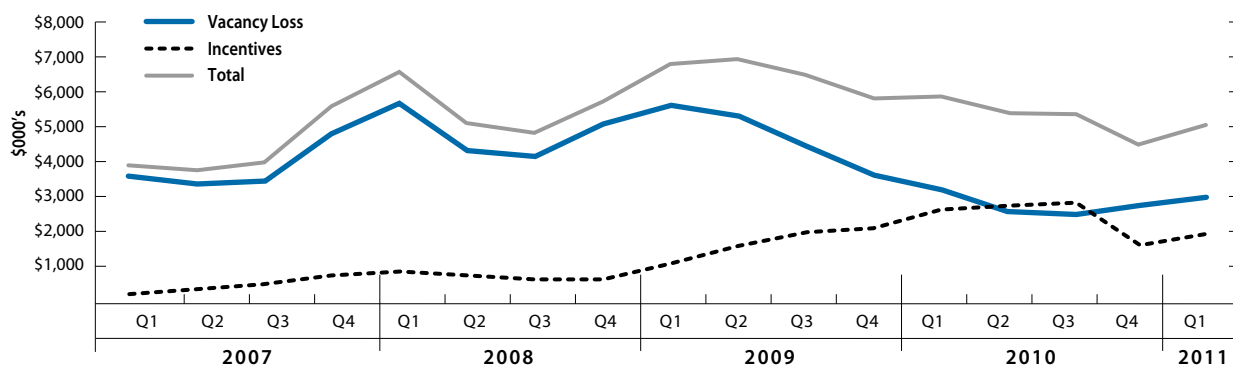
In the first quarter of 2011, the Trust's overall occupancy rate remained relatively consistent 96.87% compared to 96.85% for the same period in the prior year. Boardwalk's overall rental revenue maximization strategy focuses on the Trust balancing the key inputs, including occupancy levels and existing rental market rates. At this time in the rental cycle, Boardwalk REIT is focused on maintaining, and sometimes increasing, occupancy levels and market rents while balancing rental incentives and occupancy rates. As a strategy, the Trust is constantly adjusting market rents based on property specific demand and supply

Supply versus Demand & Impact on Reported Occupancy



The issue of demand and supply, as with any industry, 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 occupancy relating to our portfolio. The cumulative impact of demand being greater than supply, or vice versa, is the primary driver in the reported occupancy rate. In the first quarter of fiscal 2009, the Trust made the decision to adjust downward market rents in selective markets – in particular, Alberta. This strategy was initiated with the intent of increasing occupancy rates in these markets. This strategy continues to be viewed as a success; as a result, we have been able to increase the overall occupancy rate at 96.87% for first quarter of 2011 compared to the first quarter of 2010 when the occupancy rate was 96.85%. Boardwalk REIT will continue with this strategy; however, the Trust is now in the position whereby we may see some upward rental adjustments in certain selective markets. The reader is cautioned that adjusting market rental rates is an on-going process for the Trust and consistent with its overall strategy of maximizing overall reported revenues; consequently, it will adjust rents upward or downward when it is deemed necessary.

Vacancy Loss and Incentives



Vacancy loss and rental incentives are strong indicators of current and future revenue performance. Depending on specific market conditions, to best manage overall economic rental revenue, the correct balance between rental incentives and vacancy loss is important. The chart details, on a quarterly basis, rental incentives versus vacancy loss. The noted decline in vacancy loss and incentives in the first quarter of 2011 are positive signs of strength returning to the market. We continue to focus on maximizing overall revenues through the optimization of these key revenue variables.

Stabilized Property Results

Boardwalk defines stabilized property as one that has been owned by the Trust for a period of 24 months or more from the reporting date. Boardwalk REIT's overall percentage of stabilized properties was 100% of its total rental unit portfolio at the end of the first quarter 2011, or a total of 35,277 units. The following table compares the stabilized property results for the three months ended March 31, 2011 with the same period in the prior year.

March 31, 2011 - 3 Months	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,234	-0.1%	9.3%	-4.3%	18.1%
Edmonton	12,337	-0.5%	4.4%	-3.7%	36.0%
Other Alberta	2,172	2.5%	13.8%	-4.0%	6.1%
British Columbia	633	-0.7%	4.1%	-2.8%	2.2%
Ontario	4,265	1.2%	2.8%	-0.6%	7.1%
Quebec	6,000	3.3%	-2.4%	8.6%	15.3%
Saskatchewan	4,636	2.9%	8.5%	0.3%	15.1%
	35,277	1.0%	4.5%	-1.3%	100.0%

For the first quarter of 2011, stabilized revenue (which excludes interest revenue earned) increased by 1.0% compared to the same period in the prior year. Operating expenses reported for the three month ended March 31, 2011 increased by 4.5% from 2010, resulting in a NOI decrease of 1.3% compared to the same period in the prior year. The increase in reported stabilized revenue was driven mainly by the Trust's operations outside of Alberta, which account for approximately 37.5% of the Trust's reported stabilized Net Operating Income. Although Alberta revenues were flat increased costs associated with the longer and harsher winter than expected resulted in increased indirect costs such as snow removal that were not present to the same extent during the comparative period.

Stabilized Revenue Growth	# of Units	Q1 2011 vs. Q4 2010	Q1 2011 vs. Q3 2010	Q1 2011 vs. Q2 2010	Q1 2011 vs. Q1 2010
Calgary	5,234	1.1%	2.4%	1.3%	-0.1%
Edmonton	12,337	-0.7%	-0.2%	-0.8%	-0.5%
Other Alberta	2,172	0.3%	6.9%	0.5%	2.5%
British Columbia	633	0.4%	1.1%	0.8%	-0.7%
Ontario	4,265	0.1%	1.6%	1.4%	1.2%
Quebec	6,000	0.2%	1.2%	2.6%	3.3%
Saskatchewan	4,636	-0.4%	0.6%	1.5%	2.9%
	35,277	-0.1%	1.2%	0.7%	1.0%

The reader is cautioned that, due to seasonality and the timing of these related expenses, a better gauge of the performance of the stabilized properties is on a yearly basis. On a sequential basis, stabilized revenues reported in the first quarter of 2011 decreased slightly by 0.1% over Q4 2010, increased by 1.2% compared to Q3 2010, increased 0.7% compared to Q2 2010 and increased by 1.0% compared to Q1 2010. The decrease is the result of Q1 occupancy level being lower than those reported during Q4 of 2010, this was somewhat offset by increased occupied rental levels. The Trust strives toward balancing the optimum level of rental incentives and occupancy rates in order to achieve its revenue maximization strategy. The Trust continues to control operating expenses, in addition to its revenue-maximization strategy.

ESTIMATED LOSS-TO-LEASE CALCULATION

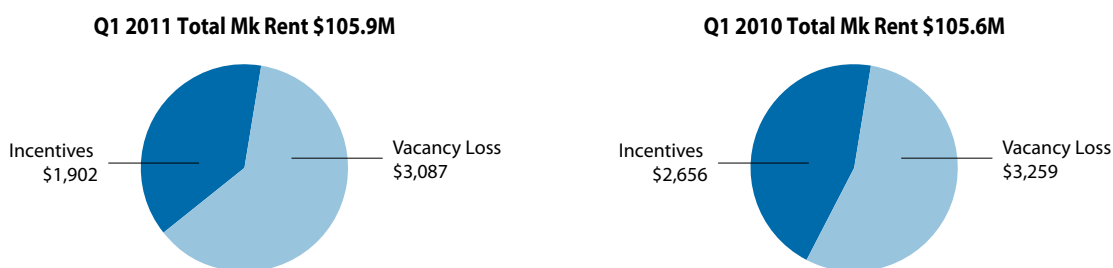
Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on March 31, 2011, adjusted for current occupancy levels, totaled \$(0.4) million on an annualized basis, representing \$(0.01) per outstanding Trust Unit. The estimated loss-to-lease is the direct result of Boardwalk's proactive strategy to reduce rents in Alberta to increase its occupancy.

The reader should note that estimated loss-to-lease, measured at a point in time, is a non-GAAP measure and that reported 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. The reader should also note that it would take a significant amount of time for these market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market-based rents in the short term.

	March 2011 Occupied Rent	March 2011 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies (\$000's)	Weighted Average Units	% of Portfolio
Calgary	\$ 1,140	\$ 1,161	\$ 22	\$ 1,322	5,310	15%
Edmonton	\$ 1,074	\$ 1,047	\$ (27)	\$ (3,831)	12,497	35%
Other Alberta	\$ 1,037	\$ 1,029	\$ (7)	\$ (166)	1,936	6%
Alberta Portfolio	\$ 1,088	\$ 1,076	\$ (12)	\$ (2,676)	19,743	56%
Saskatchewan	\$ 1,036	\$ 1,038	\$ 2	\$ 100	4,636	13%
Ontario	\$ 778	\$ 794	\$ 17	\$ 811	4,265	12%
Quebec	\$ 976	\$ 990	\$ 15	\$ 1,007	6,000	17%
British Columbia	\$ 986	\$ 1,036	\$ 50	\$ 363	633	2%
Total Portfolio	\$ 1,023	\$ 1,022	\$ (1)	\$ (396)	35,277	100%

The decrease in the loss-to-lease for our portfolio, from \$2.4 million at December 2010 to a negative \$0.4 million at March 2011 was due primarily to the increase in the occupied rental level throughout the portfolio thus reducing the spread between occupied and market rents.

The Trust's focused strategy of reducing market rent prices in an attempt to increase overall occupancy, with the main focus on increasing overall rental revenue. As with prior quarters, Boardwalk REIT continues to focus on the maximization of all rental revenue, with attention to appropriate levels of market rents and certain occupancy level targets as well as suite-selective incentives, when warranted.



As was previously mentioned, in the short term, the opportunity continues to be focusing on reducing vacancy loss while minimizing the amount of suite-specific incentives. Boardwalk will continue to focus on these areas, trying to balance the amount of incentives we offer to new and existing customers with the increased revenue derived from a decrease in the noted vacancy loss. Since vacancy loss is a factor of market rents, as we have adjusted market rents downward, the amount of vacancy loss will also decrease accordingly.

FINANCING COSTS

Financing costs for the first quarter of 2011 decreased from the same period in the prior year, from \$28.1 million to \$26.5 million, due primarily to lower interest rates and the sale of a number of the Trust's non-core properties in 2010. Boardwalk's overall liquidity as of the date of this report is estimated to be approximately \$398.2 million; the details of this will be discussed later in this report. \$193.2 million of this is represented by cash reported on its March 31, 2011 statement of financial position.

At March 31, 2011, the reported weighted average interest rate on its mortgage and debt portfolio was 4.25% compared to 4.27% at December 31, 2010, 4.32% at September 30, 2010, 4.44% at June 30, 2010 and 4.49% at March 31, 2010. Boardwalk REIT has continued to take advantage of lower interest rates to refinance and renew certain mortgages, resulting in a lower overall weighted average mortgage and debt rate. The average term to maturity of the mortgage and debt portfolio is approximately 3.2 years.

Boardwalk REIT concentrates on multi-family residential real estate. It is, therefore, eligible to obtain government-backed insurance through the NHA, which is administered by CMHC. The benefits of purchasing this insurance are two-fold.

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing as compared to other financing alternatives in either the residential or any other real estate class, leading to lower overall cost of debt after including the cost of the NHA insurance.

The second 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.

Management cannot over-emphasize the importance of this Government-backed mortgage insurance program administered by Canada Mortgage and Housing Corporation. Despite the recent volatility in the overall credit markets, the Trust has been able to find a number of mortgage lenders willing to assume or underwrite additional mortgages under this program.

At March 31, 2011, approximately 99% of Boardwalk REIT's mortgages were backed by this NHA insurance, with a weighted average amortization period of approximately 32 years.

As was previously noted, the adoption of IFRS has also had an impact on the amount of financing costs reported on the Trust's Statement of Comprehensive Income. As a result of the Trust's LP Class B Units being classified as financial liabilities in accordance with IAS 32, the corresponding distributions paid to the Unitholders are classified as financing costs under IFRS. The Trust believes these distribution payments do not truly represent "financing charges", as these amounts are only payable if the Trust declares distributions and only for the amount of any distributions declared both of which are at the discretion of the Board of Directors as outlined in the DOT. The total amount of distributions paid to the LP Class B Unitholders, which have been recorded as financing charges was \$2.0 million for the three months ended March 31, 2011, which is consistent with the \$2.0 million paid in distributions in the first three months of 2010. Based on this rationale, these amounts have been added back in the calculation of FFO.

The reader should also note that under IFRS, financing charges are recorded net of interest income the Trust has earned in the period. The total amount of interest income earned for the first three months of 2011 was \$0.6 million compared to \$0.3 million for the three months ended March 31, 2010.

Administration

Included in administration expenses are costs associated with Boardwalk REIT's centralized administrative functions. The amount reported for the first three months of 2011 was \$6.5 million compared to \$6.4 million for the same period in the prior year, an increase of approximately 1.5%.

For the current and prior comparative years, Boardwalk REIT has reclassified certain administration costs from corporate and non-operating to rental operating expenses. The amounts reclassified relate to specific administrative costs associated with primarily operation-specific staff and related support initiatives. The total of these adjustments were \$5.4 million for the three months ended March 31, 2011 compared to \$4.8 million for the three months ended March 31, 2010. Administration expenses

and the reclassification of administrative costs noted above have not been materially impacted by the Trust's adoption of IFRS standards.

Depreciation and Amortization

Under Canadian GAAP, the Trust reported the amortization of deferred financing costs, capital assets and intangibles separately on the consolidated statement of earnings and comprehensive income.

Upon the adoption of IFRS standards, the Trust now records its investment properties using the fair value model and, as a result, no longer records depreciation on these properties.

Depreciation and amortization expense recorded on the statement of comprehensive income is made up of the depreciation of property, plant and equipment and the amortization of deferred financing cost.

Depreciation of property, plant and equipment

The Trust has elected to use the cost model under IAS 16 to value its property, plant and equipment and, as a result of this method, depreciation expense is a charge taken against earnings to reflect the estimated depreciation that has occurred to these assets as a result of their use during the reporting period in question.

Amortization of Deferred Financing Costs

The amortization of deferred financing cost are primarily the amortization of CMHC premiums, which are paid as part of mortgage financing. 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, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. Rather than refinance the entire mortgage on term maturity to a higher amount, Boardwalk REIT continues to take advantage of CMHC's newer insurance product to increase its leverage.

For the period ended March 31, 2011, no deferred financing costs were written off due to the maturity or payout of mortgages in Boardwalk's secured portfolio.

Boardwalk reviews its key depreciation and amortization estimates on an ongoing basis and, if warranted, will adjust these estimates on a prospective basis.

The amounts reported as depreciation expense for the three months ended March 31, 2011 was \$2.5 million, consistent with the \$2.6 million recorded for the same period in the prior year upon the application of IFRS standards.

OTHER INCOME AND EXPENSES

Income Tax Expense

The Income Tax Act (Canada) (the "Tax Act") contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation"). Based on a detailed review of the SIFT Legislation, it could be interpreted that the Trust will not qualify as a Real Estate Investment Trust ("REIT") in accordance with the definition contained in the legislation, which would be exempt from the specified investment flow-through ("SIFT") rules nor remain within certain "normal growth" limits. As such, the Trust recorded an estimate of its the future income tax liability at June 30, 2007, and adjusted quarterly, if necessary, recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. The Trust reported a future income tax liability at December 31, 2007 of \$99.9 million, which was revised upward by \$0.3 million to \$100.2 million at December 31, 2008.

On March 4, 2009, Bill C-10 passed Third Reading in the House of Commons and on March 12, 2009 received Royal Assent, and therefore considered substantively enacted under Canadian GAAP. This Bill clarifies the definition of and criteria for being a REIT, including the definition of what is considered "rent from real or immovable properties". However, despite clarifying the definition of and criteria for being a REIT, further clarification is required on the characteristics of gains on dispositions of real or immovable properties as it flows through the Trust's organizational structure.

On December 16, 2010, the Department of Finance announced proposed amendments to the real estate investment trust rule and released for consultation draft legislation to implement such amendments. These proposals would, among other things:

- ▲ Allow REIT subsidiaries to hold certain non-capital property in respect of their real estate investment activities;
- ▲ Allow REITs to hold up to 10% of their non-portfolio property as non-qualifying REIT property without losing REIT status (with an associated clarification of the circumstances under which property can be considered to be ancillary REIT property);
- ▲ Allow REITs to derive up to 10% of their revenues from sources that are not qualifying sources (currently, a REIT must derive 95% of its revenues from qualifying sources);
- ▲ Clarify that a trust's revenue for purposes of the two revenue tests in the definition "real estate investment trust" is to be computed on a gross, rather than net, basis and that it will include capital gains but will not include recapture or other amounts that are on account of capital;
- ▲ Allow REITs to earn, as qualifying REIT revenue, gains realized by virtue of foreign currency fluctuations in respect of revenues derived from foreign real or immovable property including certain financing and hedging arrangements in respect of such property;
- ▲ Ensure that amounts distributed to a REIT, by an entity in which the REIT has a significant interest, will retain their character for purposes of the revenue tests; and
- ▲ Allow an entity to hold investments in a REIT without those investments being treated as Canadian real, immovable or resource property in determining whether the entity itself is a SIFT

The proposed changes in its current form will allow the Trust to unambiguously qualify as a REIT for Canadian income tax purposes. However as at March 31, 2011, these changes were not considered substantively enacted in accordance with IFRS. Whether or not these proposed changes become substantively enacted, the Trust does qualify as a REIT for Canadian income tax purposes commencing January 1, 2011 and has reversed its deferred tax liability related to the SIFT tax legislation as at that date. The defined tax liability related to the SIFT tax legislation was approximately \$740.4 million under IFRS as at December 31, 2010. The Trust continues to qualify as a REIT under the current legislation as drafted, and has, therefore, not recorded a deferred tax liability as at March 31, 2011 related to the SIFT tax rules.

Until such time as these proposed amendments are enacted, Boardwalk REIT will continue with a cautious approach on the sale of Non-Core assets to qualify for REIT exemption status under the existing rules. If these proposed amendments are substantively enacted in 2011, the Trust will be able to continue its strategy of selling Non-Core assets without the risk of losing its REIT exemption status.

Discontinued Operations

Previously under Canadian GAAP, the sale of a single investment property by the Trust met the definition of a "discontinued operation" and was disclosed as such on the Trust's financial statements.

However, in accordance with IFRS 5, the sale of a single investment property does not qualify as a component sale and therefore, Boardwalk is not required to classify the sale of a single building as a discontinued operation on the financial statements. The Trust did not sell any properties, which would qualify as "discontinued operations" under IFRS in the first three months of 2010 or 2011.

For a list of property dispositions in the first three months of 2010 and 2011, please refer to the section titled, "Dispositions" above.

Investment Properties

As a result of the Trust's transition to IFRS and its election to use the fair value model in accordance with IAS 40, Investment Properties are carried at their fair value at the reporting date.

As at March 31, 2011, 11 properties, representing an aggregate fair value of \$777.0 million and 18.0% of the Trust's portfolio were appraised by the Appraisers. This subsequent external valuation was based on a cross section of properties from different geographical locations and markets across the Trust's rental portfolio. The fair value of the remaining properties were determined internally by the Trust using the same assumptions and valuation techniques used by the external valuation professionals. Despite not performing a valuation on all of the Trust's properties, the Appraisers provided the Trust with a summary of the major assumptions and market data by city in order for the Trust to complete its internal valuations. Additional discussion related to the Valuation Process can be found in the section titled "Valuation Process" above.

The key valuation metrics for residential rental properties are set out in the following tables:

As at	March 31, 2011	
Capitalization rate by city:		
Calgary	5.75%	6.50%
Edmonton	6.00%	6.25%
Other Alberta	6.00%	8.25%
Vancouver	5.25%	6.75%
Kitchener	6.50%	6.50%
London	6.50%	6.75%
Windsor	7.25%	7.75%
Montreal	6.25%	7.25%
Quebec City	6.00%	6.50%
Regina	7.00%	7.25%
Saskatoon	7.00%	7.25%
	5.25%	8.25%
Land Lease	6.25%	11.75%

Values are sensitive to changes in capitalization rates.

Investment property with a fair value of \$361.4 million (\$361.5 – December 31, 2010, \$352.5 – January 1, 2010) is situated on land held under an operating lease. Investment properties do not include any properties held under operating leases.

Investment properties with a fair value of \$527.6 million (December 31, 2010 – \$528.0 million, January 1, 2010 - \$489.0 million) are pledged as security against the Trust's committed revolving credit facility. In addition, investment properties with a fair value of \$4.1 billion (December 31, 2010 – \$4.1 billion, January 1, 2010 – \$3.8 billion) are pledged as security against the Trust's mortgages payable.

For the first quarter of 2011, the Trust capitalized \$12.9 million in building improvements and recorded a fair value loss of \$11.5 million on its financial statements as a result of changes in the fair value of investment properties. Capitalized building improvements represent expenditures that provide future benefits to the Trust for a period greater than twelve months, some of which may not be immediately reflected in the fair value of the Investment properties, under IFRS, for the current reporting period.

New Property Acquisitions

In the first three months of 2010 and 2011, there were no new property acquisitions.

Dispositions

In the first three months of 2011, there were no new dispositions of the Trust's investment properties.

In the first quarter of 2010, Boardwalk REIT reported total gains under Canadian GAAP of approximately \$2.7 million on the disposition of a 321 unit apartment building located in Gatineau, Quebec.

The gain on sale of this same property under IFRS differs as a result of the Trust's election to use the fair value model to value investment properties. Under the fair value model, the Trust has elected to revalue its investment property to its revised fair value based on the signed sale agreement immediately prior to the sale of the property. This fair value adjustment is recorded as

such on the statement of comprehensive income. As a result of this election, the Trust will record a loss on the sale of investment properties equal to the amount of the costs associated with the disposition.

