



BOARDWALK REAL ESTATE INVESTMENT TRUST

TSX: BEI.UN



Q3  
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 September 30, 2011) totaling approximately 30 million net rentable square feet, and is Canada's largest owner/operator of multi-family 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 third quarter of 2011 for Boardwalk Real Estate Investment Trust ("Boardwalk", "Boardwalk REIT", or the "Trust"). Funds from Operations (FFO) for the quarter totaled \$34.8 million, or \$0.67 per unit, an increase of approximately 2.6% and 3.1%, respectively, over the same quarter last year. Adjusted Funds from Operations (AFFO) per unit increased 3.5% to \$0.59 versus \$0.57 for the same three month period in 2010. FFO and AFFO are widely accepted supplemental measures of the performance of a Canadian Real Estate entity; however, are not measures defined by International Financial Reporting Standards ("IFRS"). The reconciliation of FFO and other financial performance measures can be found in the Management Discussion and Analysis (MD&A) for the third quarter ended September 30, 2011, under the section titled, "Performance Measures".

The increase in reported FFO can be attributed to positive rental revenue growth which was partially offset by higher operating expenses. Lower interest rates continue to reduce financing costs as the Trust renews existing CMHC Insured Mortgages at exceptionally low interest rates; however the loss of FFO from the sale of properties in 2010 tempered this increase. The reported net increase in profit is mainly the result of an increase in the reported Fair Value amounts of the Trust's investment assets. This increase is primarily attributed to an overall decrease in estimated market Capitalization Rates.

**STRONG SUSTAINABLE SOCIALLY RESPONSIBLE**

## HIGHLIGHTS OF THE TRUST'S THIRD QUARTER AND FIRST NINE MONTHS 2011 FINANCIAL RESULTS

<i>\$ millions, except per unit amounts</i>	Three Months Sep 2011	Three Months Sep 2010	% Change	Nine Months Sep 2011	Nine Months Sep 2010	% Change
Rental Revenue	\$ 106.0	\$ 104.3	1.6%	\$ 315.7	\$ 315.3	0.1%
Net Operating Income (NOI)	\$ 67.5	\$ 67.3	0.3%	\$ 195.5	\$ 199.0	-1.8%
Profit	\$ 169.1	\$ 164.1	3.1%	\$ 1,088.2	\$ 231.5	370.0%
Funds From Operations (FFO)	\$ 34.8	\$ 33.9	2.6%	\$ 97.6	\$ 97.3	0.3%
Adjusted Funds From Operations (AFFO)	\$ 30.8	\$ 29.9	3.1%	\$ 85.7	\$ 85.2	0.6%
FFO Per Unit	\$ 0.67	\$ 0.65	3.1%	\$ 1.87	\$ 1.85	1.1%
AFFO Per Unit	\$ 0.59	\$ 0.57	3.5%	\$ 1.64	\$ 1.62	1.2%
Regular Distributions Declared (Trust Units & LP B Units)	\$ 23.5	\$ 23.7		\$ 70.5	\$ 71.1	
Regular Distributions Declared Per Unit (Trust Units & LP B Units) <i>(2011 Target \$1.80 Per Unit on an annualized basis)</i>	\$ 0.45	\$ 0.45		\$ 1.35	\$ 1.35	
Regular Payout as a % FFO	67.5%	69.7%		72.2%	73.0%	
Regular Payout as a % AFFO	76.2%	79.1%		82.2%	83.4%	
Debt-to-GBV ("Gross Book Value") (Period Ended)	46.3%	49.2%		46.3%	49.2%	
Operating Margin	63.7%	64.6%		61.9%	63.1%	

The Fair Value under IFRS for the Trust's portfolio increased as a result of lower Capitalization Rates in most municipalities for multi-family assets. Below is a summary of the Trust's per unit Net Asset Value with further discussion located in the Third 2011 Quarter MD&A.

## HIGHLIGHTS OF THE TRUST'S FAIR VALUE OF INVESTMENT PROPERTIES

	Sept 30, 2011 <sup>(1)</sup>	Dec 31, 2010 <sup>(1)</sup>
IFRS Net Asset Value (NAV) Per Diluted Unit (Trust & LP B)	\$ 43.50	\$ 37.45
Cash Per Diluted Unit (Trust & LP B)	\$ 4.25	\$ 4.36
Total Per Diluted Unit (Trust & LP B)	\$ 47.75	\$ 41.80

(1) Calculated using principal amounts of unsecured and secured debt outstanding in each period totalling \$2.38 Billion as of Sept 30, 2011 and \$2.36 Billion as of Dec 31, 2010.

Weighted Average Capitalization Rate: 5.96% as at Sept 30, 2011

For further detail, please refer to pages 27-28 and 50-52 of the MD&A.

In the third quarter of 2011, overall occupancy for Boardwalk's portfolio was 97.52%, an increase to the occupancy level for the same period last year and sequentially higher than the beginning of 2011. Average market rents have increased to \$1,044, up from \$1,016 in Sept 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. Focus on product quality and Customer Service remain key in further improving financial performance. The third quarter marks the end of a seasonally stronger summer rental season with many of the Trust's markets seeing further gains on loss to lease. The Trust's Customer friendly self-imposed rent control and rental increase forgiveness for financially challenged Residents continue to build good will. Higher revenues and lower turnover reflects our strategy is working.

For further detail, please refer to pages 16-27 of the MD&A.

## PORTFOLIO HIGHLIGHTS FOR THE THIRD QUARTER 2011

	Sept 2011	Dec 2010	Sept 2010
Average Occupancy (3 Months)	97.52%	97.29%	97.01%
Average Monthly Rent (3 Months)	\$ 1,002	\$ 983	\$ 977
Average Market Rent (Period Ended)	\$ 1,044	\$ 1,018	\$ 1,016
Average Occupied Rent (Period Ended)	\$ 1,029	\$ 1,012	\$ 1,007
Loss-to-Lease (Period Ended) (\$ millions)	\$ 6.5	\$ 2.4	\$ 3.5
Loss-to-Lease Per Trust Unit (Period Ended)	\$ 0.12	\$ 0.05	\$ 0.07
Cash (Period Ended) (\$ millions)	\$ 222.1	\$ 228.1	\$ 206.6

Same Property Results	% Change Year-Over-Year 3 Months Sept 2011	% Change Year-Over-Year 9 Months Sept 2011
	Rental Revenue	2.7%
Operating Costs	6.0%	5.2%
Net Operating Income (NOI)	1.0%	0.0%

Stabilized Revenue Growth	# of Units	Q3 2011 vs Q2 2011	Q2 2011 vs Q1 2011	Q1 2011 vs Q4 2010	Q4 2010 vs. Q3 2010
Calgary	5,234	1.1%	2.5%	1.1%	1.4%
Edmonton	12,337	0.9%	0.9%	-0.7%	0.3%
Other Alberta	2,172	0.2%	2.2%	0.3%	3.1%
British Columbia	633	1.1%	1.7%	0.4%	-0.0%
Ontario	4,265	-0.7%	0.8%	0.1%	1.9%
Quebec	6,000	0.6%	-0.2%	0.2%	1.2%
Saskatchewan	4,636	0.6%	0.7%	-0.4%	1.5%
	35,277	0.6%	1.0%	-0.1%	1.1%

On a sequential basis, stabilized revenues for the third quarter of 2011 increased 0.6% when compared to the previous quarter, mainly the result of increased occupancy coupled with slightly higher rents. Alberta, our largest market, has led the sequential stabilized revenue growth thus far for the year. The increase in occupied rental amounts while increasing occupancy is a positive sign that the Trust's strategy is effective.

For further detail, please refer to pages 20-22 of the MD&A.

## ECONOMIC MARKET FUNDAMENTALS

Market Fundamentals	BC		Alberta		Saskatchewan		Ontario		Quebec	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010	Sep 2011	Sep 2010	Sep 2011	Sep 2010	Sep 2011	Sep 2010
Unemployment Rate	6.7%	7.5%	5.4%	6.2%	4.6%	5.5%	7.6%	8.8%	7.3%	7.7%
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Net Interprovincial Migration	-746	2,031	4,720	803	1,239	556	-1880	-1,453	-2,051	-1,693
Net International Migration	9,525	10,338	8,313	7,756	2,681	2,344	31,792	41,396	19,657	18,710
Total Net Migration	8,779	12,369	13,033	8,559	3,920	2,900	29,912	39,943	17,606	17,017
	July 2010 to July 2011	July 2009 to July 2010	July 2010 to July 2011	July 2009 to July 2010	July 2010 to July 2011	July 2009 to July 2010	July 2010 to July 2011	July 2009 to July 2010	July 2010 to July 2011	July 2009 to July 2010
Average Weekly Wages Growth	0.9%	3.8%	2.2%	5.3%	3.9%	5.1%	1.2%	4.7%	2.4%	1.9%

Source: Statistics Canada, Provincial Governments.