The loss on sale reported on the Trust's Condensed Consolidated Statement of Comprehensive Income at under IFRS for the three months ended March 31, 2010 is:

<i>Cdn\$ Thousands, except units sold</i>	3 months ended March 31, 2010
Cash received	\$ 19,350
Cost of dispositions	(266)
Net cash proceeds	19,084
Carrying value of investment property sold	(19,350)
Other adjustments on disposition	(328)
Loss on dispositions	\$ (594)
Multi-family units sold	321

As previously discussed, prior to the derecognition of an investment property on disposal, the carrying value is adjusted to reflect the fair value as outlined in the purchase and sale agreement (assuming the purchase and sale agreement is the best evidence of fair value).

This adjustment is recorded as a fair value gain (loss) on the statement of comprehensive income. Any remaining gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized, as a gain (loss) on the sale of assets.

It should be noted that the Trust does not include any gain or loss reported on the disposition of any of its assets in the computation of FFO.

Sale of investment properties in 2011

Boardwalk REIT will continue with a cautious approach on the sale of Non-Core assets to qualify for REIT exemption status under the existing rules surrounding the tax treatment of publicly traded trusts (the "SIFT Legislation").

See the section above entitled "Income Tax Expense" for further information regarding the SIFT legislation and the Trust's REIT exemption status.

Capital Improvements

As noted above, for the first three months of 2011, Boardwalk REIT invested approximately \$12.9 million back into its properties in the form of project enhancements, consistent with the \$12.7 million invested in the same period in 2010. The increase in the current quarter compared to the same period in the prior year is due primarily to a increase in the expenditures largely related to building exterior and suite improvements.

Included in these amounts is approximately \$4.8 million of capitalized onsite wages and salaries, compared to \$4.5 million for the same period last year. This increase was mainly the result of the Trust's increased focus on performing capital projects "in-house" rather than contracting such services out in the past. "In-house" capital projects allow the Trust to eliminate contractor's profit margins and realize higher productivity and better value. The capitalized wages and salaries do not include any administrative costs.

LP Class B Units and the deferred unit compensation plan

As was previously discussed, the LP Class B Units and the deferred unit compensation plan are classified as financial liabilities in accordance with IFRS standards and as a result are recorded at their fair value at each reporting date. As at March 31, 2011, the Trust used a closing price of \$48.11 based on the closing price of the TSX listed Boardwalk REIT Trust Units to determine the fair value these financial liabilities at that date. The total fair value of these Units recorded on the Condensed Consolidated Statement of Financial Position at March 31, 2011 was \$215.3 million and a corresponding fair value loss of \$30.7 million was recorded on the Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2011.

The deferred unit compensation plan had a fair value of \$3.7 million and a corresponding fair value loss of \$0.9 thousand was recorded on the statement of comprehensive income for the same period.

Maintenance of Productive Capacity

The Trust has two separate areas in which capital is invested back into its residential buildings. These are referred to as 'maintenance capital expenditures' and 'stabilizing and value enhancing capital expenditures'.

Maintenance capital expenditures are funded from operating cash flows. These expenditures are deducted from FFO in order to estimate a sustainable amount (AFFO) that can be distributed to Unitholders. Maintenance capital expenditures include those expenditures that are not considered productive, and relate more to maintaining the existing earnings capacity of our property portfolio. In contrast, stabilizing and value enhancing capital expenditures are more discretionary in nature and focus on increasing the productivity of the property, with the goal of increasing the FFO generated at that location. In addition, the Trust invests funds in its portfolio in the form of ongoing repairs and maintenance as well as on-site maintenance Associates. Both of these expenditures are also designed to maintain the productive capacity of our assets.

The following table provides management's estimate of these expenditure categories.

<i>In \$000's, except for per suite amounts</i>	3 Months Mar 2011	Per Suite	3 Months Mar 2010	Per Suite
Maintenance Capital Expenditures	\$ 3,969	\$ 113	\$ 4,082	\$ 113
Stabilizing & Value Enhancing Capital	\$ 8,927	\$ 253	\$ 8,582	\$ 234
	\$ 12,896	\$ 366	\$ 12,664	\$ 347

If we compare the funds generated by the Trust after adjusting for the required maintenance capital expenditures, we note that the Trust is currently paying out an estimated 83.5% of reported FFO and 97.2% of AFFO for the three month period ended March 31, 2011 compared to 81.4% and 94.7%, respectively, for the three month period ended March 31, 2010.

<i>(000's)</i>	3 months March 2011	3 months March 2010
Funds From Operations (FFO)	\$ 28,132	\$ 29,156
Maintenance Capital Expenditures	\$ 3,969	\$ 4,082
Adjusted Funds From Operations (AFFO)	\$ 24,163	\$ 25,074
AFFO per unit (Trust and LP B Units)	\$ 0.46	\$ 0.48
Unitholder Distributions - Regular (Trust and LP B Units)	\$ 23,495	\$ 23,737
Distribution as a % of FFO	83.5%	81.4%
Distribution as a % of AFFO	97.2%	94.7%

Maintenance capital expenditures for our income-producing properties are dependent upon many factors, including but not limited to the number of suites, age and location of our properties and the Trust's policy of ongoing investment that results in safe and desirable apartments (for Customers and Associates).

Unitholders' Equity

The following table discloses the changes in REIT Trust Units issued and outstanding:

	Units
January 1, 2010	48,269,467
Units issued for vested deferred units	45,066
Units purchased and cancelled	(423,400)
December 31, 2010	47,891,133
Units issued for vested deferred units	14,366
Units purchased and cancelled	(160,900)
March 31, 2011	47,744,599

The Trust continues to view the purchase of its own Trust Units in the public market as an accretive investment at this time.

For the three months ended March 31, 2011 and for the year ended December 31, 2010, Boardwalk REIT purchased and cancelled the following Trust Units:

Bid Number	March 31, 2011			December 31, 2010		
	Number of Trust Units Purchased and Cancelled	Purchase Cost	Cost per Trust Unit	Number of Trust Units Purchased and Cancelled	Purchase Cost	Cost per Trust Unit
1	-	-	-	-	-	-
2	-	-	-	-	-	-
3	-	-	-	208,400	\$ 8,221	\$ 39.45
4	160,900	\$ 6,740	\$ 41.89	215,000	\$ 8,803	\$ 40.95
	160,900	\$ 6,740	\$ 41.89	423,400	\$ 17,024	\$ 40.21

Since the Trust began utilizing normal course issuer bids, Boardwalk REIT has purchased and cancelled Trust Units under the following Bids:

Bid Number	Approval date	Termination date	Maximum Trust Units allowed to be Purchased and Cancelled	Cumulative Number of Trust Units Purchased and Cancelled	Cumulative Purchase Cost	Average Cost per Trust Unit
1	August 10, 2007	August 17, 2008	4,267,048	2,522,447	\$ 103,865	\$ 41.18
2	August 18, 2008	August 19, 2009	4,040,192	1,436,000	42,880	\$ 29.86
3	August 24, 2009	August 23, 2010	3,932,211	208,400	8,221	\$ 39.45
4	August 20, 2010	August 23, 2011	3,918,286	375,900	15,543	\$ 41.35
				4,542,747	\$ 170,509	\$ 37.53

Cumulatively, since 2007, Boardwalk REIT purchased and cancelled approximately 4.5 million Trust Units for a total purchase price of \$170.5 million, or an average cost of \$37.53 per Trust Unit.

Under Canadian GAAP, the Trust had a Unitholders' Deficit. As a result of the fair value adjustment to investment properties, this deficit has been removed. Despite no longer having a deficit, the same principle applies under IFRS as under Canadian GAAP. There is a continued draw-down of reported cumulative income, which is the direct result of the Trust's distributions declared to its Unitholders. The Trust's monthly distribution has two components. The first relates to the distribution of income and the second relates to a return of capital. On an annualized basis, for Canadian taxation purposes, it is estimated that about 60% of Boardwalk REIT's distribution will be in the form of a return of capital with the remainder 40% constituting regular income. As these two components together determine the reported distributions, it was inevitable that the Trust would, over time, distribute amounts in excess of reported cumulative earnings.

The Trust moved closer to reporting cumulative distributions being in excess of cumulative earnings at the end of the second quarter of 2007, when it recorded a deferred tax loss of \$111.1 million as a result of the SIFT Legislation. The deferred tax liability as a result of the SIFT Legislation was reviewed and adjusted quarterly. At the end of the 2010 fiscal year this deferred tax liability was \$740.4 million. As of January 1, 2011, it is the Trust's belief that it qualifies as a REIT under the SIFT legislation and as such has reversed this deferred tax liability as at that date. At March 31, 2011, the Trust believes it continues to qualify as a REIT under these rules and has not recorded a deferred tax liability on its Statement of Financial Position as at that date. Additional discussion on this issue can be found on page 41 of this document in the section titled, "Income Tax Expense".

Boardwalk REIT has one class of voting securities known as "REIT Units". As at March 31, 2011, there were 47,744,599 REIT Units issued and outstanding. In addition, there were 4,475,000 Class "B" special voting units of Boardwalk REIT Limited Partnership ("LP B Units"), each of which also has a special voting unit in the REIT. Each LP B Unit is exchangeable for a REIT Unit on a one-for-one basis at the option of the holder. Each LP B Unit through the special voting unit entitles the holder to one vote at any meeting of Unitholders. Accordingly, if all of the LP B Units were exchanged for REIT Units, the total issued and outstanding REIT Units would be 52,219,599. These LP Class B Units are classified as "FVTPL" financial liabilities under IFRS and are recorded at their fair value as liabilities on the Condensed Consolidated Statement of Financial Position.

CAPITAL STRUCTURE AND LIQUIDITY

Liquidity refers to the Trust's ability to generate sufficient cash to fund our ongoing operations and capital commitments as well as our distributions to Unitholders. Generally, distributions are funded from FFO. However, in common with the majority of real estate entities, we rely on lending institutions for a significant portion of capital required to fund mortgage principal payments, capital expenditures, acquisitions, unit buybacks and refinancing maturing debt.

Over the past fiscal year, many of our lending partners have suffered losses that were mainly the result of the overall weaker economy and an overall general erosion of financial strength. As a result, many of these lenders tightened their borrowing standards, and made accessing additional cost-effective debt capital more difficult. Although it is impossible to eliminate this risk, the Trust does mitigate this with the use of NHA mortgage insurance, the benefits of which we discussed in detail above. In such volatile times, the ability to access this product was very beneficial to the Trust as a whole.

The Trust's current liquidity position remains stable as the following table highlights:

Cash position March 31, 2011	\$ 193,216,000
Subsequent Committed Additional Financing	\$ -
Committed Revolving Credit Facility Available	\$ 193,216,000
Total Available Liquidity	\$ 389,244,000

In addition to this, the Trust estimates that assuming market conditions remain the same, if warranted, the Trust could arrange an additional \$163.0 million of net new mortgage financing proceeds to be in place prior to the end of fiscal 2011. This would not include any new financings on its portfolio of 2,707 units of unencumbered assets, of which 855 units are pledged against the Trust's committed revolving credit facility. It is estimated that the Trust could obtain an additional \$181.7 million of new proceeds from the financing of its current unencumbered assets.

Approximately 99% of Boardwalk REIT's secured mortgages carry NHA insurance. Maturing mortgages that already have commitments are at interest rates that are lower than their existing (maturing) interest rates.

The reader should also be aware that of the \$218.7 million of debt coming due in 2011 (as shown in the table below), all has NHA insurance and represent in aggregate approximately 44% of current estimated values on those individual secured assets. Currently, all interest rates for terms five years or less are well below the reported 4.57% weighted average we have coming due next year. The reader, however, is cautioned that these rates do fluctuate and by the time these maturing mortgages are set for renewal, with or without additional financing, interest rates may have changed materially.

With this amount of debt maturing this year, even with the NHA program attached to all of it, the Trust is still susceptible to changes in market interest rates. To address this issue the Trust has undertaken to forward fix the interest rates on approximately \$150 million (68%) of 2011 maturing mortgages. The new interest rates, including the forward fix premium, average 3.66% as compared to the 4.25% rate that was on the maturing mortgages. In addition, the Trust has forward fixed new mortgages scheduled to raise additional proceeds of \$107 million due to be funded later in the 2011 fiscal year with an average interest rate of 3.99% and an average maturity term of 6.5 years.

Mortgages and Debt Schedule

Boardwalk REIT's long-term debt consists mainly of low-rate, fixed-term mortgage financing and unsecured debentures. Long-term debt consists of individual mortgages or debentures registered against the appropriate real estate assets. The maturity dates for these mortgages have been staggered to lower the overall interest rate risk.

Total mortgages payable (net of unamortized transaction costs) on March 31, 2011 were \$2.14 billion, compared to \$2.11 billion reported on March 31, 2010.

Boardwalk REIT's overall weighted average interest rate on its long-term debt has decreased from the prior year. The weighted average interest rate on March 31, 2011 was 4.25% compared to 4.49% on March 31, 2010. To better maintain cost effectiveness

and flexibility of capital, Boardwalk REIT continuously monitors short and long-term interest rates. If the environment warrants, the Trust will convert short-term, floating rate debt, if any, to longer term, fixed rate mortgages.

Debt Maturity Table

Year	Principal Outstanding as at March 31, 2011	Weighted Average Interest Rate By Maturity	% of Total
2011	218,728,472	4.57%	9.32%
2012	569,086,068	4.89%	24.24%
2013	290,071,030	4.51%	12.36%
2014	431,236,498	3.51%	18.37%
2015	431,203,127	3.73%	18.37%
2016	136,273,136	4.48%	5.80%
2017	128,269,634	3.62%	5.46%
2018	20,634,555	4.31%	0.88%
2019	77,026,872	5.09%	3.28%
2020	40,032,448	4.44%	1.71%
2021	5,038,189	4.06%	0.21%
Total Principal Outstanding	2,347,600,028	4.25%	100.00%

Unsecured Debentures

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of \$120 million. The debentures are rated “BBB” with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% and will mature on January 23, 2012. Net proceeds of approximately \$119 million were used to fund acquisitions, repay operating lines of credit and for general trust purposes. In conjunction with the debenture issue, the Trust also entered into a bond forward contract to hedge the risk of interest rate fluctuations prior to the final pricing of the debenture. The bond forward contract was settled when the debentures were issued for the settlement amount of \$0.7 million. The settlement amount is being accounted for over the seven-year term of the unsecured debentures.

During the first quarter of 2009, the Trust acquired in the open market a total face value of \$7.6 million of its unsecured debentures for cancellation. These were purchased at a discount to the face value and the cost paid by the Trust was \$7.2 million, of which \$55 thousand represented accrued interest. The remaining difference of \$408 thousand between the face value and the discounted price paid has been reported as “Other Income” on the financial statements. There have been no debenture buybacks since the first quarter of 2009.

Boardwalk had \$112.3 million of unsecured debentures, net of transaction costs, outstanding at March 31, 2011, with principal repayment of \$112.4 million on the maturity date of January 23, 2012. In anticipating the repayment of the unsecured debentures on the maturity date, the Trust has started to forward-commit the interest rates and mortgage proceeds on select properties set to mature at or prior to January 23, 2012. An increased leverage on these selected properties, coupled with Boardwalk REIT’s cash balance and unused committed revolving line-of-credit, should be more than sufficient to pay off the unsecured debentures on January 23, 2012.

With the principal repayment of the unsecured debenture less than 12 months away at March 31, 2011, the Trust has classified the unsecured debenture as a current liability on the Trust’s classified condensed consolidated statement of financial position. The presentation of a classified condensed consolidated statement of financial position was adopted by the Trust upon its conversion to IFRS. Previously under Canadian GAAP, Boardwalk’s condensed consolidated statement of financial position was presented using a reverse liquidity presentation approach.

Adjusted Debt to Gross Book Value

Notwithstanding the Trust’s current liquidity situation, Boardwalk’s liquidity and access to capital resources is constrained by certain tests that have been adopted in both its Declaration of Trust, as well as in its Unsecured Debentures Trust Indenture. The most constraining to date is what is referred to as its Debt-to-Gross Book Value.

As previously noted, Boardwalk's adoption of IFRS standards have affected the calculation of the test. The adoption of the fair value model to value its investment properties allows the Trust to record and adjust these properties to their current fair value at each reporting date. Given that investment properties are reflected at their most recent fair value, this eliminates the need to include the conversion adjustment "bump" of \$641 million as part of the Debt to GBV calculation. The basis for the inclusion of this "bump" under Canadian GAAP was that the amount represented approximately one half of the Trust's true enterprise value of its investment properties. Under Canadian GAAP, these investment properties were recorded at their net book value, which was not, generally, reflective of the true value of these assets. The implementation the fair value model approach for investment properties now reflects a truer value of these asset, eliminating the need for an adjustment "bump" as part of this calculation.

In addition, with the adoption of a fair value model for investment properties, the DOT stipulates that the Debt to GBV percentage threshold shall not exceed 70%.

The DOT excludes both the LP Class B Units and the Deferred Unit compensation plan, both of which are considered financial liabilities under IFRS, in the definition of Debt for the purpose of the Debt to GBV calculation.

The following table sets out the Trust's Debt-to-Gross Book Value calculation as at March 31, 2011 with a comparison to the calculation as at December 31, 2010. The reader should note that the calculation below is based on the application of IFRS standards as at January 1, 2010:

(\$000's)	March 31, 2011	December 31, 2010
Total reported assets	\$ 4,552,680	\$ 4,585,925
Reported amortization	31,505	30,739
	\$ 4,584,185	\$ 4,616,664
Mortgages payable	\$ 2,143,793	\$ 2,153,206
Debentures	112,255	112,211
	\$ 2,256,048	\$ 2,265,417
Debt to GBV	49.2%	49.1%
DOT Limit	70.0%	70%

The above impacts related to the calculation of Debt to GBV in accordance with the DOT also apply to the calculation of Debt to GBV as stipulated in the Debenture Trust Indenture.

The Trust Indenture considers in the calculation of Debt to GBV those items classified as debt in accordance with Canadian GAAP as at January 21, 2005. The Trust's calculation of Debt to Gross Book Value upon the transition to IFRS still excludes items noted above, which are classified as debt under IFRS standards, but were, in fact, classified as equity in accordance with Canadian GAAP standards as at January 21, 2005. However, the debt covenant threshold for the Debt to GBV as it applies to the Trust Indenture has been changed from 70% under Canadian GAAP to 60% under IFRS.

For the three months ended March 31, 2011, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense, after excluding gains and was 2.22 as compared to 2.19 for the same period last year. The reader should note that upon the adoption of IFRS standards, the distributions made to the LP Class B Unitholders are now considered financing charges, as a result of the reclassification of these Units as financial liabilities. The calculation of the interest coverage ratio above does include these distribution payments in the calculation.

Changes in accounting policies

We have adopted IFRS as our basis of financial reporting effective for the first quarter of 2011 with restatement of comparative periods, using a transition date of January 1, 2010. The impact of the adoption of IFRS on our financial position and results of operations is discussed in the beginning part of this MD&A. The significant accounting policies followed on the adoption of IFRS are included in note 2 of the unaudited consolidated financial statements for the period ended March 31, 2011, and are outlined below. The section entitled "International Financial Reporting Standard", earlier in this report includes a reconciliation of our equity, net income and comprehensive income as reported under Canadian GAAP and IFRS. These reconciliations can also be found in note 3 of the unaudited notes to the Condensed Consolidated Financial Statements for the period ended March 31, 2011.

CRITICAL ACCOUNTING POLICIES

These statements were prepared in accordance with the recommendations of the International Financial Reporting Standards (“IFRS”) and the International Accounting Standards Board (“IASB”) and with the recommendations of the Real Property Association of Canada (“REALpac”). In applying these policies, in certain cases, it is necessary to use estimates and judgments. In determining estimates, management uses the information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness. Any change to these estimates is applied prospectively in compliance with Canadian generally accepted accounting principles. We believe that the application of judgments and assessments is consistently applied and produces financial information that fairly depicts the results of operations for all periods presented. Boardwalk REIT considers the following policies to be critical in determining the judgments that are involved in the preparation of the consolidated financial statements and the uncertainties that could affect the reported results.

(a) Investment properties

Investment properties include multi-family residential properties held to earn rental income. Investment properties are measured initially at cost. Cost includes all amounts relating to the acquisition (excluding transaction costs related to a business combination) and improvement of the properties. All costs associated with upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance, are capitalized as investment property. Included in these costs are amounts that are directly attributable internal resources and costs which are capitalized to the extent that they upgrade or extend the economic life of the asset.

Subsequent to initial recognition, investment properties are recorded at fair value, determined based on valuations performed by third-party appraisers or available market evidence, in accordance with IAS 40 - Investment Property (“IAS 40”). Gains or losses arising from differences between current period fair value and the sum of previously measured fair value and capitalized costs as described above are recorded in profit or loss in the period in which they arise.

Any directly attributable costs incurred on investment properties under development or redevelopment are capitalized. Such costs include direct development costs, property taxes and other costs directly attributable to the development.

Properties owned by the Trust where a significant portion of the property is used for administrative purposes by the entity are considered “Property, Plant and Equipment” and, therefore, fall within the scope of IAS 16 – Property, Plant and Equipment (“IAS 16”) and are recorded in accordance with that standard. Where part of a building is used for administrative purposes by the Trust, but this portion is considered insignificant, this space is included as part of the Investment Property under IAS 40.

Investment properties are reclassified to ‘Assets held for sale’ when the criteria set out in IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations (“IFRS 5”) are met.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value is adjusted to reflect the fair value as outlined in the purchase and sale agreement (assuming the purchase and sale agreement is the best evidence of fair value). This adjustment shall be recorded as a fair value gain (loss). Any remaining gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Excess land

Excess land represents land owned by the Trust located contiguous to land included as investment property. The Trust has the ability to develop additional multi-family residential buildings on this land or sell it separately from the investment property at a later date. Excess land is held for capital appreciation, therefore, treated as Investment Property and recorded in accordance with IAS 40 as outlined above.

(b) Property, plant and equipment

Tangible items that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one period, except when another accounting standard requires

or permits a different accounting treatment, are recorded in accordance with IAS 16 using the cost model. IAS 16, therefore, excludes tangible items that are accounted for in accordance with IAS 40.

In accordance with IAS 16, the cost model, after initial recognition of the property, plant and equipment, requires the tangible item to be carried at its costs less accumulated depreciation and any accumulated impairment losses (see NOTE 2(h)). Depreciation is recognized in a manner that reflects the pattern in which the future economic benefits of the asset are expected to be realized and consumed by the Trust. The amount of depreciation will be charged systematically to the statement of comprehensive income and is the cost less residual value of the asset over its useful economic life. IAS 16 also requires that the cost and useful economic life of each significant component of a depreciable real estate property be determined based on the circumstances of each property. The method of depreciation and estimates of the useful economic life of a depreciable real estate property, or other property, plant and equipment, are reviewed at each financial year-end and any changes are accounted for as a change in accounting estimate in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”).

(c) Business combinations

In accordance with IFRS 3 – Business Combinations (“IFRS 3”), the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired and the liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit. Building and other asset acquisitions, which meet the above definition, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. The acquisition method requires that an acquirer be identified, a specific acquisition date be determined, all identifiable assets and liabilities assumed, as well as any non-controlling interest in the acquiree, be recognized and measured, and any goodwill or gains from a bargain purchase price are recognized and measured at fair value, including contingent liabilities when these contingent considerations are part of the consideration being transferred. All acquisition costs associated with a transaction, if identified as a business combination, are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Trust in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date and is shorter than one year if all information is received) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39

– Financial Instruments: Recognition and Measurement, or IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Trust's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Trust obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Trust reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(d) Assets held for sale and discontinued operations

(i) Assets (or disposal groups) held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are categorized as assets (or disposal groups) held for sale where the asset (or disposal group) is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale, there is an active program to find a buyer, the non-current asset (or disposal group) is being actively marketed at a reasonable price, the sale is anticipated to be completed within one year from the date of classification and it is unlikely there will be changes to the plan. Where an asset (or disposal group) is acquired with a view to resale, it is classified as a non-current asset (or disposal group) held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. Retrospective application is not required; therefore comparative figures will not be adjusted to reflect non-current assets held for sale. The gains or losses arising on a sale of assets (or disposal groups) that does not meet the definition of discontinued operations will be recognized as part of continuing operations while the gains or losses arising on a sale of assets (or disposal groups) that meet the definition of discontinued operations will be reported as part of discontinued operations.

(ii) Discontinued operations

An asset or group of assets will be classified as a discontinued operation when it is a component of an entity that has either been disposed of or is classified as held for sale and represents a separate major line of business, it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or it is a subsidiary acquired exclusively with a view to resell. Profits and gains or losses related to the disposal of discontinued operations are measured based on fair value less cost to sell or on the disposal of the assets (or disposal groups) and are presented in the financial statements on an after tax basis in accordance with IFRS 5. In addition, retrospective application is required; therefore comparative figures will be changed to reflect discontinued operations.

(e) Impairment of assets

At the end of each reporting period, assets, other than those identified in the standard as not applicable to IAS 36 – Impairment of Assets (“IAS 36”), such as investment properties recorded at fair value, are assessed for any indication of impairment. Should the indication of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined in IAS 36 as the higher of an asset's “fair value less cost to sell” and its “value in use”. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects

current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the statement of comprehensive income. After the recognition of an impairment loss, the depreciation charge related to that asset is also revised for the adjusted carrying amount on a systematic basis over the remaining useful life of the asset. Should this impairment loss be determined to have reversed in a future period (with the exception of goodwill), a reversal of the impairment loss is recorded in profit or loss. However, in accordance with IAS 36, the reversal of an impairment loss will not increase the carrying value of the asset to a value greater than its original carrying value (net of amortization).

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(g) Taxation

Boardwalk REIT is a “mutual fund trust” as defined under the Income Tax Act (Canada) (the “Tax Act”), and accordingly is not taxable on its income to the extent that its taxable income is distributed to its Unitholders. The Canadian Tax Act contains legislation affecting the tax treatment of publicly traded trusts (the “SIFT Legislation”). Based on a detailed review of the SIFT Legislation, it could be interpreted that for fiscal 2010 the Trust did not qualify as a Real Estate Investment Trust (“REIT”) in accordance with the definition contained in the legislation, which would be exempt from the specified investment flow-through (“SIFT”) rules. As such, the Trust has considered the tax consequence of not qualifying as a REIT. However, for fiscal 2011, the Trust will qualify as a REIT and will be eligible for the SIFT rules. In addition, this exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. As such, income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the condensed consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Trust’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on tax rates and laws that have been enacted or substantively enacted at the reporting date. Where applicable, current and deferred income tax relating to items recognized directly in equity or comprehensive income are also recognized directly in equity or comprehensive income, respectively.

(h) Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), a provision is a liability of uncertain timing or amount. Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discounted rate that reflects current market assessment of the time value of money and the risks and uncertainties specific to the obligation. Provisions are re-measured at each reporting date using the current discount rate. The increase in the provision due to the passage of time is recognized as a financing cost.

(i) Unit-based payments

Equity-settled unit-based payments to employees and others providing similar services are measured at the fair value of the deferred unit at the grant date and expensed over the vesting period based on the Trust's estimate of the deferred units that will actually vest. At the end of each reporting period, the Trust revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate. The deferred units are presented as a liability on the statement of financial position. The deferred units are classified as "Fair Value through Profit or Loss" and are measured at each reporting period at fair value with changes in fair value recognized in the consolidated statement of comprehensive income. Fair value of the deferred units is calculated based on the observable market price of the Trust's Units.

(j) Government assistance and grants

The Trust receives government assistance in order to offer affordable housing to low income earning individuals. Government grants are not recognized until there is reasonable assurance that the Trust will comply with the conditions attached to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Trust with no related future costs are recognized in profit or loss in the period in which they become receivable.

(k) Revenue recognition

(i) Residential rental operations

The Trust has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on lease inception date. Rental revenue is recognized systematically over the term of the lease, which is generally not more than twelve months. Any suite specific incentives offered or initial direct costs incurred in negotiating and arranging an operating lease are also amortized over the term of the operating lease. Rental revenue is recorded based on the amount received or to be received in accordance with the operating lease.

(ii) Building sales

The gain or loss from the sale of investment property is recognized when title passes to the purchaser upon closing at which time all or substantially all of the funds are receivable, or have been received, and the conditions of the sale have been completed.

(iii) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Trust and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in financing costs in the condensed consolidated statement of comprehensive income

(iv) Other income

Other income comprises revenue from coin laundry machines, vending machines and income received from telephone and cable providers and is recorded as earned.

(l) Financial instruments and derivatives

Financial instruments and derivatives are accounted, presented and disclosed in accordance with IFRS 7 – Financial Instruments: Disclosures ("IFRS 7"), IAS 32 – Financial Instruments: Presentation ("IAS 32") and IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at ‘fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. Financial assets are classified as at FVTPL when the financial asset is either held for trading or is designated as at FVTPL. Financial assets categories are defined and measured as follow:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if: it has been acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Trust manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Trust has the positive intent and ability to hold to maturity.	Measured at amortized cost using the effective interest rate method less any impairment. ^{(1) (2)}
Available-for-sale	Non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.	Measured at fair value through profit and loss.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.	Measured at amortized cost using the effective interest rate method less any impairment. ^{(1) (2)}

(1) The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(2) Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

Boardwalk REIT’s financial assets are as follow:

Financial asset	Classification	Measurement
Trade and other receivables	Loans and receivables	Amortized cost
Segregated tenants’ security deposits	Loans and receivables	Amortized cost
Cash	Held for trading, therefore FVTPL	Fair value

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Trust are recognized at the proceeds received, net of direct issue costs. Repurchase of Boardwalk REIT’s own equity

instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Trust's own equity instruments. Distributions paid on the Trust's equity instruments subsequent to, declared prior to, and with a record date at or prior to, the reporting date, are recorded as a liability.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Financial liabilities categories are defined and measured as follow:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if: it has been acquired principally for the purpose of repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Trust manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Other financial liabilities	All other liabilities.	Measured at amortized cost using the effective interest rate method. ⁽¹⁾

(1) The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Boardwalk REIT's financial liabilities are as follow:

Financial liability	Classification	Measurement
Mortgages payable	Other financial liabilities	Amortized cost
Debentures	Other financial liabilities	Amortized cost
LP Class B Units	FVTPL	Fair value
Deferred unit-based compensation	FVTPL	Fair value
Refundable tenants' security deposits	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost

The Trust derecognizes a financial liability when, and only when, the Trust's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivatives

The Trust may enter into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps and bond forward contracts. Further details of derivative financial instruments are disclosed in NOTE 27. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to the host contracts and the host contracts are

not measured at FVTPL. For the periods ended March 31, 2011, March 31, 2010 and the year ended December 31, 2010, the Trust had no embedded derivatives requiring separate recognition.

(m) Hedge accounting

The Trust applies hedge accounting to derivative financial instruments in cash flow hedging relationships. At the inception of the hedging relationship, the Trust documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Trust documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

In cash flow hedging relationships, the effective portion of the change in the fair value of the hedging derivative is recognized in the statement of comprehensive income as other comprehensive income (“OCI”) while the ineffective portion is recognized immediately in profit or loss. Hedging gains and losses previously recognized in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the condensed consolidated statement of comprehensive income as the recognized hedged item.

Hedge accounting is discontinued when the Trust revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(n) Cash

Cash is comprised of bank balances and interest-earning bank accounts.

(o) Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below) that have been made in applying the Trust’s accounting policies and that have the most significant effect on the reported amounts in the condensed consolidated financial statements:

(i) Income taxes

The Trust applies judgment in determining the tax rate applicable to its corporate, trust and partnership subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes related to temporary differences arising from the SIFT Legislation (see above) and from its corporate subsidiaries are measured based on the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values. Effective January 1, 2011, the Trust qualified for the “REIT Exemption” and will not be subject to Canadian income taxes under the SIFT Legislation. Consequently, the deferred taxes related to temporary differences arising from the SIFT Legislation were reversed on January 1, 2011.

(ii) Leases

The Trust’s revenue recognition policy related to leases is described in NOTE 2(n)(i). The Trust makes judgments in determining whether certain leases, in particular, tenant leases, as well as, leased warehouse space and long-term ground leases which are considered leases under IFRS, where the Trust is the lessor, are operating or finance leases. The Trust has determined that all of its leases are operating leases.

(iii) Investment property and capitalized wages

The Trust’s accounting policy relating to investment property is described in NOTE (a) above. In applying this policy, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to measure the fair value of the Trust’s investment property. The Trust also undertakes capital improvements and upgrades. Such work is specifically identified, and the Trust applies judgment in the estimated amount of directly attributable to on-site wages relating to capital improvements and upgrades of its real estate assets to be capitalized.

(iv) Financial instruments

The Trust's accounting policies relating to financial instruments are described in NOTE 2(o). Critical judgments inherent in these policies related to applying the criteria set out in IAS 39 to designate financial instruments into categories (i.e. held for trading, FVTPL, etc.), assess the effectiveness of hedging relationships (for the Trust's cash flow hedges) and determine the identification of embedded derivatives, if any, in certain hybrid instruments that are subject to fair value measurement.

(v) Basis of consolidation

The condensed consolidated financial statements of the Trust include the accounts of Boardwalk REIT and its wholly owned subsidiaries, as well as entities over which the Trust exercises control on a basis other than ownership of voting interest within the scope of Interpretation SIC 12 - Consolidation-Special Purpose Entities ("SIC 12"). Judgment is applied in determining what is considered in substance "control" within the scope of SIC 12 and, thus, entities considered special purpose entities are to be included in the condensed consolidated financial statements of the Trust.

(p) Key accounting estimates and assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results could differ from estimates.

(i) Investment property

The choice of valuation method for fair valuing and the critical estimates and assumptions underlying the fair value determination of investment properties are set out in NOTE 5. Significant estimates used in determining the fair value of the Trust's investment properties includes capitalization rates, inflation rates, vacancy rates, standard costs and net operating income.

(ii) Property, plant and equipment

Useful economic life of property, plant and equipment for the purposes of calculating depreciation and amortization, as disclosed in NOTE 6 and forecast of economic factors to determine recoverable amounts for the purpose of determining any impairment of assets.

(iii) Capitalized on-site wages

Amount of capitalized on-site wages related to capital improvements and upgrades is based on estimates as to how much time is spent completing capital work versus repairs and maintenance.

(iv) Utility accruals

Amount of utility accrual for charges related to the current or prior year is based on estimates of usage and price for the time period in which invoices have not been received from the utility provider.

(v) Deferred unit-based compensation plan

The compensation costs relating to the deferred unit plan are based on estimates as to how many deferred units will actually vest and be exercised.

(vi) Deferred taxes

The amount of the temporary differences between the accounting carrying value of the Trust's assets versus the tax basis of those assets and the tax rates at which the differences will be realized are outlined in NOTE 16.

Future Changes in Critical Accounting Policies

Boardwalk REIT monitors new IFRS accounting pronouncements to assess the applicability and impact, if any, these new pronouncements may have on the consolidated financial statements and note disclosures.

The following IFRSs have been issued or revised, however are not yet effective and as such have not been applied to these consolidated financial statements:

Financial Instruments

IFRS 9 - Financial Instruments (“IFRS 9”) was issued by the IASB in October of 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Trust is currently evaluating the impact of IFRS 9 on its financial statements.

Income Taxes

In December 2010, the IASB made amendments to IAS 12 – Income Taxes (“IAS 12”), that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40. The amendments introduce a rebuttable presumption that, for purposes of determining deferred tax consequences associated with temporary differences relating to investment properties, the carrying of an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods on or after January 1, 2012. The Trust does not expect these amendments to have a significant impact.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO, President and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The preparation of this information is supported by a set of disclosure controls and procedures implemented by management. In fiscal 2010, these controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as at December 31, 2010. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) control framework adopted by the Trust and the requirements of National Instrument 52-109 of the Canadian Securities Administrators titled, ‘Certification of Disclosure in Issuers’ Annual and Interim Filings’.

Boardwalk REIT continues to review the design of disclosure controls and procedures to provide reasonable assurance that material information relating to Boardwalk REIT is made known to the CEO, President and CFO.

As at December 31, 2010, Boardwalk REIT also confirmed the effectiveness of the design of internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial statements and information. Boardwalk REIT may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business. There were no changes made in our internal controls over financial reporting during the year ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The design of internal controls over financial reporting has been reviewed and updated, if necessary, to ensure they remain effective to provide reasonable assurance regarding the reliability of financial statements and information as Boardwalk transitioned to IFRS. Based on management’s current assessment, these updates enhance its existing ICFR and do not materially affect or is reasonably likely to affect its ICFR in fiscal 2011 due to Boardwalk REIT’s adoption of IFRS. For fiscal year 2011, the Trust is required to maintain financial information in accordance with IFRS with comparative figures for 2010. Accordingly, both the general ledger accounting system and asset tracking system module have been updated to accommodate this. Internal controls exist to ensure the updates to the general ledger accounting system and the asset tracking system module were operating as intended prior to the new changes ‘going live’ and, as with all new IT initiatives, all changes were tested thoroughly prior to implementation. These controls are similar to controls previously designed and in effect when Boardwalk REIT upgrades any of its software applications.

New processes, which have arisen as a result of the transition to IFRS, have been determined, documented and their key controls identified. The key controls related to the initial adoption of IFRS standards have been tested to ensure that no material deficien-

cies exist as a result of the Trust's transition to these new accounting policies. Procedures related to IFRS on a going-forward basis have been identified and documented within the Trust's current processes. Key controls related to these processes have been identified and will be tested in 2011. The Trust has not identified any material deficiencies related to its internal controls for the transition to IFRS standards.

2011 FINANCIAL OUTLOOK AND MARKET GUIDANCE

As is customary, the Trust on a quarterly basis reviews its key assumptions used in deriving its public financial guidance. Based on this review, we are confirming our previously reported 2011 Financial Guidance range. We estimate that for fiscal 2011, we will report FFO per Trust Unit of between \$2.35 to \$2.55.

The following table summarizes our 2011 Financial Guidance:

Description	Guidance
Acquisitions	No new apartment acquisitions
Stabilized Building NOI growth	-3.0% to 1%
FFO per Trust Unit	\$2.35 to \$2.55
AFFO per Trust Unit	\$2.05 to \$2.25

In addition to the above financial guidance for 2011, the Trust has assumed the following capital will be invested back into its existing portfolio for the 2011 fiscal year.

Capital Budget	Three months ended			
	2011 Budget	Per Suite	March 2011	Per Suite
Total Approved	\$ 79.6	\$ 2,231	\$ 12,896	\$ 366
Maintenance Capital	\$ 16.1	\$ 450	\$ 3,969	\$ 113
Stabilizing & Value Added Capital	\$ 63.5	\$ 1,781	\$ 8,927	\$ 253
	\$ 79.6	\$ 2,231	\$ 12,896	\$ 366

For the first three months of 2011, Boardwalk REIT has incurred \$12.9 million (or \$366 per apartment unit) of capital improvements.

Additional Information

Additional information relating to Boardwalk Equities Inc. and Boardwalk REIT, including the Annual Information Form of Boardwalk REIT, is available on SEDAR at www.sedar.com.

Respectfully,



Roberto A. Geremia
President



William Wong
Chief Financial Officer

May 12, 2011

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

UNAUDITED (Cdn \$ Thousands)

As at	Note	March 31, 2011	December 31, 2010 ⁽¹⁾	January 1, 2010 ⁽¹⁾
Assets				
Non-current assets				
Investment properties	5	\$ 4,319,653	\$ 4,318,242	\$ 4,129,636
Property, plant and equipment	6	17,508	17,248	16,517
Deferred tax assets	16	536	681	686
		4,337,697	4,336,171	4,146,839
Current assets				
Inventories	7	2,555	3,017	2,899
Prepaid assets	8	4,637	3,620	3,197
Trade and other receivables	9	2,778	3,044	3,049
Segregated tenants' security deposits	10	11,797	11,987	12,917
Cash		193,216	228,086	190,325
		214,983	249,754	212,387
Total Assets		\$ 4,552,680	\$ 4,585,925	\$ 4,359,226
Liabilities				
Non-current liabilities				
Mortgages payable	11	\$ 1,808,080	\$ 1,863,084	\$ 1,671,189
Debentures	12	–	112,211	111,834
LP Class B Units	13	215,291	184,594	165,799
Deferred unit-based compensation	14	3,713	2,904	2,777
Deferred tax liabilities	16	21	740,359	692,916
		2,027,105	2,903,152	2,644,515
Current liabilities				
Mortgages payable	11	335,713	290,122	474,449
Debentures	12	112,255	–	–
Deferred unit-based compensation	14	2,570	2,525	1,419
Refundable tenants' security deposits		15,373	15,556	16,263
Trade and other payables	15	45,778	55,648	54,627
		511,689	363,851	546,758
Total Liabilities		\$ 2,538,794	\$ 3,267,003	\$ 3,191,273
Equity				
Unitholders' equity	17	\$ 2,013,886	\$ 1,318,922	\$ 1,167,953
Total Equity		\$ 2,013,886	\$ 1,318,922	\$ 1,167,953
Total Liabilities and Equity		\$ 4,552,680	\$ 4,585,925	\$ 4,359,226

(1) Refer to Note 3 for effects of adoption of IFRS

See accompanying notes to these condensed consolidated financial statements

On behalf of the Trust:



Sam Kolias
Trustee



Gary Goodman
Trustee

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

UNAUDITED (Cdn \$ Thousands)

	Note	3 months ended March 31, 2011	3 months ended March 30, 2010 ⁽¹⁾
Total rental revenue	18	\$ 102,642	\$ 104,174
Rental expenses			
Operating expenses		20,474	19,082
Utilities		13,508	14,323
Property taxes		9,446	9,023
Net operating income		59,214	61,746
Other income	19	1,654	1,641
		60,868	63,387
Financing costs	20	26,473	28,056
Administration		6,508	6,415
Depreciation and amortization	21	2,534	2,551
Profit from continuing operations before gains and other items, fair value gains (losses) and income tax expense (recovery)		25,353	26,365
Loss on sale of assets	22	–	(594)
Fair value gains (losses)	23	(43,033)	28,083
Profit (loss) before income tax expense (recovery)		(17,680)	53,854
Income tax expense (recovery)	16	(740,194)	9,979
Profit for the period		722,514	43,875
Other comprehensive income		12	10
Total comprehensive income		\$ 722,526	\$ 43,885

(1) Refer to Note 3 for effects of adoption of IFRS

See accompanying notes to these condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

UNAUDITED (Cdn \$ Thousands)

	Note	Trust Units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings	Cash flow hedge	Total Unitholders equity
Balance, January 1, 2010	3	\$ 207,423	\$ 1,406,915	\$ (446,161)	\$ 960,754	\$ (224)	\$ 1,167,953
Units issued		318	-	-	-	-	318
Profit for the period		-	43,875	-	43,875	-	43,875
Other comprehensive income		-	-	-	-	10	10
Total comprehensive income for the period		-	43,875	-	43,875	10	43,885
Distributions declared to Unitholders		-	-	(21,723)	(21,723)	-	(21,723)
Balance, March 31, 2010		\$ 207,741	\$ 1,450,790	\$ (467,884)	\$ 982,906	\$ (214)	\$ 1,190,433
Balance, December 31, 2010	3	\$ 192,272	\$ 1,683,707	\$ (556,856)	\$ 1,126,851	\$ (201)	\$ 1,318,922
Units issued		660	-	-	-	-	660
Units purchased and cancelled		(6,740)	-	-	-	-	(6,740)
Profit for the period		-	722,514	-	-	-	722,514
Other comprehensive income		-	-	-	722,514	12	12
Total comprehensive income for the period		-	722,514	-	722,514	12	722,526
Distributions declared to Unitholders		-	-	(21,482)	(21,482)	-	(21,482)
Balance, March 31, 2011		\$ 186,192	\$ 2,406,221	\$ (578,338)	\$ 1,827,883	\$ (189)	\$ 2,013,886

See accompanying notes to these condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED (Cdn \$ Thousands)

	Note	3 months ended March 31, 2011	3 months ended March 30, 2010 ⁽¹⁾
Operating activities			
Profit for the period		\$ 722,514	\$ 43,875
Loss on sale of assets		–	594
Fair value (gains) losses		43,033	(28,083)
Income tax expense (recovery)		(740,194)	9,979
Depreciation and amortization		2,534	2,551
		27,887	28,916
Net change in operating working capital	31	(9,494)	(7,219)
		18,393	21,697
Investing activities			
Improvements to investment properties		(12,896)	(12,664)
Net cash proceeds from sale of properties		–	19,084
Additions to property, plant and equipment		(1,025)	(856)
		(13,921)	5,564
Financing activities			
Distributions paid		(21,504)	(21,722)
Unit repurchase program		(6,740)	–
Repayment and maturity of debt on investment properties		(9,563)	(27,547)
Deferred financing costs incurred		(1,547)	(211)
Bond forward settlement, net of amortization		12	10
		(39,342)	(49,470)
Net decrease in cash		(34,870)	(22,209)
Cash, beginning of period		228,086	190,325
Cash, end of period		\$ 193,216	\$ 168,116

(1) Refer to Note 3 for effects of adoption of IFRS

See accompanying notes to these condensed consolidated financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2011 and 2010

(UNAUDITED) (Tabular amounts in Cdn \$ thousands, except number of units and per unit amounts UNLESS OTHERWISE STATED)

NOTE 1: ORGANIZATION OF THE TRUST

Boardwalk Real Estate Investment Trust (“Boardwalk REIT” or the “Trust”) is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust (“DOT”), dated January 9, 2004 and as amended and restated on May 3, 2004, May 10, 2006, May 10, 2007, May 13, 2008, May 13, 2009, May 18, 2010 and May 12, 2011, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in multi-family residential investment properties or similar interests, initially through the acquisition of the assets and operations of Boardwalk Equities Inc. (the “Corporation”), which was acquired on May 3, 2004. Boardwalk REIT Trust Units are listed on the Toronto Stock Exchange under the symbol BEI.UN. The registered office of the Trust and its head office operations are located at First West Place, Suite 200, 1501 1st Street SW, Calgary, Alberta T2R 0W1.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

International Financial Reporting Standards (“IFRS”) requires an entity to adopt IFRS in its first annual financial statements under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Trust will make this statement when it issues its 2011 annual financial statements. These condensed consolidated financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Trust expects to adopt in its consolidated financial statements for the year ending December 31, 2011. The Trust adopted IFRS in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards (“IFRS 1”) as discussed in NOTE 3.