### Western Canada

Economic fundamentals in the West remained solid throughout the third quarter of 2011. Alberta, Saskatchewan and British Columbia all saw positive wage growth for July, year-over-year. CMHC suggests that Saskatchewan will see a 1% increase in employment in 2011 which will advance to 2% in 2012, while Alberta will see an employment increase that will surpass the peak level, prior to the economic downturn, later this year or in 2012. According to CMHC, elevated oil prices will continue to be the foundation of economic growth in Alberta. CMHC also reports that crown land sales of petroleum and natural gas rights are on pace to exceed the record that was set in 2010. CMHC forecasts that net migration into Saskatchewan will decline from the peak rates seen in 2010 as a result of outflows to Alberta and British Columbia, however, real GDP is forecasted to increase by 3.7% in 2011, and then by 3.5% in 2012, as rising potash production and prices as well as a growing resource sector will help to improve Saskatchewan's economic outlook. Saskatchewan continued to enjoy Canada's lowest unemployment rate at 4.6% in September, which is significantly lower than Canada's average at 7.1%. CMHC expects that British Columbia will see moderate economic growth in 2011, with a slight increase in 2012, and as the economy gains momentum, jobs will shift from part-time to full-time and as a result of recovering growth in the labour force, the unemployment rate will trend lower. In September, British Columbia saw the first notable gain in employment since July 2010 as employment rose by 32,000, all in full-time work, and the unemployment rate fell to 6.7%.

### Eastern Canada

The economy and labour markets in Ontario have continued their forward momentum and have now reached pre-recession levels. CMHC forecasts that as a result of the slower than expected US economic recovery, which is important to Ontario's economic prospects, Ontario job growth will moderate from 2.1% in 2011 to 1.3% in 2012. According to RBC Economic Research, the disruption of the auto industry supply chain by the earthquake and tsunami in Japan has affected the overall performance of the Ontario auto sector making it weaker in 2011 than expected. According to CMHC, in recent years Ontario's population has been growing at a slightly faster rate as a result of stronger immigration and fewer migratory outflows to Western Canada. In September, Ontario reported an unemployment rate of 7.6% and from September 2010 to September 2011, employment increased by 2.0%, which is above the national growth rate of 1.7%. CMHC reports that the improved global and national economic environment has positively impacted the economy in Quebec since the second half of 2009 and will continue to do so in 2011 and into 2012. CMHC also forecasts that Quebec's GDP is expected to grow by approximately 2.5% in 2011 and 2.4% in 2012. Quebec's unemployment rate fell to 7.2% in July, which is the lowest it has been in almost three years, and it rose minimally in September to 7.3%.

## MLS HOUSING PRICES

British Columbia	Vancouver CMA		Victoria CMA	
	Sept 2011	Sept 2010	Sept 2011	Sept 2010
Average Single Family	NA	NA	\$ 622,393	\$ 599,825
Average Condo	NA	NA	\$ 332,490	\$ 295,463
Average Overall	\$ 627,994	\$ 577,174	NA	NA
Alberta	Calgary CMA		Edmonton CMA	
	Sept 2011	Sept 2010	Sept 2011	Sept 2010
Average Single Family	\$ 466,167	\$ 460,329	\$ 375,738	\$ 370,653
Average Condo	\$ 299,508	\$ 284,028	\$ 236,125	\$ 238,822
Saskatchewan	Saskatoon CMA		Regina CMA	
	Sept 2011	Sept 2010	Sept 2011	Sept 2010
Average Overall	\$ 311,057	\$ 312,582	\$ 280,697	\$ 263,338
Ontario	London CMA		Windsor CMA	
	Sept 2011	Sept 2010	Sept 2011	Sept 2010
Average Overall	\$ 231,898	\$ 233,841	\$ 177,096	\$ 163,665
Quebec	Montreal CMA			
	Sept 2011	Sept 2010		
Average Overall*	\$ 313,204	\$ 297,890		