(b) Basis of presentation

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The condensed consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects. Standards and guidelines not effective for the current accounting period are described in NOTE 4.

The operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2011 due to seasonal variations in utility costs and other factors. Historically, Boardwalk REIT has experienced higher utility expenses in the first and fourth quarter as a result of the winter months, resulting in variations in the quarterly results.

(c) Basis of consolidation

The condensed consolidated financial statements include the accounts of the Trust and its consolidated subsidiaries (including special purpose entities), which are the entities over which Boardwalk REIT has control. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In accordance with Interpretation SIC 12 – Consolidation Special Purpose Entities (“SIC 12”), an entity can exercise control on a basis other than ownership of voting interests. Currently, the Trust has control over all of the subsidiaries reported in the condensed consolidated financial statements (either directly or indirectly); therefore, non-controlling interests do not exist for the Trust at this time. All intra-group transactions and balances eliminate on consolidation.

(d) Investment properties

Investment properties include multi-family residential properties held to earn rental income. Investment properties are measured initially at cost. Cost includes all amounts relating to the acquisition (excluding transaction costs related to a business combination) and improvement of the properties. All costs associated with upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance, are capitalized as investment property. Included in these costs are amounts that are directly attributable internal resources and costs which are capitalized to the extent that they upgrade or extend the economic life of the asset.

Subsequent to initial recognition, investment properties are recorded at fair value, determined based on valuations performed by third-party appraisers or available market evidence, in accordance with IAS 40 - Investment Property ("IAS 40"). Gains or losses arising from differences between current period fair value and the sum of previously measured fair value and capitalized costs as described above are recorded in profit or loss in the period in which they arise.

Any directly attributable costs incurred on investment properties under development or redevelopment are capitalized. Such costs include direct development costs, property taxes and other costs directly attributable to the development.

Properties owned by the Trust where a significant portion of the property is used for administrative purposes by the entity are considered "Property, Plant and Equipment" and, therefore, fall within the scope of IAS 16 - Property, Plant and Equipment ("IAS 16") and are recorded in accordance with that standard. Where part of a building is used for administrative purposes by the Trust, but this portion is considered insignificant, this space is included as part of the Investment Property under IAS 40.

Investment properties are reclassified to 'Assets held for sale' when the criteria set out in IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations ("IFRS 5") are met.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value is adjusted to reflect the fair value as outlined in the purchase and sale agreement (assuming the purchase and sale agreement is the best evidence of fair value). This adjustment shall be recorded as a fair value gain (loss). Any remaining gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Excess land

Excess land represents land owned by the Trust located contiguous to land included as investment property. The Trust has the ability to develop additional multi-family residential buildings on this land or sell it separately from the investment property at a later date. Excess land is held for capital appreciation, therefore, treated as Investment Property and recorded in accordance with IAS 40 as outlined above.

(e) Property, plant and equipment

Tangible items that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one period, except when another accounting standard requires or permits a different accounting treatment, are recorded in accordance with IAS 16 using the cost model. IAS 16, therefore, excludes tangible items that are accounted for in accordance with IAS 40 (see NOTE 2(d) above) and IFRS 5 (see NOTE 2(g) below).

In accordance with IAS 16, the cost model, after initial recognition of the property, plant and equipment, requires the tangible item to be carried at its costs less accumulated depreciation and any accumulated impairment losses (see NOTE 2(h)). Depreciation is recognized in a manner that reflects the pattern in which the future economic benefits of the asset are expected to be realized and consumed by the Trust. The amount of depreciation will be charged systematically to the statement of comprehensive income and is the cost less residual value of the asset over its useful economic life. IAS 16 also requires that the cost and useful economic life of each significant component of a depreciable real estate property be determined based on the circumstances of each property. The method of depreciation and estimates of the useful economic life of a depreciable real estate property, or other property, plant and equipment, are reviewed at each financial year-end and any changes are accounted for as a change in accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8").

(f) Business combinations

In accordance with IFRS 3 – Business Combinations (“IFRS 3”), the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired and the liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit. Building and other asset acquisitions, which meet the above definition, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. The acquisition method requires that an acquirer be identified, a specific acquisition date be determined, all identifiable assets and liabilities assumed, as well as any non-controlling interest in the acquiree, be recognized and measured, and any goodwill or gains from a bargain purchase price are recognized and measured at fair value, including contingent liabilities when these contingent considerations are part of the consideration being transferred. All acquisition costs associated with a transaction, identified as a business combination, are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Trust in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date and is shorter than one year if all information is received) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, or IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Trust’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Trust obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Trust reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.



(g) Assets held for sale and discontinued operations

(i) Assets (or disposal groups) held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are categorized as assets (or disposal groups) held for sale where the asset (or disposal group) is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale, there is an active program to find a buyer, the non-current asset (or disposal group) is being actively marketed at a reasonable price, the sale is anticipated to be completed within one year from the date of classification and it is unlikely there will be changes to the plan. Where an asset (or disposal group) is acquired with a view to resale, it is classified as a non-current asset (or disposal group) held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. Retrospective application is not required; therefore comparative figures will not be adjusted to reflect non-current assets held for sale. The gains or losses arising on a sale of assets (or disposal groups) that does not meet the definition of discontinued operations will be recognized as part of continuing operations while the gains or losses arising on a sale of assets (or disposal groups) that meet the definition of discontinued operations will be reported as part of discontinued operations.

(ii) Discontinued operations

An asset or group of assets will be classified as a discontinued operation when it is a component of an entity that has either been disposed of or is classified as held for sale and represents a separate major line of business, it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or it is a subsidiary acquired exclusively with a view to resell. Profits and gains or losses related to the disposal of discontinued operations are measured based on fair value less cost to sell or on the disposal of the assets (or disposal groups) and are presented in the financial statements on an after tax basis in accordance with IFRS 5. In addition, retrospective application is required; therefore comparative figures will be changed to reflect discontinued operations.

(h) Impairment of assets

At the end of each reporting period, assets, other than those identified in the standard as not applicable to IAS 36 – Impairment of Assets (“IAS 36”), such as investment properties recorded at fair value, are assessed for any indication of impairment. Should the indication of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined in IAS 36 as the higher of an asset’s “fair value less cost to sell” and its “value in use”. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the statement of comprehensive income. After the recognition of an impairment loss, the depreciation charge related to that asset is also revised for the adjusted carrying amount on a systematic basis over the remaining useful life of the asset. Should this impairment loss be determined to have reversed in a future period (with the exception of goodwill), a reversal of the impairment loss is recorded in profit or loss. However, in accordance with IAS 36, the reversal of an impairment loss will not increase the carrying value of the asset to a value greater than its original carrying value (net of amortization).

(i) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(j) Taxation

Boardwalk REIT is a “mutual fund trust” as defined under the Income Tax Act (Canada) (the “Tax Act”), and accordingly is not taxable on its income to the extent that its taxable income is distributed to its Unitholders. The Canadian Tax Act contains legislation affecting the tax treatment of publicly traded trusts (the “SIFT Legislation”). Based on a detailed review of the SIFT Legislation, it could be interpreted that for fiscal 2010 the Trust did not qualify as a Real Estate Investment Trust (“REIT”) in accordance with the definition contained in the legislation, which would be exempt from the specified investment flow-through (“SIFT”) rules. As such, the Trust has considered the tax consequence of not qualifying as a REIT. However, for fiscal 2011, the Trust will qualify as a REIT and will be eligible for the SIFT rules. In addition, this exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. As such, income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the condensed consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Trust’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on tax rates and laws that have been enacted or substantively enacted at the reporting date. Where applicable, current and deferred income tax relating to items recognized directly in equity or comprehensive income are also recognized directly in equity or comprehensive income, respectively.

(k) Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), a provision is a liability of uncertain timing or amount. Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discounted rate that reflects current market assessment of the time value of money and the risks and uncertainties specific to the obligation. Provisions are re-measured at each reporting date using the current discount rate. The increase in the provision due to the passage of time is recognized as a financing cost.

(l) Unit-based payments

Equity-settled unit-based payments to employees and others providing similar services are measured at the fair value of the deferred unit at the grant date and expensed over the vesting period based on the Trust’s estimate of the deferred units that will actually vest. At the end of each reporting period, the Trust revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate. The deferred units are presented as a liability on the statement of financial position. The deferred units are classified as “Fair Value through Profit or Loss” and are measured at each reporting period at fair value with changes in fair value recognized in the consolidated statement of comprehensive income. Fair value of the deferred units is calculated based on the observable market price of the Trust’s Units.

(m) Government assistance and grants

The Trust receives government assistance in order to offer affordable housing to low income earning individuals. Government grants are not recognized until there is reasonable assurance that the Trust will comply with the conditions attached to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Trust with no related future costs are recognized in profit or loss in the period in which they become receivable.

(n) Revenue recognition

(i) Residential rental operations

The Trust has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on lease inception date. Rental revenue is recognized systematically over the term of the lease, which is generally not more than twelve months. Any suite specific incentives offered or initial direct costs incurred in negotiating and arranging an operating lease are also amortized over the term of the operating lease. Rental revenue is recorded based on the amount received or to be received in accordance with the operating lease.

(ii) Building sales

The gain or loss from the sale of investment property is recognized when title passes to the purchaser upon closing at which time all or substantially all of the funds are receivable, or have been received, and the conditions of the sale have been completed.

(iii) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Trust and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in financing costs in the condensed consolidated statement of comprehensive income.

(iv) Other income

Other income comprises revenue from coin laundry machines, vending machines and income received from telephone and cable providers and is recorded as earned.

(o) Financial instruments and derivatives

Financial instruments and derivatives are accounted, presented and disclosed in accordance with IFRS 7 – Financial Instruments: Disclosures (“IFRS 7”), IAS 32 – Financial Instruments: Presentation (“IAS 32”) and IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at ‘fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. Financial assets are classified as at FVTPL when the financial asset is either held for trading or is designated as at FVTPL. Financial assets categories are defined and measured as follow:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if: it has been acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Trust manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Trust has the positive intent and ability to hold to maturity	Measured at amortized cost using the effective interest rate method less any impairment. ^{(1) (2)}
Available-for-sale	Non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL	Measured at fair value through profit and loss.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.	Measured at amortized cost using the effective interest rate method less any impairment. ^{(1) (2)}

(1) The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(2) Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

Boardwalk REIT's financial assets are as follow:

Financial asset	Classification	Measurement
Trade and other receivables	Loans and receivables	Amortized cost
Segregated tenants' security deposits	Loans and receivables	Amortized cost
Cash	Held for trading, therefore FVTPL	Fair value

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Trust are recognized at the proceeds received, net of direct issue costs. Repurchase of Boardwalk REIT's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Trust's own equity instruments. Distributions paid on the Trust's equity instruments subsequent to, declared prior to, and with a record date at or prior to, the reporting date, are recorded as a liability.



Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’. Financial liabilities categories are defined and measured as follow:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if: it has been acquired principally for the purpose of repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Trust manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Other financial liabilities	All other liabilities	Measured at amortized cost using the effective interest rate method. ⁽¹⁾

(1) The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Boardwalk REIT’s financial liabilities are as follow:

Financial liability	Classification	Measurement
Mortgages payable	Other financial liabilities	Amortized cost
Debentures	Other financial liabilities	Amortized cost
LP Class B Units	FVTPL	Fair value
Deferred unit-based compensation	FVTPL	Fair value
Refundable tenants’ security deposits	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost

The Trust derecognizes a financial liability when, and only when, the Trust’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivatives

The Trust may enter into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps and bond forward contracts. Further details of derivative financial instruments are disclosed in NOTE 27. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to the host contracts and the host contracts are not measured at FVTPL. For the periods ended March 31, 2011, March 31, 2010 and the year ended December 31, 2010, the Trust had no embedded derivatives requiring separate recognition.

(p) Hedge accounting

The Trust applies hedge accounting to derivative financial instruments in cash flow hedging relationships. At the inception of the hedging relationship, the Trust documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Trust documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

In cash flow hedging relationships, the effective portion of the change in the fair value of the hedging derivative is recognized in the statement of comprehensive income as other comprehensive income (“OCI”) while the ineffective portion is recognized immediately in profit or loss. Hedging gains and losses previously recognized in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the condensed consolidated statement of comprehensive income as the recognized hedged item.

Hedge accounting is discontinued when the Trust revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

(q) Cash

Cash is comprised of bank balances and interest-earning bank accounts.

(r) Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see NOTE 2(s) below) that have been made in applying the Trust’s accounting policies and that have the most significant effect on the reported amounts in the condensed consolidated financial statements:

(i) Income taxes

The Trust applies judgment in determining the tax rate applicable to its corporate, trust and partnership subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes related to temporary differences arising from the SIFT Legislation (see above) and from its corporate subsidiaries are measured based on the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values. Effective January 1, 2011, the Trust qualified for the “REIT Exemption” and will not be subject to Canadian income taxes under the SIFT Legislation. Consequently, the deferred taxes related to temporary differences arising from the SIFT Legislation were reversed on January 1, 2011.

(ii) Leases

The Trust’s revenue recognition policy related to leases is described in NOTE 2(n)(i). The Trust makes judgments in determining whether certain leases, in particular, tenant leases, as well as, leased warehouse space and long-term ground leases which are considered leases under IFRS, where the Trust is the lessor, are operating or finance leases. The Trust has determined that all of its leases are operating leases.

(iii) Investment property and capitalized wages

The Trust’s accounting policy relating to investment property is described in NOTE 2(d) above. In applying this policy, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to measure the fair value of the Trust’s investment property. The Trust also undertakes capital improvements and upgrades. Such work is specifically identified, and the Trust applies judgment in the estimated amount of directly attributable on-site wages relating to capital improvements and upgrades of its real estate assets to be capitalized.

(iv) Financial instruments

The Trust’s accounting policies relating to financial instruments are described in NOTE 2(o). Critical judgments inherent in these policies related to applying the criteria set out in IAS 39 to designate financial instruments into categories (i.e. held for trading, FVTPL, etc.), assess the effectiveness of hedging relationships (for the Trust’s cash flow hedges) and determine the identification of embedded derivatives, if any, in certain hybrid instruments that are subject to fair value measurement.



(v) *Basis of consolidation*

The condensed consolidated financial statements of the Trust include the accounts of Boardwalk REIT and its wholly owned subsidiaries, as well as entities over which the Trust exercises control on a basis other than ownership of voting interest within the scope of Interpretation SIC 12 - Consolidation-Special Purpose Entities ("SIC 12"). Judgment is applied in determining what is considered in substance "control" within the scope of SIC 12 and, thus, entities considered special purpose entities are to be included in the condensed consolidated financial statements of the Trust.

(s) **Key accounting estimates and assumptions**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results could differ from estimates.

(i) *Investment property*

The choice of valuation method for fair valuing and the critical estimates and assumptions underlying the fair value determination of investment properties are set out in NOTE 5. Significant estimates used in determining the fair value of the Trust's investment properties includes capitalization rates, inflation rates, vacancy rates, standard costs and net operating income.

(ii) *Property, plant and equipment*

Useful economic life of property, plant and equipment for the purposes of calculating depreciation and amortization, as disclosed in NOTE 6 and forecast of economic factors to determine recoverable amounts for the purpose of determining any impairment of assets.

(iii) *Capitalized on-site wages*

Amount of capitalized on-site wages related to capital improvements and upgrades is based on estimates as to how much time is spent completing capital work versus repairs and maintenance.

(iv) *Utility accruals*

Amount of utility accrual for charges related to the current or prior year is based on estimates of usage and price for the time period in which invoices have not been received from the utility provider.

(v) *Deferred unit-based compensation plan*

The compensation costs relating to the deferred unit plan are based on estimates as to how many deferred units will actually vest and be exercised.

(vi) *Deferred taxes*

The amount of the temporary differences between the accounting carrying value of the Trust's assets versus the tax basis of those assets and the tax rates at which the differences will be realized are outlined in NOTE 16.

NOTE 3: TRANSITION TO IFRS

The Trust has adopted IFRS, effective January 1, 2011 (the "Effective Date") with comparative figures for the prior year commencing January 1, 2010 (the "Transition Date"), and has prepared its opening IFRS condensed consolidated statement of financial position as at January 1, 2010. Prior to the adoption of IFRS, the Trust prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Trust's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The Trust prepared its opening IFRS statement of financial position by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening IFRS statement of financial position and the December 31, 2010 comparative statement of financial position presented in the condensed consolidated financial statements for the year ending December 31, 2011 may differ from those presented at this time if new standards are issued or existing standards are revised.

(a) **Elected exemptions from full retrospective application**

In preparing these condensed consolidated financial statements in accordance with IFRS 1, the Trust applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below:

(i) *Business combinations*

The Trust applied the business combinations exemption in IFRS 1 which allowed the Trust to not apply IFRS 3 retrospectively to past business combinations pre January 1, 2010. Accordingly, the Trust has not restated business combinations that took place prior to the Transition Date.

(ii) *Financial instruments*

Under IFRS 1, an entity identifies, recognizes, classifies and measures as appropriate all financial assets and financial liabilities qualifying at the date of transition for recognition in accordance with IFRS. IFRS 1 allows the entity to treat any adjustment to the carrying amount of a financial asset or financial liability as a result of adopting IFRS as a transition adjustment to be recognized in the opening balance of retained earnings at the date of transition. The Trust applied this exemption to its deferred unit-based compensation and its LP Class B Units as under Canadian GAAP these items were considered equity however under IFRS they are considered liabilities. Adjustments to record these financial liabilities at FVTPL were recorded as an adjustment to opening retained earnings.

(iii) *Leases*

IFRS 1 allows an entity to determine whether an arrangement existing at the date of transition contains a lease on the basis of facts and circumstances existing at that date. The Trust has reviewed all arrangements and concluded that it is only involved in operating leases, consistent with the accounting applied under Canadian GAAP.

(b) Mandatory exceptions to retrospective application

In preparing these condensed consolidated financial statements in accordance with IFRS 1, the Trust has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied are described below:

(i) *Hedge accounting*

Only hedging relationships that satisfied the hedge accounting criteria as of the Transition Date are reflected as hedges in the Trust's results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting were recorded as non-hedging derivative financial instruments.

(ii) *Estimates*

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Trust under Canadian GAAP are consistent with the application under IFRS.

(c) Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Trust's equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS on the Transition Date - January 1, 2010:

Note	Trust Units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings (deficit)	Cash flow hedge	Total Unitholders equity (deficiency)
As reported under Canadian GAAP, January 1, 2010	\$ 236,385	\$ 203,343	\$ (484,544)	\$ (281,201)	\$ (224)	\$ (45,040)
Reclassification of LP B Units as a financial liability (i)	(24,840)	-	-	-	-	(24,840)
Reclassification of LP B Units distributions to cumulative profit (i)	-	(38,383)	38,383	-	-	-
Reclassification of deferred unit-based compensation as a financial liability (i)	(4,122)	-	-	-	-	(4,122)
Differences increasing (decreasing) reported amounts						
Investment properties (ii)	-	1,980,262	-	1,980,262	-	1,980,262
Financial instruments (iii)						
LP B Units	-	(140,959)	-	(140,959)	-	(140,959)
Deferred unit-based compensation	-	(74)	-	(74)	-	(74)
Deferred taxes (iv)	-	(597,274)	-	(597,274)	-	(597,274)
As reported under IFRS, January 1, 2010	\$ 207,423	\$ 1,406,915	\$ (446,161)	\$ 960,754	\$ (224)	\$ 1,167,953

The following is a reconciliation of the Trust's equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS at March 31, 2010:

Note	Trust Units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings (deficit)	Cash flow hedge	Total Unitholders equity (deficiency)
As reported under Canadian GAAP, March 31, 2010	\$ 236,992	\$ 213,908	\$ (508,281)	\$ (294,373)	\$ (214)	\$ (57,595)
Reclassification of LP B Units as a financial liability (i)	(24,840)	-	-	-	-	(24,840)
Reclassification of LP B Units distributions to cumulative profits (i)	-	(40,397)	40,397	-	-	-
Reclassification of deferred unit-based compensation as a financial liability (i)	(4,411)	-	-	-	-	(4,411)
Differences increasing (decreasing) reported amounts						
Investment properties (ii)	-	2,040,478	-	2,040,478	-	2,040,478
Financial instruments (iii)	-	-	-	-	-	-
LP B Units	-	(155,279)	-	(155,279)	-	(155,279)
Deferred unit-based compensation	-	(251)	-	(251)	-	(251)
Deferred taxes (iv)	-	(607,669)	-	(607,669)	-	(607,669)
As reported under IFRS, March 31, 2010	\$ 207,741	\$ 1,450,790	\$ (467,884)	\$ 982,906	\$ (214)	\$ 1,190,433

The following is a reconciliation of the Trust's equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS at December 31, 2010:

Note	Trust Units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings (deficit)	Cash flow hedge	Total Unitholders equity (deficiency)
As reported under Canadian GAAP, December 31, 2010	\$ 221,645	\$ 275,072	\$ (605,532)	\$ (330,460)	\$ (201)	\$ (109,016)
Reclassification of LP B Units as a financial liability (i)	(24,840)	-	-	-	-	(24,840)
Reclassification of LP B Units distributions to cumulative profit (i)	-	(48,676)	48,676	-	-	-
Reclassification of deferred unit-based compensation as a financial liability (i)	(4,533)	-	-	-	-	(4,533)
Differences increasing (decreasing) reported amounts						
Investment properties (ii)	-	2,258,442	-	2,258,442	-	2,258,442
Financial instruments (iii)	-	-	-	-	-	-
LP B Units	-	(159,754)	-	(159,754)	-	(159,754)
Deferred unit-based compensation	-	(896)	-	(896)	-	(896)
Deferred taxes (iv)	-	(640,481)	-	(640,481)	-	(640,481)
As reported under IFRS, December 31, 2010	\$ 192,272	\$ 1,683,707	\$ (556,856)	\$ 1,126,851	\$ (201)	\$ 1,318,922

(i) *Reclassification of LP B Units and deferred unit-based compensation plan*

Under IAS 32, the LP B Units issued by a wholly owned subsidiary of the Trust, as well as the deferred units issued as part of the deferred unit-based compensation plan are considered financial liabilities under IFRS and are reclassified from equity to liabilities on the financial statements. Under Canadian GAAP, the LP Class B Units were carried at cost (\$24.8 million as at January 1, 2010, March 31, 2010 and December 31, 2010). Additionally, as the LP Class B Units are liabilities, all distributions previously paid were reclassified to cumulative profit as they would have been recorded as a financing charge under IFRS.

(ii) *Investment properties*

The Trust considers its revenue-producing properties to be investment properties under IAS 40. Investment property includes land (including excess land) and buildings held primarily to earn rental income and capital appreciation, rather than for use in the production or supply of goods or services or for sale in the ordinary course of business. Similar to Canadian GAAP, investment property is initially recorded at cost under IAS 40. However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for investment property. The Trust has elected to use the fair value method upon initial transition to IFRS and in subsequent reporting periods. This adjustment to retained earnings represents the cumulative unrealized gain in respect of the fair value of the Trust's investment property under IFRS on January 1, 2010, March 31, 2010 and December 31, 2010.

(iii) *Financial instruments*

IAS 39 outlines recognition and measurement principles in respect of financial assets and liabilities, which differ from Canadian GAAP in respect of the following instruments:

LP Class B Units

Under IFRS, the LP B Units are classified as a financial liability and the Trust has designated the Units as FVTPL on the basis that this financial liability is classified as "Fair Value through Profit or Loss" in accordance with IAS 39. This financial liability is carried at fair value on the statement of financial position as determined by the observable market price of the Trust's Units. Under Canadian GAAP, the LP B Units were carried at cost. The market value for the LP Class B Units was \$165.8 million as at January 1, 2010, \$180.1 million as at March 31, 2010 and \$184.6 million as at December 31, 2010.

Deferred unit-based compensation plan

Under IFRS, the deferred unit-based compensation plan is classified as a financial liability and the Trust has designated the deferred units issued as part of the deferred unit-based compensation plan as "Fair Value through Profit or Loss" in accordance with IAS 39. This financial liability is carried at fair value on the statement of financial position as determined by the observable market price of the Boardwalk REIT's Trust Units. The market value for the deferred unit-based compensation plan was \$4.2 million as at January 1, 2010, \$4.7 million as at March 31, 2010 and \$5.4 million as at December 31, 2010. In addition, compensation expensed is based on a graded amortization rather than straight-line amortization under Canadian GAAP.

(iv) *Deferred taxes*

The increase in deferred income tax liability under IFRS compared with Canadian GAAP primarily relates to the increase in the carrying values of the Trust's investment properties as a result of adopting the fair value method under IAS 40. The deferred income tax liability method under IFRS is determined by applying tax rates to temporary differences that are consistent with the Trust's expectation that the method of realization will be through the sale of its properties rather than through owning and operating the properties.

(d) Reconciliation of profit as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Trust's net earnings reported in accordance with Canadian GAAP to its profit in accordance with IFRS for the year ended December 31, 2010 and three months ended March 31, 2010.

	Note	Year ended December 31, 2010	3 months ended March 31, 2010
Net earnings as reported under Canadian GAAP		\$ 71,729	\$ 10,565
Differences increasing (decreasing) reported amounts			
Investment properties	(i)		
Fair value gain		230,575	42,726
Reverse Canadian GAAP depreciation expense		84,880	20,748
Adjustment to gain (loss) on sale		(37,273)	(3,257)
Financial instruments	(ii)		
LP B Units			
Fair value loss		(18,795)	(14,320)
Distributions recorded as financing charge		(10,293)	(2,014)
Deferred unit-based compensation			
Fair value loss		(623)	(323)
Compensation expense		(199)	147
Deferred taxes	(iii)	(43,207)	(10,397)
Profit as reported under IFRS		\$ 276,794	\$ 43,875

(i) *Investment properties*

In accordance with IFRS and the Trust's accounting policy choice, the Trust measures investment properties at fair value and records changes in fair value in the statement of comprehensive income during the period of change. Under Canadian GAAP, all revenue-producing properties were recorded at cost and depreciated over their estimated useful economic lives. In addition, intangible assets and liabilities recognized on the acquisition of investment property were also amortized to profit or loss under Canadian GAAP, which is no longer the case under IFRS as the value of the intangible assets and liabilities are considered in the determination of the fair value of the investment property at each reporting date. As a result of applying the fair value model, depreciation expense taken under Canadian GAAP for the Trust's investment property was reversed prior to determining the fair value adjustment. In addition, the gain or loss on disposition varies from Canadian GAAP as the asset sold is now carried at fair value which approximates the purchase and sale agreement resulting in a loss on sale due to disposition costs.

(ii) *Financial instruments*

This adjustment relates to the classification of both LP Class B Units and the Trust's deferred unit-based compensation plan as financial instruments designated as FVTPL. Under Canadian GAAP, these Units were previously classified as equity and the related distributions recorded as a reduction to Unitholders' equity. As a result of the reclassification of these Units as financial liabilities under IFRS, the distributions related to the LP Class B Units will now be treated as financing costs and recorded on the condensed consolidated statement of comprehensive income, while changes to the deferred unit-based compensation plan will continue to be expensed as part of compensation expense on the condensed consolidated statement of comprehensive income. In addition, since these financial liabilities are classified as FVTPL, they are recorded at fair value at each reporting date. Gains and losses resulting from the FVTPL approach are recorded in the condensed consolidated statement of comprehensive income.

(iii) *Deferred taxes*

The adjustment related to deferred taxes reflects the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP for the Trust's investment properties

(e) Reconciliation of comprehensive income as reported under Canadian GAAP to IFRS

Other than the changes in profit outlined in NOTE 3(d) above, no reconciling items occurred between the Trust's comprehensive income reported in accordance with Canadian GAAP to its comprehensive income in accordance with IFRS for the year ended December 31, 2010 and three months ended March 31, 2010.

	Year ended December 31, 2010	3 months ended March 31, 2010
Comprehensive income as reported under Canadian GAAP	\$ 71,752	\$ 10,575
Changes to profit outlined in NOTE 3(d)	205,065	33,310
Comprehensive income as reported under IFRS	\$ 276,817	\$ 43,885

(f) Financial assets and liabilities

Upon adoption of IFRS, all previously recognized financial assets and liabilities maintained their designations consistent with designations under Canadian GAAP with the exception of the LP Class B Units and the deferred unit-based compensation plan. These two financial liabilities have been designated as "FVTPL". As a result of these designations, both the LP Class B Units and the deferred unit-based compensation plan are recorded at fair value. Both of these financial liabilities were previously designated as equity under Canadian GAAP.

(g) Changes to statement of cash flows

As a result of the LP Class B Units being classified as a financial liability, the distributions related to these Units are treated as a financing expense and are recorded in the condensed consolidated statement of comprehensive income. As a result, these distributions now appear within operating activities on the statement of cash flows while they were previously recorded as a financing activity on the statement of cash flows under Canadian GAAP. This resulted in a \$2.0 million cash inflow for financing activities and a corresponding cash outflow for operating activities for the three months ended March 31, 2010 from Canadian GAAP to IFRS.

There were no other material adjustments to the cash flow statement as a result of the conversion to IFRS.

(h) Earnings per unit

Under Canadian GAAP, the number of Trust Units included in the calculation of basic earnings included the LP Class B Units as they were treated as equity. Under IFRS, they are considered a financial liability and as such are no longer included in the calculation. Additionally, as profit or loss under IFRS includes the distribution on the LP Class B Units, fair value adjustments on investment properties, LP Class B Units and deferred unit-based compensation and differences in the calculation of deferred taxes, the numerator for the basic earnings calculation also changed under IFRS. For the three months ended March 31, 2010, this change resulted in a basic earnings per unit of \$0.91 under IFRS versus \$0.20 under Canadian GAAP.

Under Canadian GAAP, the number of Trust Units included in the calculation of diluted earnings included the number of units in the deferred unit plan which had vested. IFRS requires that the number of deferred units included in the dilution calculation be based on the number of units management estimates will be converted to Trust Units. The difference in methodology between Canadian GAAP and IFRS does not result in a material adjustment to the calculation of diluted units included in the earnings per share calculation for the Trust. However, the change in the numerator of the calculation due to the change in profit or loss under IFRS does result in a significant change to the diluted earnings per unit. For the three months ended March 31, 2010, this change resulted in a diluted earnings per unit of \$1.15 under IFRS versus \$0.20 under Canadian GAAP.

(i) Impact of IFRS accounting policies on the Trust

Boardwalk REIT has adopted and applied the accounting policies of IFRS as outlined in NOTE 2, however many of the IFRS accounting policies did not have an impact on the Trust as they were either not applicable or did not vary significantly from Canadian GAAP. Below is a summary of the accounting policies and their impact on Boardwalk REIT:

NOTE	Accounting Standard	Impact
2 (c)	Basis of consolidation	No change from Canadian GAAP, same entities included in condensed consolidated financial statements.
2 (d)	Investment properties	Applied fair value, impact noted in notes 3(c) through 3(e).
2 (e)	Property, plant and equipment	No significant change from Canadian GAAP.
2 (f)	Business combinations	No impact, as the Trust did not have any business combinations in the applicable fiscal years.
2 (g)	Assets held for sale and discontinued operations	Under IFRS, the Trust no longer had any assets held for sale or discontinued operations. Under Canadian GAAP, the Trust had discontinued operations in fiscal 2010.
2 (h)	Impairment of assets	The Trust's PP&E assets were analyzed for impairment, no impairment noted.
2 (i)	Inventories	No change in measurement, inventories presented separately.
2 (j)	Taxation	As a result of applying the fair value for investment properties, deferred tax liabilities increased. Impact noted in notes 3(c) through 3(e).
2 (k)	Provisions	The Trust analyzed all outstanding provisions and contingent liabilities, no impact noted.
2 (l)	Unit-based payments	The Trust needed to consider how many deferred units would be converted to Trust Units. Impact insignificant.
2 (m)	Government assistance and grants	No change from Canadian GAAP.
2 (n)	Revenue recognition	No change from Canadian GAAP.
2 (o)	Financial instruments	As previously noted, the LP Class B Units and deferred unit-based compensation treated as a financial liability (rather than equity) and measured at fair value. The distributions on the LP Class B Units are considered a financing charge.
2 (p)	Hedge accounting	No change from Canadian GAAP.
2 (q)	Cash	No change from Canadian GAAP.

NOTE 4: FUTURE ACCOUNTING POLICIES

The following IFRSs have been issued or revised, however are not yet effective and as such have not been applied to these condensed consolidated financial statements:

Financial Instruments

IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in October of 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Trust is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

Income Taxes

In December 2010, the IASB made amendments to IAS 12 – Income Taxes ("IAS 12"), that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40. The amendments introduce a rebuttable presumption that, for purposes of determining deferred tax consequences associated with temporary differences relating to investment properties, the carrying of an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods on or after January 1, 2012. The Trust does not expect these amendments to have a significant impact.

NOTE 5: INVESTMENT PROPERTIES

As at	March 31, 2011	December 31, 2010
Balance, beginning of period	\$ 4,318,242	\$ 4,129,636
Additions		
Building improvements (incl. capitalized wages)	12,896	69,290
Dispositions	–	(111,258)
Fair value gains (losses)	(11,485)	230,574
Balance, end of period	\$ 4,319,653	\$ 4,318,242

All revenue-producing properties, which are classified as investment properties under IFRS, were fair valued by third-party external valuation professionals ("the Appraisers") at the Transition Date, in accordance with IAS 40. The Appraisers are an independent valuation firm not related to the Trust, who employ valuation professionals who are members of the Appraisal Institute of Canada and the Ordre des évaluateurs agréés du Québec, and who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

As at March 31, 2011, 11 properties, representing an aggregate fair value of \$777.0 million and 18.0% of the Trust's portfolio were appraised by the Appraisers. This external valuation was based on a cross section of properties from different geographical locations and markets across the Trust's rental portfolio. The fair value of the remaining portfolio was determined internally by the Trust using the same assumptions and valuation techniques used by the external valuation professionals. Despite not performing a valuation on all of the Trust's properties, the Appraisers provided the Trust with a summary of the major assumptions and market data by city in order for the Trust to complete its internal valuations. As at December 31, 2010, no properties were valued by external appraisals. Fair value was determined internally based on assumptions and market data provided by the Appraisers and by applying the same valuation techniques as the Appraisers, as they valued 100% of the properties as at January 1, 2010.

The third-party valuation of the Trust's investment property portfolio utilizes the "Overall Capitalization Rate" method. This method requires that rental income from current leases and key assumptions about rental income, vacancies and inflation rates among other factors are used to determine a one-year income forecast for each individual property within the Trust's portfolio and also considers any capital expenditures anticipated within the year. Given the short term nature of residential leases (typically one year), revenue and costs are not discounted. A capitalization rate was also determined for each property based on market information related to the external sale of similar buildings within a similar geographic location. These factors were used to determine the fair value of investment properties at each reporting date.

The key valuation metrics for residential rental properties are set out in the following tables:

As at	March 31, 2011		December 31, 2010		January 1, 2010	
Capitalization rate by city:						
Calgary	5.75%	6.50%	5.75%	6.50%	6.00%	6.50%
Edmonton	6.00%	6.25%	6.00%	6.25%	6.25%	7.00%
Other Alberta	6.00%	8.25%	6.00%	8.25%	6.25%	8.50%
Vancouver	5.25%	6.75%	5.25%	6.75%	5.25%	7.25%
Kitchener	6.50%	6.50%	6.50%	6.50%	6.75%	6.75%
London	6.50%	6.75%	6.50%	6.75%	6.75%	7.00%
Windsor	7.25%	7.75%	7.25%	7.75%	7.25%	7.75%
Montreal	6.25%	7.25%	6.25%	7.25%	6.50%	7.50%
Quebec City	6.00%	6.50%	6.00%	6.50%	6.25%	7.50%
Regina	7.00%	7.25%	7.00%	7.25%	6.75%	7.00%
Saskatoon	7.00%	7.25%	7.00%	7.25%	6.75%	7.00%
	5.25%	8.25%	5.25%	8.25%	5.25%	8.50%
Land Lease	6.25%	11.75%	6.25%	11.75%	6.18%	11.66%

Values are most sensitive to changes in capitalization rates.

Investment property with a fair value of \$361.4 million (\$361.5 – December 31, 2010, \$352.5 – January 1, 2010) is situated on land held under ground leases.

Investment properties with a fair value of \$527.6 million (December 31, 2010 – \$528.0 million, January 1, 2010 - \$489 million) are pledged as security against the Trust's committed revolving credit facility. Assets pledged as security for the committed revolving credit facility may also be pledged as security for the Trust's mortgages payable. In addition, investment properties with a fair value of \$4.1 billion (December 31, 2010 – \$4.1 billion, January 1, 2010 – \$3.8 billion) are pledged as security against the Trust's mortgages payable.

During the three months ended March 31, 2011, the Trust capitalized \$89 thousand (March 31, 2010 – \$nil) in relation to borrowing costs. These costs directly relation to the construction of a qualifying asset and will be incurred until such time when substantially all of the activities required to prepare the qualifying asset for its intended use are complete.

For the three months ended March 31, 2011 and March 31, 2010, investment properties earned rental income of \$102.6 million and \$104.2 million, respectively. Direct operating expenses in relation to investment properties were \$43.4 million and \$42.4 million, for the three months ended March 31, 2011 and March 31, 2010, respectively.

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment ("PP&E") is valued using the cost model under IAS 16. PP&E is componentized into the following classes and their respective useful economic life is used to calculate the amount of depreciation or amortization for each period. Components of PP&E with the same or similar useful lives are included in the same class.

PP&E Class	Useful Life	Depreciation method used
Administrative building	40 years	Straight-line
Site equipment	15%	Declining balance
Automobile	20%	Declining balance
Warehouse assets	10% to 20%	Declining balance
Corporate assets	10% to 20%	Declining balance
Computer hardware	35%	Declining balance
Computer software*	35%	Declining balance

* In addition to the purchase of software from external sources, the Trust capitalizes certain programmers' salaries related to internally developed software applications developed and used in the normal course of operations of Boardwalk REIT. These programmers' work is directly attributable to software development.

PP&E is reviewed at each reporting date to ensure their useful economic lives remain appropriate. In addition, PP&E is reviewed at each reporting date for impairment. Where an impairment exists, the PP&E asset is written down to the impaired amount. Should this impairment no longer exist, the impairment write-down is reversed up to the net book value which would have existed had the impairment not have occurred. As at March 31, 2011, December 31, 2010 and January 1, 2010, there was no impairment in relation to the Trust's PP&E.

PP&E upon transition to IFRS continued to be recorded at its original cost less accumulated depreciation. As a result, there was no adjustment recorded to PP&E as a result of the transition to IFRS.

The carrying amounts of PP&E were as follows:

As at	March 31, 2011			December 31, 2010			January 1, 2010		
	Cost	Accum. Deprec.	Net book value	Cost	Accum. Deprec.	Net book value	Cost	Accum. Deprec.	Net book value
Administration building	\$ 4,414	\$ (1,715)	\$ 2,699	\$ 4,408	\$ (1,671)	\$ 2,737	\$ 4,364	\$ (1,473)	\$ 2,891
Site equipment	13,531	(5,752)	7,779	13,004	(5,459)	7,545	11,057	(4,396)	6,661
Automobiles	4,553	(2,852)	1,701	4,556	(2,763)	1,793	4,218	(2,356)	1,862
Warehouse assets	2,489	(795)	1,694	2,280	(757)	1,523	1,987	(611)	1,376
Corporate assets	3,224	(2,640)	584	3,174	(2,621)	553	3,118	(2,546)	572
Computer hardware	11,431	(10,248)	1,183	11,339	(10,138)	1,201	10,865	(9,620)	1,245
Computer software	9,371	(7,503)	1,868	9,226	(7,330)	1,896	8,435	(6,525)	1,910
Total	\$ 49,013	\$ (31,505)	\$ 17,508	\$ 47,987	\$ (30,739)	\$ 17,248	\$ 44,044	\$ (27,527)	\$ 16,517

The following table outlines a reconciliation of the carrying amount of PP&E as at March 31, 2011:

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Administration building	\$ 2,737	\$ 6	\$ -	\$ (44)	\$ 2,699
Site equipment	7,545	527	-	(293)	7,779
Automobiles	1,793	-	(2)	(90)	1,701
Warehouse assets	1,523	209	-	(38)	1,694
Corporate assets	553	49	-	(18)	584
Computer hardware	1,201	91	-	(109)	1,183
Computer software ⁽¹⁾	1,896	145	-	(173)	1,868
Total	\$ 17,248	\$ 1,027	\$ (2)	\$ (765)	\$ 17,508

(1) Included in computer software is \$125 thousand of capitalized programmers' salaries related to the internally developed software applications used by the Trust in the normal course of its operations.

The following table outlines a reconciliation of the carrying amount of PP&E as at December 31, 2010:

	Opening net book value	Additions	Depreciation	Closing net book value
Administration building	\$ 2,891	\$ 45	\$ (199)	\$ 2,737
Site equipment	6,661	1,946	(1,062)	7,545
Automobiles	1,862	338	(407)	1,793
Warehouse assets	1,376	293	(146)	1,523
Corporate assets	572	56	(75)	553
Computer hardware	1,245	475	(519)	1,201
Computer software ⁽¹⁾	1,910	792	(806)	1,896
Total	\$ 16,517	\$ 3,945	\$ (3,214)	\$ 17,248

* Acquisitions as a result of business combinations

(1) Included in computer software is \$130 thousand of capitalized programmers' salaries related to the internally developed software applications used by the Trust in the normal course of its operations.

As at March 31, 2011, December 31, 2010 and January 1, 2010, none of the Trust's PP&E was pledged as security for debt.