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

CMHC forecasts the average home price in British Columbia in 2011 to be \$576,100 and \$564,800 in 2012. CMHC expects Vancouver to record strong price growth in 2011, while home prices in most other housing markets in the province are expected to remain stable this year and next. In Alberta, market conditions favoured the buyer in 2011 and CMHC predicts that by the end of 2011 home prices will have risen by less than one percent to \$354,800, and, with increased market conditions and a market balance being reached, these prices are expected to rise further in 2012 to \$363,000. CMHC cites that in Saskatchewan, increased employment prospects and wage gains will continue the demand for resale homes which exerts upward pressure on home prices, as a result, the average home price is expected to rise by approximately 5% to \$254,500, in 2011. In 2012, CMHC explains that increased homeownership costs and additional listings will limit the resale price growth to \$259,000.

Home construction in British Columbia is on par with 2010 levels with 26,400 housing starts expected in 2011, according to CMHC, this number will continue to increase in 2012 to a projected 29,000 starts. In British Columbia, single-detached starts are being met with competition from a well supplied resale market, and as a result, CMHC cites that single-detached home starts will be under their 10 year average in 2011 at 9,500 units. This number is projected to increase in 2012 to 11,900. However, multiple starts are expected to trend higher with increased demand, according to CMHC, to 16,900 in 2011 and 17,100 in 2012. In Alberta, housing demand will begin to increase as an improving economy will draw more people into the province. According to CMHC, interprovincial migration will be the key driver of migration gain in 2011, while international migration is expected to be relatively stable. CMHC reports that single-detached starts in Alberta will be down from their 2010 numbers at 16,000 in 2011, however, as new home sales increase, supported by employment and wage growth, single-detached starts will begin to rise to over 18,000 units in 2012. Multiple starts are expected to decline year-over-year to 8,500 units at the end of 2011 as a result of elevated inventory levels, because there are fewer number of units under construction, it is expected that inventory will also start to decline. CMHC predicts that as a result of improvement in demand with a growing economy multiple starts will increase to 10,000 in 2012. In Saskatchewan, following the strong performance in 2010, single-detached home production will edge higher in 2011, according to CMHC however, in 2012 the pace of activity will moderate slightly as the industry works to

manage the supply levels. With an increase in both job and wage growth, and a maintained demand, CMHC is predicting that single-detached housing starts will be 3,950 units in 2011 and 3,900 in 2012. Multiple starts in Saskatchewan have increased and CMHC expects starts to surpass the 2,000 unit mark, this would make 2011 the third year since 1986 that saw multiple starts of over 2,000 units. However, as a result of this increase stock, CMHC anticipates that the pace of construction will slow in 2012 to 1,800 units.

### Eastern Canada

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

CMHC reports that moderate demand and high listings will move Ontario's resale market into balance and that a shifting demand to less expensive housing will support a slower growth in the average price which is forecasted to be \$365,400 in 2011 and \$372,500 in 2012. CMHC cites that a relatively stable demand for resale homes combined with rising supply will take some pressure off of the home prices over the next year. With this return to more balanced conditions, price growth is expected to moderate throughout the remainder of 2011 at \$251,500 and into 2012 at \$256,400.

Housing starts in Ontario are expected to rise to 60,000 units in 2011, according to CMHC, and then continue to modestly increase through 2012. As a result of a decrease in first time buyers and a slightly higher interest rate offset by strong full-time employment, income growth and in-migration the 2012 housing outlook remains favorable. CMHC notes that there is an expected slowdown in single starts due to a lull after the recent mortgage rule changes and higher taxes. However, Ontario is expected to see growing multi-family construction with a forecast of 37,800 units in 2011. According to CMHC, Ontario has numerous apartments that have been sold, but have not yet begun construction, which will support the start of multi-family units in 2011 and into 2012. In Quebec, CMHC predicts 17,500 single starts in 2011 as a result of the slow job growth and the recent easing of the resale market. 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 and 26,400 through 2012.