NOTE 7: INVENTORIES

Inventory consists of parts and supplies and items such as baseboards, carpet and linoleum which the Trust routinely uses in the maintenance and upgrading of its investment properties. These items are kept on hand so that they are readily available for use. When items of inventory are used they are expensed as part of maintenance expense or capitalized to investment properties depending on the nature of the inventory used and whether or not the useful life of an asset has been extended as a result of its use. The Trust's inventories are as follows:

As at	March 31, 2011	December 31, 2010	January 1, 2010
Parts and supplies	\$ 2,505	\$ 2,965	\$ 2,843
Baseboard, carpet and linoleum	50	52	56
	\$ 2,555	\$ 3,017	\$ 2,899

NOTE 8: PREPAID ASSETS

The major components of prepaid assets are as follows:

As at	March 31, 2011	December 31, 2010	January 1, 2010
Prepaid property taxes	\$ 2,225	\$ 1,045	\$ 1,293
Prepaid ground leases	81	81	1,175
Prepaid expenses and other	2,331	2,494	729
	\$ 4,637	\$ 3,620	\$ 3,197

NOTE 9: TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise an aggregate amount of \$2.8 million at March 31, 2011 (December 31, 2010 – \$3.0 million, January 1, 2010 - \$3.0 million) consisting mainly of mortgage holdbacks, refundable mortgage fees and amounts owed to Boardwalk REIT by customers and revenue-sharing business partners.

As at	March 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	\$ 2,280	\$ 2,546	\$ 2,056
Mortgage holdbacks and refundable mortgage fees	498	498	993
	\$ 2,778	\$ 3,044	\$ 3,049

Refer to NOTE 28 (b) for the Trust's exposure to credit risk in relation to its receivables and how the Trust accounts for past due balances.

NOTE 10: SEGREGATED TENANTS' SECURITY DEPOSITS

Refundable tenants' security deposits are considered restricted cash as they are held in trust bank accounts and subject to the contingent rights of third parties. Restricted cash and deposits totaled \$11.8 million at March 31, 2011, \$12.0 million at December 31, 2010 and \$12.9 million at January 1, 2010.

NOTE 11: MORTGAGES PAYABLE

As at	March 31, 2011		December 31, 2010		January 1, 2010	
	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance
Mortgage payable						
Fixed rate	4.18%	\$ 2,135,468	4.20%	\$ 2,144,818	4.47%	\$ 2,145,638
Variable rate	–	8,325	–	8,388	–	–
Total		2,143,793		2,153,206		2,145,638
Current		335,713		290,122		474,449
Non-current		1,808,080		1,863,084		1,671,189
		\$ 2,143,793		\$ 2,153,206		\$ 2,145,638

Estimated future principal payments required to meet mortgage obligations as at March 31, 2011 are as follows:

	Secured By Investment Properties
2012	\$ 335,713
2013	456,260
2014	276,881
2015	449,751
2016	360,102
Subsequent	356,488
	2,235,195
Unamortized deferred financing costs	(91,597)
Unamortized mark-to-market adjustment	195
	\$ 2,143,793

During the first quarter of 2008, Boardwalk REIT entered into an interest rate swap agreement on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges under Canadian GAAP and meet the criteria to be designated as effective cash flow hedges under IFRS at the Transition Date. At December 31, 2010 and March 31, 2011, the Trust has determined that these cash flow hedges were effective under IFRS and hedge accounting has been applied to these agreements in accordance with IAS 39. The Trust evaluates the effectiveness of these cash flow hedges at each reporting date and measures them at fair value. Any gains or losses which arise as a result of the “effectiveness” of the hedge will be recognized in OCI. The ineffective portion of the hedging gain or loss on the swap transaction will be recognized immediately in profit or loss. On recognition of the financial liability of the hedged item on the statement of financial position, the associated gains or losses that were recognized in OCI will be reclassified into net earnings in the same period or periods during which the interest payments of the hedged item affect net earnings. However, if all or a portion of the net loss recognized in OCI will not be recovered in one or more future periods, this amount will be immediately reclassified into profit or loss.

Settlements on both the fixed and variable portion of the interest rate swaps will occur on a monthly basis. The fixed interest rate has been set at 4.15%, plus a stamping fee of 0.25%, while the total amount of mortgage debt subject to the interest rate swaps was approximately \$88.3 million at March 31, 2011, \$88.6 million at December 31, 2010 and \$91.5 million at January 1, 2010. The mortgages of these specific properties have been included in the mortgage payable balance above.

CMHC provides mortgage loan insurance in connection with mortgages made to Boardwalk REIT. In an agreement dated September 13, 2002 and as amended and restated on January 19, 2005 and April 25, 2006, the Trust agreed to provide certain financial information to CMHC and be subject to certain restrictive covenants, including limitation on additional debt, payment of distributions in respect of Unitholders’ capital in the event of default, and maintenance of certain financial ratios. In the event of default, the Trust’s total financial liability under this Agreement is limited to a one-time penalty payment of \$250 thousand under a Letter of Credit issued in favor of CMHC.

During the year ended December 31, 2010 and the three months ended March 31, 2011, the Trust had a committed revolving credit facility with a major financial institution. This credit facility was secured by a first or second mortgage charge on specific real estate assets. The maximum amount available varies with the value of pledged assets to a maximum not to exceed \$200 million and an available limit of \$200 million as at March 31, 2011 (December 31, 2010 - \$200 million, January 1, 2010 - \$200 million). The credit facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. To the extent the credit facility is not extended, the drawn-down principal would be due two years later. There was no amount outstanding at March 31, 2011 (December 31, 2010 - \$nil, January 1, 2010 - \$nil) under this facility, except for Letters of Credit (“LCs”) issued and outstanding. The LCs totaled \$4.0 million as at March 31, 2011 (\$2.9 million as at December 31, 2010 and \$1.8 million as at January 1, 2010). As such, approximately \$196.0 million was available from this facility on March 31, 2011 (December 31, 2010 - \$197.1 million, January 1, 2010 - \$198.2 million). The credit facility carries interest rates ranging from prime to prime plus 1.0% per annum and had no fixed terms of repayment.

The covenants in relation to the credit facility are discussed in NOTE 28 (d).

NOTE 12: DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of \$120 million. The debentures are rated “BBB” with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.61% (5.31% prior to July 30, 2008), and will mature on January 23, 2012. In conjunction with the debenture issue, the Trust also entered in to a bond forward contract to hedge the risk of interest rate fluctuations prior to the final pricing of the debenture. The bond forward contract was settled when the debentures were issued for the settlement amount of \$0.7 million. The settlement amount is accounted for over the seven-year term of the unsecured debenture.

During the first quarter of 2009, the Trust acquired in the open market a total face value of \$7.6 million of these unsecured debentures for cancellation. These were purchased at a discount to the face value of the reported debentures.

The debenture holders, in a special meeting held July 30, 2008, approved an amendment to the Trust Indenture amending the maximum amount of indebtedness assumed or incurred by the Trust to not exceed 60% of Gross Book Value (“GBV”) when GBV is calculated under IFRS (70% of GBV prior to January 1, 2011 when GBV is calculated under Canadian GAAP). In addition, the Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) to Consolidated Interest Expense financial covenant was amended to 1.75 to 1 from 1.50 to 1 and the rate of interest on the debenture was increased to 5.61% from 5.31% commencing July 30, 2008 until the maturity date of January 23, 2012. These debt covenants are discussed in NOTE 28 (d).

As at	March 31, 2011		December 31, 2010		January 1, 2010	
	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance
Unsecured debenture						
Fixed rate	5.61%	\$ 112,255	5.61%	\$ 112,211	5.61%	\$ 111,834
Total		\$ 112,255		\$ 112,211		\$ 111,834
Current		112,255		–		–
Non-current		–		112,211		111,834
		\$ 112,255		\$ 112,211		\$ 111,834

The unsecured debentures principal balance of \$112.3 million is scheduled to mature on January 23, 2012. Upon maturity, the unsecured debentures will be settled using the Trust’s excess liquidity (comprised of cash of \$193.2 million and the available credit facility of \$196.0 million).

NOTE 13: LP CLASS B UNITS

The LP Class B Units, representing an aggregate fair value of \$215.3 million at March 31, 2011 (\$184.6 million – December 31, 2010 and \$165.8 million – January 1, 2010) are non-transferable, except under certain circumstances, but 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 entitles 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 have been classified as “FVTPL” financial liabilities in accordance with IAS 32. Gains or losses resulting from changes in the fair value at each reporting date are recorded in the condensed consolidated statement of comprehensive income and are discussed in NOTE 23.

As at March 31, 2011, December 31, 2010 and January 1, 2010, there were 4,475,000 LP Class B Units issued and outstanding.

NOTE 14: DEFERRED UNIT-BASED COMPENSATION

Deferred unit-based compensation is comprised of the following:

As at	March 31, 2011	December 31, 2010	January 1, 2010
Current	\$ 2,570	\$ 2,525	\$ 1,419
Non-current	3,713	2,904	2,777
	\$ 6,283	\$ 5,429	\$ 4,196

The total of \$6.3 million represents the fair value of the underlying deferred units at the reporting date (\$5.4 million – December 31, 2010 and \$4.2 million – January 1, 2010). These units have been classified as “FVTPL” financial liabilities in accordance with IAS 32. Gains or losses resulting from changes in the fair value at each reporting date are recorded in the condensed consolidated statement of comprehensive income.

Details of the deferred unit-compensation plan:

During 2006, the Trust implemented a deferred unit-based compensation plan. The plan entitles trustees and executives, at the participant’s option, to receive deferred units in consideration for trustee fees or a portion of executive cash bonuses, respectively, with the Trust matching the number of units received. The deferred units in consideration for trustee fees or a portion of executive cash bonuses vest immediately while the matching number of units received vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e. had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled to receive an equivalent number of Trust Units representing the vesting deferred units and the corresponding additional deferred units. Cash is granted for any fractional units. The deferred unit plan was approved by Unitholders on May 10, 2006 and amended on May 13, 2008 and May 13, 2009.

The following deferred unit-based compensation arrangements were in existence during the current and prior periods:

Deferred units granted in	Number	Grant date	Expiry Date	Fair value at grant date ⁽¹⁾
2006	72,746	February, June & December 2006	February, June & December 2011	\$ 1,854
2007	51,722	February, June & December 2007	February, June & December 2012	\$ 2,373
2008	81,620	February, June & December 2008	February, June & December 2013	\$ 2,730
2009	62,822	February, June & December 2009	February, June & December 2014	\$ 2,009
2010	58,585	February, June & December 2010	February, June & December 2015	\$ 2,326
2011	17,098	February 2011	February 2016	\$ 760
	344,593			\$ 12,052

(1) The fair value at grant date is determined based on the weighted average observable closing market prices of the Boardwalk REIT's Trusts Units on the Toronto Stock Exchange ten trading days preceding the grant date.

The initial cost of the deferred unit-based transactions is determined, in accordance with IFRS 2 – Share-based Payments (“IFRS 2”), as the fair value of the units on the grant date. As mentioned above, this fair value is determined based on the weighted average observable closing market prices of the Boardwalk REIT's Trusts Units ten trading days preceding the grant date. This initial cost of deferred units in consideration for trustee fees or a portion of executive cash bonuses is expensed immediately while the cost of the matching deferred units is expensed over the vesting period as follows:

- One third of the 50% which vests in year 3 is recognized in each of years 1, 2 and 3
- One quarter of the 25% which vests in year 4 is recognized in each of years 1, 2, 3 and 4
- One fifth of the 25% which vests in year 5 is recognized in each of years 1, 2, 3, 4 and 5.

For the three months ended March 31, 2011 total costs of \$0.5 million were recognized (March 31, 2010 – \$0.5 million) in profit related to executive bonuses and trustee fees under the deferred unit plan.

The status of the outstanding deferred units was as follows:

	# of Units Outstanding	# of Units vested
Balance, January 1, 2010	201,882	-
Deferred units granted	58,585	39,653
Additional deferred units earned on units	12,033	5,430
Deferred units converted to Trust Units or cash	(45,083)	(45,083)
Deferred units cancelled	(4,121)	-
Balance, December 31, 2010	223,296	-
Deferred units granted	17,098	16,356
Additional deferred units earned on units	2,359	3,426
Deferred units converted to Trust Units or cash	(14,372)	(14,318)
Balance, March 31, 2011	228,381	5,464

NOTE 15: TRADE AND OTHER PAYABLES

The components of the trusts accounts payable and accrued liabilities are as follows:

As at	March 31, 2011	December 31, 2010	January 1, 2010
Trade payables and accrued liabilities	\$ 42,529	\$ 52,924	\$ 52,126
Provisions	3,249	2,724	2,501
	\$ 45,778	\$ 55,648	\$ 54,627

As at March 31, 2011, December 31, 2010 and January 1, 2010, the Trust's most significant provision relates to vacation payable to its employees within each individual employee's employment agreement. The remaining provisions relate to legal claims arising from minor tenant injuries.

As at March 31, 2011, December 31, 2010 and January 1, 2010, the Trust does not have any material contingent liabilities. Contingent liabilities relating to legal claims arising from minor tenant injuries, however, have not been recognized as a liability as the settlement amount is unknown.

NOTE 16: INCOME TAXES

Current income tax

As at March 31, 2011, December 31, 2010 and January 1, 2010, none of the Trust's corporate entities have current taxes payable. Each corporate entity either has sufficient tax deductions to offset any taxable income or has operating losses from previous years to apply against any taxable income. As such, no current income taxes payable was recorded for the Trust's corporate entities.

Deferred income tax

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) (the "Tax Act"), and accordingly is not taxable on its income to the extent that its taxable income is distributed to its Unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax.

The Tax Act contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation"). Based on a detailed review of the SIFT Legislation, it could be interpreted that for fiscal 2010 the Trust did not qualify as a Real Estate Investment Trust ("REIT") in accordance with the definition contained in the legislation, which would be exempt from the specified investment flow-through ("SIFT") rules. As such, the Trust has considered the tax consequence of not qualifying as a REIT.

On March 4, 2009, Bill C-10 passed Third Reading in the House of Commons and on March 12, 2009 it received Royal Assent. Therefore, the provisions of the Bill were considered substantively enacted under IFRS at March 31, 2009. This Bill clarifies the definition of and criteria for being a REIT, including the definition of what is considered 'rent from real or immovable properties'. However, despite clarifying the definition of and criteria for being a REIT, further clarification is still required on the characteristics of gains on dispositions of real or immovable properties as they flow through the Trust's organizational structure.

While the Trust waited for further clarification from the Government of Canada, a deferred income tax liability has been recorded on the Trust's financial statements using the liability method on temporary differences between the tax basis and carrying amounts of assets and liabilities at December 31, 2010. The Trust recorded an estimate of its deferred income tax liability recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. The carrying amounts of the deferred income tax asset and deferred tax liability are reviewed at each reporting date and adjusted, if required.

On December 16, 2010, the Finance Department of the Government of Canada proposed amendments through the release of draft legislation clarifying the definition of a REIT for Canadian income tax purposes. The proposed amendments included the following clarifications as applicable to the Trust: (i) amounts distributed to a REIT by an entity to which the REIT has a significant interest will retain the source character of income earned by the subsidiary entity, and (ii) the revenue requirements in the definition of a REIT will be amended by replacing the term "revenues" with the term "gross REIT revenue", which is defined as (a) an amount received in the taxation year or receivable in the taxation year by the entity otherwise than on account of capital, plus (b) capital gains on dispositions of real or immovable properties, but will not include recapture or other amounts that are on account of capital.

The proposed changes in its current form will allow the Trust to unambiguously qualify as a REIT for Canadian income tax purposes. However as at March 31, 2011, these changes were not considered substantively enacted in accordance with IFRS. Whether or not these proposed changes become substantively enacted, the Trust does qualify as a REIT for Canadian income tax purposes commencing on January 1, 2011.

The source of deferred tax balances and movements were as follows:

As at	December 31, 2010	Recognized in profit (loss)	March 31, 2011
Deferred tax (liabilities) /assets related to:			
Operating losses	\$ 565	\$ (118)	\$ 447
Differences in tax base and carrying amount, net, investment properties and PP&E, SIFT Legislation	(740,355)	740,355	–
Differences in tax base and carrying amount, net, investment properties and PP&E, Corporations	117	(27)	89
Other	(5)	(16)	(21)
Net deferred tax liabilities	\$ (739,678)	\$ 740,194	\$ 515
Deferred tax asset	681	(145)	536
Deferred tax liability	(740,359)	740,339	(21)
Net deferred tax (liabilities) assets	\$ (739,678)	\$ 740,194	\$ 515

As at	January 1, 2010	Recognized in profit	December 31, 2010
Deferred tax (liabilities) /assets related to:			
Operating losses	\$ 686	\$ (121)	\$ 565
Differences in tax base and carrying amount, net, investment properties and PP&E, SIFT Legislation	(692,538)	(47,817)	(740,355)
Differences in tax base and carrying amount, net, investment properties and PP&E, Corporations	(15)	132	117
Other	(363)	358	(5)
Net deferred tax liabilities	\$ (692,230)	\$ (47,448)	\$ (739,678)
Deferred tax asset	686	(121)	681
Deferred tax liability	(692,916)	(47,327)	(740,359)
Net deferred tax liabilities	\$ (692,230)	(47,448)	\$ (739,678)

No current income taxes or deferred income taxes were recognized in equity or OCI for the three months ended March 31, 2011 or the year ended December 31, 2010.

Wholly owned Canadian corporate subsidiaries have deferred tax assets of \$447 thousand (December 31, 2010 – \$565 thousand, January 1, 2010 – \$686 thousand) related to operating losses, which expire over the next four to twenty years. The Trust believes that future income of these entities, which gave rise to the deferred tax assets, will be sufficient to utilize these deferred tax assets prior to their expiration.

The major components of income tax expense (recovery) include the following:

	3 months ended March 31, 2011	3 months ended March 30, 2010
Current tax expense	\$ –	\$ –
Deferred tax expense (recovery)	(740,194)	9,979
Total income tax expense (recovery)	\$ (740,194)	\$ 9,979

The income tax expense (recovery) for the quarter can be reconciled to the accounting profit as follows:

	3 months ended March 31, 2011	3 months ended March 30, 2010
Profit (loss) before income tax expense	\$ (17,680)	\$ 53,854
Remove profit from non taxable entities	27,506	(45,203)
Accounting profit subject to tax	9,826	8,651
Deduct management fee charged to corporate entities	(9,926)	(9,403)
Taxable profit	(100)	(752)
Weighted average substantively enacted tax rate	26.63%	26.77%
Calculated income tax expense (recovery)	(27)	(201)
Reversal of previously recorded SIFT liability	(740,355)	-
Changes to other deferred tax liabilities	188	10,180
Total income tax expense (recovery)	\$ (740,194)	\$ 9,979

As at March 31, 2011, December 31, 2010 and January 1, 2010, the Trust does not have any unrecognized deductible temporary differences, unused tax losses and unused tax credits.

NOTE 17: UNITHOLDERS' EQUITY

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 \$10.3 million in restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT Units or Class B Limited Partnership Units ("LP Class B Units") of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership. 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 LP Class B Units are classified as a financial liability in accordance with IAS 32 and are discussed in NOTE 14.

(a) REIT Units

REIT Units represent 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.

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.

Units issued and outstanding changed as follows:

As at	March 31, 2011	December 31, 2010	January 1, 2010
REIT Units outstanding, beginning of period	47,891,133	48,269,467	49,002,042
Units issued for vested deferred units	14,366	45,066	57,425
Units purchased and cancelled	(160,900)	(423,400)	(790,000)
REIT Units outstanding, end of period	47,744,599	47,891,133	48,269,467

On a periodic basis, Boardwalk REIT will apply to the Toronto Stock Exchange (“TSX”) for approval of Normal Course Issuer Bids (the “Bids”). Pursuant to regulations of these Bids, Boardwalk REIT will receive approval to purchase and cancel a specified number of Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Bids will terminate on the earlier of the termination date or at such time as the purchases under the Bid are completed.

For the three months ended March 31, 2011 and for the year ended December 31, 2010, Boardwalk REIT purchased and cancelled the following Trust Units:

Bid Number	March 31, 2011			December 31, 2010		
	Number of Trust Units Purchased and Cancelled	Purchase Cost	Cost per Trust Unit	Number of Trust Units Purchased and Cancelled	Purchase Cost	Cost per Trust Unit
1	-	-	-	-	-	-
2	-	-	-	-	-	-
3	-	-	-	208,400	\$ 8,221	\$ 39.45
4	160,900	\$ 6,740	\$ 41.89	215,000	\$ 8,803	\$ 40.95
	160,900	\$ 6,740	\$ 41.89	423,400	\$ 17,024	\$ 40.21

Since the Trust began utilizing normal course issuer bids, Boardwalk REIT has purchased and cancelled Trust Units under the following Bids:

Bid Number	Approval date	Termination date	Maximum Trust Units allowed to be Purchased and Cancelled	Cumulative Number of Trust Units Purchased and Cancelled	Cumulative Purchase Cost	Average Cost per Trust Unit
1	August 10, 2007	August 17, 2008	4,267,048	2,522,447	\$ 103,865	\$ 41.18
2	August 18, 2008	August 19, 2009	4,040,192	1,436,000	42,880	\$ 29.86
3	August 24, 2009	August 23, 2010	3,932,211	208,400	8,221	\$ 39.45
4	August 20, 2010	August 23, 2011	3,918,286	375,900	15,543	\$ 41.35
				4,542,747	\$ 170,509	\$ 37.53

(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 that 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.

In summary, the trust has the following capital securities outstanding:

	Units outstanding March 31, 2011	Monthly Distribution	Units outstanding December 31, 2010	Monthly Distribution
Boardwalk REIT Units	47,744,599	\$0.15/unit	47,891,133	\$0.15/unit
Special Voting Units	4,475,000	N/A	4,475,000	N/A

Monthly distributions are determined at the discretion of the Board of Trustees. Distributions are payable monthly, when declared by the Board of Trustees, on or about the 15th day of the following month. Distributions totaling \$7.2 million (\$0.15 per unit) were declared on April 30, 2011 to be paid on May 15, 2011. As these distributions were declared after March 31, 2011, they have not been included as a liability in the balance sheet.

(c) Losses on settlement of effective bond forward

For the three months ended March 31, 2011 and March 31, 2010, losses on settlement of effective bond forward consists of the following amounts:

	3 months ended March 31, 2011	3 months ended March 30, 2010
Losses on settlement of effective bond forward, beginning of period	\$ (201)	\$ (224)
Losses on settlement of effective bond forward	12	10
Losses on settlement of effective bond forward, end of period	\$ (189)	\$ (214)

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which comprised of bond forward contracts on specific mortgages set to mature and be renewed in 2008, was for a total nominal amount of \$101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. Subsequent to entering into this Transaction, the Trust initiated changes to the terms of one of the contracts in the Transaction and negotiated a settlement loss of \$100 thousand related to the changes. This contract was assessed to be an ineffective hedge and the settlement loss of \$100 thousand was included in financing costs for the quarter ended March 31, 2008. During the second quarter ended June 30, 2008, the remaining bond forward contracts in the Transaction were settled. Except for one of the contracts, all remaining contracts were assessed to be ineffective hedges and the net settlement loss of \$168 thousand was included in financing costs for the second quarter. The bond forward contract assessed to be an effective hedge was settled for a loss of \$284 thousand, which will be amortized over the term of the new financing. As at March 31, 2011, the unamortized balance was \$189 thousand (December 31, 2010 unamortized balance - \$201 thousand and \$224 thousand at transition date on January 1, 2010). The amount of \$12 thousand was recognized in profit or loss under financing charges for the three months ended March 31, 2011 (\$10 thousand for the three months ended March 31, 2010).

(d) Earnings per unit

	3 months ended March 31, 2011	3 months ended March 30, 2010
Numerator		
Profit – basic	\$ 722,514	\$ 43,875
Gain (loss) on fair value adjustments to unexercised deferred units	849	323
Distribution paid on LP Class B units	2,014	2,014
Gain (loss) on fair value adjustment to LP Class B units	30,699	14,320
Profit – diluted	\$ 756,076	\$ 60,532
Denominator		
Weighted average units outstanding – basic	47,839,291	48,273,456
Unexercised deferred units	1,943	3,729
Conversion of LP Class B units	4,475,000	4,475,000
Weighted average units outstanding - diluted	52,316,234	52,752,185
Earnings per unit – basic	\$ 15.10	\$ 0.91
Earnings per unit – diluted	\$ 14.35	\$ 1.15

All dilutive elements were included in the calculation of diluted per unit amounts as the effect of settling all outstanding deferred units and LP Class B units is dilutive.

NOTE 18: RENTAL REVENUE

The Trust leases residential rental properties under operating leases generally with a term of not more than 12 months and in many cases tenants lease rental space on a month-to-month basis. Rental incentives may be offered as part of a rental agreement and the costs associated with these incentives are amortized over the term of the lease and netted against residential rental revenue. As such, rental revenue represents all revenue earned from the Trust's operating leases and totaled \$102.6 million for the three months ended March 31, 2011 (\$104.2 million – three months ended March 31, 2010).

As at March 31, 2011, under its non-cancellable operating leases, Boardwalk REIT was entitled to the following minimum future payments:

	Within 12 months	2 to 5 years	Over 5 years
Operating leases	\$ 167,326	\$ 21,718	\$ 1,773

NOTE 19: OTHER INCOME

Other income was comprised of the following:

	3 months ended March 31, 2011	3 months ended March 30, 2010
Revenue from coin laundry and vending machines	\$ 1,288	\$ 1,318
Revenue from telephone and cable providers	366	323
Total	\$ 1,654	\$ 1,641

NOTE 20: FINANCING COSTS

Financing costs are comprised of interest on mortgages payable, interest on the unsecured debentures, distributions paid to the LP Class B Unitholders and other interest charges. Financing costs are net of interest income earned. Financing costs total \$26.5 million for the three months ended March 31, 2011 (\$28.1 million – March 31, 2010) and can be summarized as follows:

	3 months ended March 31, 2011	3 months ended March 30, 2010
Interest on secured debt (mortgages payable)	\$ 23,129	\$ 24,375
Interest on unsecured debt (debentures)	1,576	1,576
LP Class B unit distribution	2,014	2,014
Other interest charges	380	350
Interest income	(626)	(259)
Total	\$ 26,473	\$ 28,056

NOTE 21: DEPRECIATION AND AMORTIZATION

The components of depreciation and amortization were as follows:

	3 months ended March 31, 2011	3 months ended March 30, 2010
Amortization of deferred financing costs	\$ 1,769	\$ 1,774
Depreciation of property, plant and equipment	765	777
Total	\$ 2,534	\$ 2,551

NOTE 22: LOSS ON SALE OF ASSETS

For the quarter ended March 31, 2011 there were no dispositions of the Trust's investment properties.

In the first quarter of 2010, Boardwalk REIT disposed of a 321 unit apartment building located in Gatineau, Quebec (Quebec operating segment). The loss on sale was as follows:

	3 months ended March 31, 2011	3 months ended March 30, 2010
Gross sales price	\$ –	\$ 19,350
Cost of disposition	–	(266)
Net cash proceeds	–	19,084
Carrying value of investment property sold	–	(19,350)
Other adjustments on disposition	–	(328)
Loss on disposition	\$ –	\$ (594)

NOTE 23: FAIR VALUE GAINS (LOSSES)

The components of fair value gains (losses) were as follows:

	3 months ended March 31, 2011	3 months ended March 30, 2010
Investment properties	\$ (11,485)	\$ 42,726
Financial liabilities designated as FVTPL		
Deferred unit-based compensation	(849)	(323)
LP Class B Units	(30,699)	(14,320)
Total fair value gains (losses)	\$ (43,033)	\$ 28,083

NOTE 24: OPERATING LEASES

The Trust has entered into various lease agreements as part of the normal course of its operations. The following represents the major type of leases the Trust maintains as lessee, all of which qualify as operating leases in accordance with IAS 17 - Leases ("IAS 17"):

(i) *Ground leases*

The Trust has entered into non-cancellable ground leases for land related to five of its buildings which sit on land that is not owned by the Trust. Remaining terms of the Trust's ground leases range from 19 to 55 years as at March 31, 2011.

(ii) *Warehouse and office space leases*

The Trust has entered into lease agreements for warehouse space and some office space it utilizes but does not own. A portion of the office space leased is subleased to other businesses. All of the leasing arrangements related to warehouse space have renewal options of between one and five years with the exception of one of the leasing arrangements for which no renewal option exists. The office space lease expires in December of 2011 and has a renewal option between one and five years. The same terms exist for the office space subleases.

As at March 31, 2011 future minimum lease payments related to these leases were as follows:

	Within 12 months	2 to 5 years	Over 5 years
Ground leases	\$ 3,415	\$ 14,026	\$ 137,223
Warehouse and office space*	750	1,306	-
	\$ 4,165	\$ 15,332	\$ 137,223

* This is net of \$195 thousand of funds received annually from the sublease of office space to a third-party lessee. This sublease expires in December 2011.

The Trust recognized lease expenses of \$1.0 million and received sublease payments of \$65 thousand for the three months ended March 31, 2011. For the three months ended March 31, 2010, the Trust made lease payments of \$0.7 million and received sublease payments of \$60 thousand.

NOTE 25: GUARANTEES, CONTINGENCIES, COMMITMENTS AND OTHER

From time to time, the Trust enters into various supply contracts for energy commodities to hedge its usage.

A supply contract was negotiated to provide price certainty for natural gas usage in the province of Saskatchewan. The contract covered all of the Trust's natural gas requirements for this province. The contract was for the period from November 1, 2008 to October 31, 2009 and provided the commodity at a price of \$8.28/GJ. At maturity, the Trust negotiated a new physical supply agreement for Saskatchewan, which covered the period from November 1, 2009 to October 31, 2010 and provided the commodity at a price of \$4.98/GJ. This physical supply agreement was renewed for a further one-year term, commencing November 1, 2010 to October 31, 2011, and provided the natural gas commodity at a price of \$4.81/GJ.

In addition to the province of Saskatchewan, the Trust entered into a natural gas supply contract for the provinces of Ontario and Quebec. The contract covered between 85% and 95% of the Trust's natural gas requirements for these provinces. The physical supply agreement for Ontario and Quebec covered the period from November 1, 2008 to October 31, 2009 and provided the commodity at a price of \$7.68/GJ. An additional supply contract covering the

period from November 1, 2009 to October 31, 2010 was negotiated to ensure supply of approximately 50% of the natural gas usage for Ontario and Quebec at a price of \$7.65/GJ. This additional supply contract was renewed for a further one-year term commencing November 1, 2010 to October 31, 2011. The renewal provides the commodity at a price of \$4.07/GJ. On October 21, 2010, the Trust negotiated a two year supply contract to ensure supply of the remaining 50% of natural gas usage for Ontario and Quebec at a price of \$4.11/GJ for the period from November 1, 2010 to October 31, 2012.

On June 10, 2010, the Trust entered into a long-term supply contract with one electrical utility company to supply the Trust with its electrical power needs for southern Alberta for a three-year period commencing October 1, 2010 and ending September 30, 2013 at a blended rate of approximately \$0.06/kWh.

On September 13, 2010, the Trust entered into a long-term supply contract with one electrical utility company to supply the Trust with its electrical power needs for northern Alberta for a five-year period commencing October 1, 2010 and ending September 30, 2015 at a blended rate of approximately \$0.06/kWh.

The unsecured debentures principal balance of \$112.3 million is scheduled to mature on January 23, 2012. Upon maturity, the unsecured debentures will be settled using the Trust's excess liquidity (comprised of cash of \$193.2 million and the available credit facility of \$196.0 million).

Boardwalk REIT, in the normal course of operations, will become subject to a variety of legal and other claims against the Trust, most of which are minor in nature. Management and the Trust's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims.

In the normal course of business, various agreements may be entered that may contain features that meet the definition of a contingent liability in accordance with IAS 37. In connection with the sales of properties, a mortgage assumed by the purchaser may 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. These guarantees are considered contingent liabilities as payment of the amount will only occur if the purchaser defaults, if the purchaser does not default, the balance is not payable. Boardwalk REIT's maximum exposure at March 31, 2011 is \$nil million (March 31, 2010 - \$3.2 million). In the event of default by the purchaser, 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 March 31, 2011 and December 31, 2010, no amounts have been recorded in the condensed consolidated financial statements with respect to the above noted indirect guarantees.

NOTE 26: CAPITAL MANAGEMENT AND LIQUIDITY

The Trust defines capital resources as the aggregate of Unitholders' equity at market value, debt (both secured and unsecured), internally generated funds, amounts available under credit facilities and cash on hand. The Trust's capital management framework is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to Boardwalk REIT's DOT as well as existing debt covenants and continue building long-term Unitholder value while maintaining sufficient capital contingency. The main components of the Trust's capital allocation are approved by its Unitholders as stipulated in the Trust's DOT and on a regular basis by its Board of Trustees (the "Board") through their annual review of the Trust's strategic plan and budget, supplemented by periodic Board and Board Committee meetings. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the DOT and debt covenants. Boardwalk REIT's DOT provides for a maximum total debt level of up to 70% of Gross Book Value ("GBV"), defined in the DOT as total assets plus the amortization of property, plant and equipment as recorded by the Trust (and calculated in accordance with the DOT). The DOT also defines debt to exclude trade accounts payable, distribution payable, securities issued by the Trust or its subsidiaries, including, but not limited to, the LP Class B Units, and accrued liabilities arising in the ordinary course of business. Therefore, the LP Class B Units and the deferred unit-based compensation plan are excluded from the calculation of the Debt to GBV covenant test.

As a matter of internal policy, the Trust has a target of total debt levels not to exceed 60% of GBV. The following table highlights Boardwalk REIT's existing leverage ratio in accordance with the DOT:

As at	March 31, 2011	December 31, 2010	January 1, 2010
Total assets	\$ 4,552,680	\$ 4,585,925	\$ 4,359,226
Amortization of non building assets	31,505	30,739	27,527
	4,584,185	4,616,664	4,386,753
Mortgages payable	2,143,793	2,153,206	2,145,638
Unsecured debenture	112,255	112,211	111,834
	\$ 2,256,048	\$ 2,265,417	\$ 2,257,472
Adjusted Debt to GBV	49.2%	49.1%	51.5%

With a DOT limit not to exceed 70% on Adjusted Debt-to-Gross Book Value and a Debenture Trust Indenture not to exceed 60% on Adjusted Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional debt of approximately \$475.6 million (December 31, 2010 – \$486.1 million, January 1, 2010 – \$358.1 million) to its existing portfolio. Additionally, the Trust's DOT contains provisions that have the effect of limiting capital expended by the Trust.

The Trust employs a broad range of financing strategies to facilitate growth and manage financial risk. The Trust's objective is to reduce its weighted average cost of capital and improve Unitholder distributions through value enhancement initiatives and consistent monitoring of the balance between debt and equity financing. As at March 31, 2011, the Trust's weighted average cost of capital was 4.30%.

The following schedule details the components of the Trust's capital and the related costs thereof:

As at	March 31, 2011		December 31, 2010		January 1, 2010	
	Cost of Capital ⁽¹⁾	Underlying Value ⁽²⁾	Cost of Capital ⁽¹⁾	Underlying Value ⁽²⁾	Cost of Capital ⁽¹⁾	Underlying Value ⁽²⁾
Liabilities						
Mortgages payable	4.18%	\$ 2,191,633	4.20%	\$ 2,221,676	4.47%	\$ 2,192,768
Unsecured debenture	5.61%	114,783	5.61%	115,521	5.61%	116,449
LP Class B Units	3.74%	215,291	4.36%	184,594	4.86%	165,799
Deferred unit-based compensation	4.41%	6,283	5.26%	5,429	5.96%	4,196
Unitholders' equity						
Boardwalk REIT Units	4.41%	2,296,993	5.26%	1,975,509	5.96%	1,788,384
Total	4.30%	\$ 4,824,983	4.71%	\$ 4,502,729	5.01%	\$ 4,267,596

(1) As a percentage of average carrying value unless otherwise noted.

(2) Underlying value of liabilities represents carrying value or the cost to retire on maturity. Underlying value of common equity is based on the closing stock price of the Trust's Units.

Mortgages payable – These are the mortgages outstanding on the Trust's investment properties. The debt is primarily fixed rate debt and approximately 99.6% of this debt at March 31, 2011 is insured under the National Housing Act ("NHA"). These financings are typically structured on a loan to appraised value basis between 75-80%. The Trust currently has a level of indebtedness of approximately 55% of the fair value of the Trust's investment properties. This level of indebtedness is considered by the Trust to be within its target.

Unsecured debenture – The unsecured debenture represents the debt outstanding on a debenture issuance in a public offering on January 21, 2005. Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of \$120 million. The debentures are rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.61% (5.31% prior to July 30, 2008), and will mature on January 23, 2012. During the first quarter of 2009, the Trust acquired in the open market a total face value of \$7.6 million of these unsecured debentures for cancellation. These were purchased at a discount to the face value of the reported debentures. See Note 12 above for additional information on the unsecured debenture.

LP Class B Units – These Units are non-transferable, except under certain circumstances, but 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 entitles 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 have been classified as "FVTPL" financial liabilities in accordance with IAS 32. Gains or losses resulting from changes in the fair value at each reporting date are recorded in the condensed consolidated statement of comprehensive income.

As outlined in NOTE 28 (d), Boardwalk REIT's debenture and committed revolving credit facility agreements contain financial covenants.

Available liquidity as at March 31, 2011 included cash on hand of \$193.2 million (December 31, 2010 - \$228.1 million, January 1, 2010 - \$190.3 million) as well as an unused committed revolving credit facility of \$196.0 million (December 31, 2010 - \$197.1 million, January 1, 2010 - \$198.2 million). The Trust monitors its ratios and as at March 31, 2011 and 2010, December 31, 2010 and January 1, 2010, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

NOTE 27: FINANCIAL INSTRUMENTS

(a) Hedging transactions

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which comprised of bond forward contracts on specific mortgages set to mature and be renewed in 2008, was for a total nominal amount of \$101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. Except for one of the contracts, all remaining contracts were assessed to be ineffective hedges. The bond forward contract assessed to be an effective hedge was settled for a loss of \$284 thousand, which will be amortized over the term of the new financing. As at March 31, 2011, the unamortized balance is \$189 thousand (December 31, 2010 unamortized balance - \$201 thousand, January 1, 2010 - \$224 thousand) and \$12 thousand was recognized in profit under financing charges for the three months ended March 31, 2011 (\$10 thousand for the three months ended March 31, 2010).

During the first quarter of 2008, the Trust entered into an interest rate swap agreement on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges on March 11, 2008. The effective date of the hedge was May 1, 2008 and the agreements will continue to be designated as such until May 1, 2015. Settlements on both the fixed and variable portion of the interest rate swap will occur on a monthly basis. The fixed interest rate is 4.15%, plus a stamping fee of 0.25%, while the total amount of the mortgage debt subject to the interest rate swap is \$88.3 million (December 31, 2010 - \$88.6 million, January 1, 2010 - \$91.5 million). As at March 31, 2011, the fair value of the mortgage debt subject to the interest rate swap was \$91.0 million (December 31, 2010 - \$92.7 million, January 1, 2010 - \$92.0 million).

The Trust has determined the interest rate swap agreement described above to be an effective cash flow hedge in accordance with IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). The effectiveness of the hedging relationship has been assessed at the transition date to IFRS and will be reviewed on a quarterly basis and measured at fair value. The portion of the gain or loss on the swap transaction that is determined to be an effective hedge will be recognized in other comprehensive income ("OCI"). The ineffective portion of the hedging gain or loss on the swap transaction will be recognized immediately in net earnings. On recognition of the financial liability of the hedged item on the statement of financial position, the associated gains or losses that were recognized in OCI will be reclassified into net earnings in the same period or periods during which the interest payments of the hedged item affected net earnings. However, if all or a portion of the net loss recognized in OCI will not be recovered in one or more future periods, the amount not expected to be recovered will be immediately reclassified into net earnings.

As at March 31, 2011, the interest rate swap agreement was reassessed to be an effective hedge and, consistent with the previous periods, any gains or losses on the interest rate swap agreement were recognized in earnings in the periods during which the interest payments on the hedged items were recognized.

(b) Fair value of financial instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for similar term and current credit spreads for debt with similar terms and risk. The fair values of the Trust's financial instruments were determined as follows:

- i) the carrying amounts of trade and other receivables, segregated tenants' security deposits, cash, refundable tenants' security deposits and trade and other payables approximate their fair values due to their short-term nature.

ii) the fair values of the Trust's mortgages payable and debentures are estimates made at a specific point in time, based on relevant market information. These estimates are based on quoted market prices for the same or similar issues or on the current rates offered to the Trust for similar financial instruments subject to similar risks and maturities.

iii) the fair values of the deferred unit compensation plan and the LP Class B Units are estimates at a specific point in time, based on the closing market price of the REIT Units listed on the Toronto Stock Exchange.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values. The significant financial instruments of Boardwalk REIT and their carrying values as at March 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

As at	March 31, 2011				December 31, 2010		January 1, 2010	
	FVTPL Fair Value	Other liabilities Amortized Cost	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Financial liabilities								
Mortgages payable	\$ –	\$ 2,143,793	\$ 2,143,793	\$ 2,191,633	\$ 2,153,206	\$ 2,221,676	\$ 2,145,638	\$ 2,192,768
Debentures	–	112,255	112,255	114,783	112,211	115,521	111,834	116,449
LP Class B Units	215,291	–	215,291	215,291	184,594	184,594	165,799	165,799
Deferred unit-based compensation	6,283	–	6,283	6,283	5,429	5,429	4,196	4,196

The fair value of the Trust's mortgages payable and debentures exceeded the recorded value by approximately \$50.4 million at March 31, 2011 (December 31, 2010 - \$71.8 million and \$51.7 million at January 1, 2010), due to changes in interest rates since the dates on which the individual mortgages and debentures were last contracted. The fair value of the mortgages payable and debentures have been estimated based on the current market rates for mortgages and debentures with similar terms and conditions. The fair value of the Trust's mortgages payable and debentures is an amount computed based on the interest rate environment prevailing at March 31, 2011, December 31, 2010 and January 1, 2010, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs or penalties to Boardwalk REIT if the mortgages and debentures are held to maturity.

The fair value hierarchy of financial instruments measured at fair value on the statement of financial position is as follows:

As at	March 31, 2011			December 31, 2010			January 1, 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets									
Cash	\$ 193,216	\$ –	\$ –	\$ 228,086	\$ –	\$ –	\$ 190,325	\$ –	\$ –
Financial liabilities									
LP Class B Units	215,291	–	–	184,594	–	–	165,799	–	–
Deferred unit-based compensation	6,283	–	–	5,429	–	–	4,196	–	–

The three levels of the fair value hierarchy are described as follow:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As at March 31, 2011, December 31, 2010 and January 1, 2010, the Trust had no embedded derivatives requiring separate recognition.

The nature of these financial instruments and the Trust's operations expose the Trust to certain principal financial risks. The main objective of the Trust's risk management process is to properly identify financial risks and minimize the exposure to potential losses arising from those risks. The principal financial risks to which the Trust is exposed are described below.

NOTE 28: RISK MANAGEMENT

(a) Interest rate risk

The Trust is exposed to interest rate risk as a result of its mortgages payable, debentures and credit facilities; however, this risk is minimized through the Trust's current strategy of having the majority of its mortgages payable and debentures in fixed terms arrangements. As such, the Trust's cash flows are not significantly impacted by a change in market interest rates. In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to interest rates in any one year. The majority of the Trust's mortgages are also insured by the Canadian Mortgage and Housing Corporation ("CMHC") under the National Housing Act ("NHA") mortgage program. This added level of insurance offered to lenders allows the Trust to receive advantageous interest rates while minimizing the risk of mortgage renewals or extensions, and significantly reduces the potential for a lender to call a loan prematurely. In addition, management is constantly reviewing its committed revolving credit facility (floating-rate debt) and, if market conditions warrant, the Trust has the ability to convert its existing floating-rate debt to fixed rate debt.

As at March 31, 2011, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at March 31, 2011, 99.6% was fixed-rate debt and 0.4% was floating-rate debt. For the quarter ended March 31, 2011, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be \$83 thousand (March 31, 2010 – \$nil).

(b) Credit risk

The Trust is exposed to credit risk as a result of its trade and other receivables. This balance is comprised of mortgage holdbacks and refundable mortgage fees, accounts receivable from significant customers and tenant receivables. As at March 31, 2011, no balance relating to mortgage holdbacks, refundable mortgage fees or accounts receivable from significant customers was past due.

In relation to mortgage holdbacks and refundable mortgage fees, the Trust's exposure to credit risk is low given the nature of these balances. These funds will be advanced when the Trust has met the conditions pursuant to the mortgage agreement (in the case of the mortgage holdback) or when financing is completed (in the case of refundable mortgage fees), both of which are expected to occur.

Similar to mortgage holdbacks and refundable mortgage fees, the Trust assesses the credit risk on accounts receivable to be low due to the assured collection of these balances. The majority of the balance relates to money owing from the Trust's revenue sharing initiatives. Given the Trust's collection history and the nature of these customers, credit risk is assessed as low. Additionally, an amount is owed by insurance companies in relation to current outstanding claims. In all circumstances, the insurance deductible has been paid and amounts incurred and owing for reimbursement are due to an insurable event. Recoverability may differ from the amount owing solely due to discrepancies between the Trust and the insurance provider regarding the value of replacement costs.

With tenant receivables, credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The maximum exposure to credit risk is equal to the carrying value of the financial assets. Rent payments from tenants are due on the first of the month and tenants generally pay a security deposit – both of these actions mitigate against bad debts.

As stated above, the carrying amount of tenant receivables reflects management's assessment of the credit risk associated with its tenants; however, the Trust mitigates this risk of credit loss by geographically diversifying its existing portfolio, by limiting its exposure to any one tenant and by conducting thorough credit checks with respect to all new rental leasing arrangements. In addition, where legislation allows, the Trust obtains a security deposit from a tenant to assist in the recovery of monies owed to the Trust.

Past due receivables (receivables which are greater than 30 days) are reviewed by management on a monthly basis and tenant receivables are considered for impairment on a case-by-case basis. The Trust takes into consideration the tenant's payment history, their credit worthiness and the current economic environment, however, tenant receivable balances exceeding 60 days are typically written off to bad debt expense as the Trust does not utilize an allowance for

doubtful accounts. The amount of the loss is recognized in the condensed consolidated statement of comprehensive income within operating expenses. Subsequent recoveries of amounts previously written off are credited against operating expenses during the period of settlement. As tenant receivables are typically written off after 60 days, none of the balance is considered to be past due by the Trust. For the 3 months ended March 31, 2011 bad debt expense totaled \$1.47 million (3 months ended March 31, 2010 – \$ 1.47 million).

The credit risk of both Boardwalk REIT and the counter party have been taken into account in determining the fair value of Boardwalk REIT's trade and other receivables.

(c) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they become due. The Trust maintains what it believes to be conservatively leveraged assets and can finance any future growth through one or a combination of internally generated cash flows, borrowing under an existing committed revolving credit facility, the issuance of debt or the issuance of equity, according to its capital management objectives. In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to liquidity risk in any one year. In addition, cash flow projections are completed and reviewed on a regular basis to ensure the Trust has sufficient cash flows to make its monthly distributions to its Unitholders. Finally, financial assets, such as cash and trade and other receivables, will be realized within the next twelve months and can be utilized to satisfy the Trust's financial liabilities. Given the Trust's currently available liquid resources (from both financial assets and on-going operations) as compared to its contractual obligations, management assesses the Trust's liquidity risk to be low.

The following table details the Trust's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods:

Year of Maturity	Mortgages payable		Debentures	
	Weighted average interest rate	Principal outstanding	Weighted average interest rate	Principal outstanding
2011	4.57%	\$ 218,728	–	\$ –
2012	4.89%	456,681	5.61%	112,405
2013	4.51%	290,071	–	–
2014	3.51%	431,237	–	–
2015	3.73%	431,203	–	–
Subsequent	4.31%	407,275	–	–
	4.18%	2,235,195	5.61%	112,405
Unamortized deferred financing costs		(91,597)		(150)
Unamortized mark-to-market adjustment		195		–
		\$ 2,143,793		\$ 112,255

(d) Debt covenants

As outlined in its mortgages payable agreements, the Trust is required to make equal monthly payments of principal and interest based on the respective amortization period. Additionally, the Trust must ensure that all property taxes have been paid in full when they become due and that no arrearages exist.

CMHC provides mortgage loan insurance in connection with mortgages made to Boardwalk REIT. In an agreement dated September 13, 2002 and as amended and restated on January 19, 2005 and April 25, 2006, the Trust agreed to provide certain financial information to the CMHC and be subject to certain restrictive covenants, including limitation on additional debt, payment of distributions in respect to Unitholders' capital in the event of default, and maintenance of certain financial ratios. In the event of default, the Trust's total financial liability under this agreement is limited to a one-time penalty payment of \$250 thousand under a Letter of Credit issued in favor of CMHC.

In accordance with the debenture agreement, the Trust is required to pay semi-annual interest installments on January 23 and July 23 of each year. The Trust is also required to maintain in good condition, repair and working order all of the properties owned by it or any of its subsidiaries while maintaining property and liability insurance.

The Trust's Unsecured Debenture agreement contains three financial covenants as follows:

- (i) the Trust will maintain a Consolidated EBITDA, as defined, to Consolidated Interest Expense ratio of not less than 1.75 to 1. For the quarter ended March 31, 2011, this ratio was 2.35 to 1 (March 31, 2010 – 2.17 to 1) and, the Trust was in compliance.
- (ii) the Trust will not incur or assume any indebtedness unless the quotient obtained by dividing the Adjusted Consolidated Indebtedness by the Adjusted Gross Book Value would be less than or equal to 60% (70% prior to January 1, 2011). The debenture trust indenture specifies that the calculation of the components of debt are determined based on amounts calculated in accordance with Canadian GAAP as at January 21, 2005. As a result of this, the Trust's calculation of Debt to Gross Book Value upon the adoption of IFRS excludes items which are classified as debt under IFRS standards, but were, in fact, classified as equity in accordance with Canadian GAAP standards as at January 21, 2005. Therefore, the LP Class B Units and the deferred unit-based compensation plan are excluded from the calculation of the Debt to GBV covenant test. These two items are classified as financial liabilities under IFRS but were, in fact, considered equity under Canadian GAAP as at January 21, 2005, resulting in their exclusion from the calculation. As at March 31, 2011, this amount was 49.2% (December 31, 2010 – 61.0%, January 1, 2010 – 61.0%) and the Trust was in compliance.
- (iii) the Trust will maintain at all times, an Adjusted Unitholders' Equity of at least \$300 million. Adjusted Unitholders' Equity is defined as Unitholders' Equity as per the condensed consolidated financial statements plus any depreciation taken on PP&E assets. Adjusted Unitholders' Equity was \$2.0 billion as at March 31, 2011 (December 31, 2010 - \$1.3 billion and January 1, 2010 - \$1.3 billion) and, the Trust was in compliance.

The Trust has a committed revolving credit facility with a major financial institution. This credit facility is secured by a pledge of a group of specific real estate assets (fair value at March 31, 2011 of approximately \$527.6 million). The amount available through the committed revolving credit facility varies with the value of the pledged assets, with a maximum limit not to exceed \$200.0 million and an available limit of \$196.0 million as at March 31, 2011. The revolving facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. In the event the committed revolving credit facility is not extended, the drawn-down principal would be due 364 days to 2 years subsequent to the quarter end.

The credit facility contains three financial covenants as follows:

- (i) the Trust will maintain an overall Debt Service Coverage Ratio of at least 1.20. As at March 31, 2011, this ratio was 1.57 (December 31, 2010 – 1.89 and January 1, 2010 – 1.73).
- (ii) the Trust will maintain a Debt Service Coverage Ratio, specific to the Security Portfolio of at least 1.15 (tested semi-annually). As at December 31, 2010, this ratio was 1.54 and at January 1, 2010 this ratio was 1.51, as such, the Trust was in compliance.
- (iii) Total indebtedness of the Trust will not exceed 70% of the GBV of all assets as defined in the DOT. The DOT specifies that the calculation of the components of debt to gross book value as outlined in NOTE 26. Consistent with NOTE 26, as at March 31, 2011, this ratio was 49.2% (December 31, 2010 – 49.1% and January 1, 2010 – 51.5%).

As at March 31, 2011, December 31, 2010 and January 1, 2010, the Trust was in compliance with all covenants.

e) Utility risk

The Trust is exposed to utility risk as a result of fluctuations in the prices of natural gas and electricity service charges. As outlined in NOTE 25, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.



NOTE 29: SUBSIDIARIES

The entities included in the Trust's condensed consolidated financial statements are as follows:

Entity	Type	Relationship
Boardwalk Real Estate Investment Trust ("BREIT")	Trust	Parent
Boardwalk Real Estate Management Ltd.	Corporation	100% owned by BREIT
Top Hat Operating Trust ("TOT")	Trust	100% owned by BREIT
BPCL Holdings Inc. ("BPCL")	Corporation	Special Purpose Entity
Boardwalk REIT Limited Partnership ("BLP")	Partnership	A Units are 100% owned by TOT B Units and C Units are 100% owned by BPCL
Boardwalk REIT Properties Holdings (Alberta) Ltd.	Corporation	100% owned by BLP
Boardwalk REIT Quebec Inc.	Corporation	100% owned by BLP
Boardwalk Quebec Trust	Trust	100% owned by BLP
Boardwalk St. Laurent Limited Partnership	Partnership	100% owned by Boardwalk Quebec Trust
9108-4749 Quebec Inc.	Corporation	100% owned by BLP
Nun's Island Trust 1	Trust	100% owned by BLP
Nun's Island Trust 2	Trust	100% owned by BLP
Metropolitan Structures (MSI) Inc.	Corporation	100% owned by BLP
Boardwalk GP Holding Trust	Trust	100% owned by BLP
6222285 Canada Inc.	Corporation	100% owned by BLP
Boardwalk GP Operating Trust	Trust	100% owned by 6222285 Canada Inc.
Boardwalk General Partnership ("BGP")	Partnership	99.99% owned by Boardwalk GP Holding Trust 0.01% owned by Boardwalk GP Operating Trust
Boardwalk REIT Properties Holdings Ltd.	Corporation	100% owned by BGP
2044760 Ontario Inc.	Corporation	100% owned by BGP
Boardwalk Equities (B.C.) Inc.	Corporation	100% owned by BGP
Horizon Towers Holdings Ltd.	Corporation	100% owned by Boardwalk Equities (B.C.) Inc.
Surrey Village Holdings Ltd.	Corporation	100% owned by Boardwalk Equities (B.C.) Inc.

BPCL represents the only entity which is not 100% owned by the Trust or one of its subsidiaries. Under IFRS, BPCL is considered a Special Purpose Entity ("SPE") as it was created to accomplish a narrow and well-defined objective. BPCL was created specifically to transfer the beneficial interest in the Corporation's assets. The Trust does not have any voting interest in BPCL however the Trust controls BPCL because the Trust has the decision-making powers to obtain the majority of the benefits of the activities of BPCL and the Trust retains the majority of the residual or ownership risks related to BPCL. Due to the above, BPCL is part of the Trust's consolidated group.

NOTE 30: RELATED PARTY DISCLOSURES

On November 4, 2009, the IASB issued a revised version of IAS 24 - Related Party Disclosures (“IAS 24”). IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. Generally two parties are related to each other if one party controls, or significantly influences, the other party. Balances and transactions between the Trust and its subsidiaries (as outlined in NOTE 29), which are related parties of the Trust, have been eliminated on consolidation and are not disclosed in this note.

The following outlines the individuals considered key management personnel of the Trust:

(a) Trustees

The Trustees of Boardwalk REIT during the 3 months ended March 31, 2011 and up to the date of this report were:

James R. Dewald
Gary Goodman
Arthur L. Havener, Jr.
Sam Kolias
Al W. Mawani

(b) Other key management personnel

Other key management personnel of the Trust during the 3 months ended March 31, 2011 and up to the date of this report were:

P. Dean Burns, General Counsel & Corporate Secretary
William Chidley, Senior VP, Corporate Development
Roberto Geremia, President
William Wong, Chief Financial Officer

The remuneration of the Trust’s key management personnel were as follows:

	3 months ended March 31, 2011	3 months ended March 30, 2010
Short-term benefits	\$ 3	\$ 3
Post-employment benefits	43	41
Other long-term benefits	3	2
Deferred unit-based compensation	455	510
	\$ 504	\$ 556

In addition, the LP Class B Units are held by Sam Kolias (Chairman of the Board, Chief Executive Officer and Trustee) and Van Kolias (Senior Vice President, Quality Control). For the 3 months ended March 31, 2011 distributions on the LP Class B Units totaled \$2.0 million (\$2.0 million – 3 months ended March 31, 2010). This transaction was made on terms equivalent to those in arms-length transactions.

As at March 31, 2011, there was \$671 thousand owed to related parties (\$671 thousand – December 31, 2010 and \$671 thousand – January 1, 2010) based on the LP Class B Units distribution outlined above.

NOTE 31: OTHER INFORMATION**(a) Supplemental cash flow information**

	3 months ended March 31, 2011	3 months ended March 30, 2010
Taxes paid	\$ –	\$ –
Interest paid	\$ 28,657	\$ 30,043
Net change in operating working capital		
Net change in inventories	\$ 462	\$ 22
Net change in prepaid assets	(1,017)	(831)
Net change in trade and other receivables	266	560
Net change in segregated tenants' security deposits	7	153
Net change in deferred unit-based compensation	658	427
Net change in trade and other payables	(9,870)	(7,550)
	\$ (9,494)	\$ (7,219)

(b) Included in administration costs is \$445 thousand relating to RRSP matching (\$418 thousand for the three months ended March 31, 2010).

NOTE 32: SEGMENTED INFORMATION

Boardwalk REIT specializes in multi-family residential housing and operates primarily within one business segment in five provinces located wholly in Canada. Each provincial segment operates with a high degree of autonomy. Management monitors the operating results on a regional basis. Segment performance is evaluated on a number of measures including net profit. Financial information reported is on the same basis as used for internal evaluation and allocation of resources. The REIT does not have any one or group of tenants. Expiring leases are either renewed or new tenants are found.

Net debt, interest income and expenses, and income taxes are managed on a group basis. Transfer prices between locations are set on an arm's-length basis in a manner similar to transactions with third parties and are eliminated upon inter-company consolidation.

All other segments items represent corporate functions, technology assets, activities incidental to operations and certain comparative data for divested assets, and are recognized in the relevant segments.

Details of segmented information are as follows:

As at	March 31, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Assets	\$ 2,811,183	\$ 98,971	\$ 546,029	\$ 251,379	\$ 663,809	\$ 181,309	\$ 4,552,680
Liabilities	1,390,474	63,890	257,439	127,373	336,647	362,971	2,538,794

As at	December 31, 2010						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Assets	\$ 2,810,391	\$ 98,624	\$ 546,332	\$ 251,494	\$ 662,650	\$ 216,434	\$ 4,585,925
Liabilities	1,397,607	64,031	259,209	128,029	384,602	1,033,525	3,267,003

As at	January 1, 2010						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Assets	\$ 2,633,121	\$ 90,519	\$ 509,305	\$ 247,791	\$ 591,774	\$ 286,716	\$ 4,359,226
Liabilities	1,359,205	64,769	248,033	130,043	383,735	1,005,488	3,191,273

	3 months ended March 31, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Total rental revenue	\$ 60,284	\$ 1,947	\$ 13,874	\$ 9,534	\$ 16,932	\$ 71	\$ 102,642
Rental expenses							
Operating expenses	11,805	328	2,079	1,719	3,351	1,192	20,474
Utilities	7,017	214	1,561	2,116	2,523	77	13,508
Property taxes	5,062	90	1,034	1,507	1,725	28	9,446
Net operating income	36,400	1,315	9,200	4,192	9,333	(1,226)	59,214
Other income	966	39	159	199	293	(2)	1,654
	37,366	1,354	9,359	4,391	9,626	(1,228)	60,868
Financing costs (a)	14,937	737	2,790	1,406	3,322	3,281	26,473
Administration	18	1	(6)	27	31	6,437	6,508
Depreciation and amortization (b)	868	33	173	89	686	685	2,534
Profit (loss) from continuing operations before gains and other items, fair value gains (losses) and income tax (recovery)	21,543	583	6,402	2,869	5,587	(11,631)	25,353
Fair value gains (losses)	5,353	(64)	1,453	1,693	3,050	(54,518)	(43,033)
Profit (loss) before income tax (recovery)	26,896	519	7,855	4,562	8,637	(66,149)	(17,680)
Income tax (recovery) (c)	-	-	-	-	-	(740,194)	(740,194)
Profit	26,896	519	7,855	4,562	8,637	674,045	722,514
Other comprehensive income	-	-	12	-	-	-	12
Comprehensive income	26,896	519	7,867	4,535	54,706	628,003	722,526
Additions to non-current assets (d)	7,041	344	1,260	1,374	3,075	827	13,921

	3 months ended March 31, 2010						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Total rental revenue	\$ 60,339	\$ 1,967	\$ 13,467	\$ 9,409	\$ 16,451	\$ 2,541	\$ 104,174
Rental expenses							
Operating expenses	10,593	272	1,732	1,616	3,585	1,284	19,082
Utilities	7,314	225	1,599	2,077	2,530	578	14,323
Property taxes	4,513	110	977	1,505	1,682	236	9,023
Net operating income	37,919	1,360	9,159	4,211	8,654	443	61,746
Other income	963	33	170	207	218	50	1,641
	38,882	1,393	9,329	4,418	8,872	493	63,387
Financing costs (a)	15,628	753	2,697	1,447	3,423	4,108	28,056
Administration	77	1	(2)	(5)	94	6,250	6,415
Depreciation and amortization (b)	844	28	173	90	605	811	2,551
Profit (loss) from continuing operations before gains and other items, fair value gains (losses) and income tax expense	22,333	611	6,461	2,886	4,750	(10,676)	26,365
(Loss) on sale of assets	–	–	–	–	(594)	–	(594)
Fair value gains (losses)	–	(3,010)	(10,473)	3,150	(43,103)	81,519	28,083
Profit (loss) before income tax expense	22,333	(2,399)	(4,012)	6,036	(38,947)	70,843	53,854
Income tax expense (c)	–	–	–	–	–	9,979	9,979
Profit (loss)	22,333	(2,399)	(4,012)	6,036	(38,947)	60,864	43,875
Other comprehensive income	–	–	10	–	–	–	10
Comprehensive income (loss)	22,333	(2,399)	(4,002)	6,179	(37,085)	60,864	43,885
Additions to non-current assets (d)	7,955	808	1,513	1,087	1,340	774	13,477

(a) Financing costs

Financing costs were as follows:

	3 months ended March 31, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	\$ 14,907	\$ 737	\$ 2,786	\$ 1,383	\$ 3,316	\$ –	\$ 23,129
Interest on unsecured debt (debentures)	–	–	–	–	–	1,576	1,576
LP Class B unit distribution	–	–	–	–	–	2,014	2,014
Other interest charges	30	–	4	23	6	317	380
Interest income	–	–	–	–	–	(626)	(626)
Total	\$ 14,937	\$ 737	\$ 2,790	\$ 1,406	\$ 3,322	\$ 3,281	\$ 26,473

	3 months ended March 31, 2010						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	\$ 15,634	\$ 756	\$ 2,695	\$ 1,429	\$ 3,418	\$ 443	\$ 24,375
Interest on unsecured debt (debentures)	–	–	–	–	–	1,576	1,576
LP Class B unit distribution	–	–	–	–	–	2,014	2,014
Other interest charges	(5)	(3)	2	21	5	330	350
Interest income	(1)	–	–	(3)	–	(255)	(259)
Total	\$ 15,628	\$ 753	\$ 2,697	\$ 1,447	\$ 3,423	\$ 4,108	\$ 28,056

(b) Depreciation and amortization

This represents depreciation and amortization on items carried at cost and primarily includes deferred financing charged, corporate assets, technology assets, site equipment and other assets. These figures exclude any impairment charges.

(c) Income tax expense (recovery)

This relates to any current and deferred taxes. Excluded are deferred tax assets which are presented separately on the statement of financial position. The tax charge is the REITs estimate of the deferred income tax liability at June 30, 2007, and adjusted quarterly, recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. On December 16, 2010, the Department of Finance announced proposed amendments to the real estate investment trust rules and released for consultation draft legislation to implement such amendments. Notwithstanding if and when these proposed changes become substantively enacted, the Trust's qualifies as a REIT for Canadian income tax purposes commencing January 1, 2011 and reversed the deferred income tax liability related to the SIFT Legislation at this time. Subsequently, the remaining tax charges relate to corporate entities taxed separately under the Income Tax Act.

(d) Additions to non-current assets (other than financial instruments and deferred tax assets)

This represents the total cost incurred during the year to acquire non-current assets (other than financial instruments and deferred tax assets), measured on an accrual basis.

NOTE 33: APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Trustees and authorized for issue on May 12, 2011



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Calgary, Alberta

Gary Goodman⁽²⁾

Toronto, Ontario

Art Havener⁽³⁾

St. Louis, MO

Al Mawani⁽¹⁾ (2) (3)

Thornhill, Ontario

⁽¹⁾ Lead Trustee

⁽²⁾ Member of the Audit and
Risk Management Committee

⁽³⁾ Member of the Compensation,
Governance and Nominations Committee

SENIOR MANAGEMENT

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Vice President, Operations,
Ontario and Quebec

Dean Burns

General Counsel and Secretary

William Chidley

Senior Vice President, Corporate
Development

Jean Denis

Vice President, Acquisitions,
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Lisa Russell

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Vice President, Investments