Existing home sales and starts in Ontario are expected to reach 191,000 and 62,400 units in 2011, respectively, according to CMHC. However, CMHC also cites that housing demand for new and existing homes will moderate throughout the remainder of 2011 and then stabilize in 2012, they cite the reason for this is less first time buyer demand and higher mortgage carrying costs that is offset by higher employment level and income levels. CMHC predicts single starts in Ontario are expected to slow to 24,900 units in 2011 and 23,000 units in 2012. CMHC reports that single-detached starts led the recovery in the residential construction activity across Ontario, as many buyers purchased homes early as to avoid the mortgage rule changes. As a result of less pent-up demand, rising mortgage carrying costs and land constraints single-detached starts will be limited. CMHC predicts that the growing demand for apartment and townhomes in Ontario will fuel an increase in multiple starts, they forecast 37,500 starts in 2011 and 37,750 starts in 2012. According to CMHC, Quebec's growing economy, favourable borrowing conditions and sustained net migration will continue to support the housing market over the next two years, CMHC expects 47,500 starts in 2011 and 44,300 in 2012. As a result of slower job growth and recent easing of the resale markets, there is less pressure on new construction, CMHC estimates approximately 17,500 single-detached homes will be started in both 2011 and 2012. Multiple starts in Quebec are expected to settle into more sustainable levels over the next two years, according to CMHC. CMHC predicts multiple starts will reach 30,300 units in 2011 and 26,500 units in 2012 as a result of the trend toward multi-family housing in Quebec.

## ACQUISITIONS, DISPOSITIONS, AND DEVELOPMENT

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There were no Investment Property acquisitions or dispositions in the third quarter of 2011. The Trust continues 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) until such time as technical amendments contained in proposed legislation is substantially enacted that clarifies the nature of the income generated from property sales.

Recent multi-family asset transactions have shown strong demand for Canadian investment grade apartment buildings. As a result, further cap rate compression and increases in values for the multi-family asset class continues to be the trend. Although no new apartment acquisitions have been completed by the Trust to date, the Trust continues to be active in bidding on higher quality product. Although the Trust’s bids are unsuccessful, Management believes that an acquisition at the actual transaction prices on the same product would not prove to be in the best interest of the Trust on a risk adjusted basis.

Boardwalk continues to explore the viability of potential development of multi-family apartment buildings on excess land the Trust currently owns in Alberta and Saskatchewan. The combination of a stabilizing rental market in Calgary, 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 through the development of multi-family assets.

For further detail, please refer to pages 28 and 29 of the MD&A.

## UNIT BUYBACK

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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. With the recent price appreciation in our Trust Units and no asset dispositions to release equity capital, we have become less aggressive in this area compared to our historical purchases. We continue to explore for accretive opportunities. Cumulatively, since August 17, 2007, the Trust has purchased and cancelled 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 2011, Boardwalk successfully renewed its Normal Course Issuer Bid, which allows the Trust to purchase up to 3,884,118 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, 2011, and will terminate on August 23, 2012, or such earlier time as the Bid is complete.

As at September 30, 2011, Boardwalk REIT had 47,759,285 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 52,234,285.

For further detail, please refer to page 31 of the MD&A.

## LIQUIDITY AND CONTINUED FINANCIAL STRENGTH

The Trust has enhanced its solid financial position through the third quarter of 2011 with the initial funding of CMHC insured financing in preparation for the maturity of the Trust's Unsecured Debenture in January of 2012. Additional CMHC insured financing will be increasing the Trust's cash position into the fourth quarter. Boardwalk REIT's total principal mortgage and debt outstanding increased to \$2.38 billion as of September 30, 2011, as compared to \$2.37 billion in September of 2010. The Trust's total debt had an average term to maturity of approximately 3 years with a weighted average interest rate of 4.18% and the debt (net of cash) to reported asset value ratio was 46% as of September 30, 2011.

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

*In \$000's*

<b>Cash Position - September 30, 2011</b>	<b>\$ 222,000</b>
Line of Credit*	<b>\$ 196,000</b>
<b>Total Available Liquidity</b>	<b>\$ 418,000</b>
Liquidity as a % of Total Debt	<b>18%</b>
Debt (net of cash) as a % of reported asset value	<b>46%</b>

The Trust's interest coverage ratio, excluding gain or loss on sale of assets, for the nine months ended September 30, 2011, was 2.41 times compared to 2.32 times for the same period last year.

For further detail, please refer to pages 32 and 33 of the MD&A.

## 2011 FINANCIAL GUIDANCE

Through the summer months, the Trust has successfully increased average rents while also further increasing occupancy levels and is in a strong position as the more competitive winter months approach. The Trust's continued focus on balancing market rents with occupancy and selective incentives, while ensuring Boardwalk has the best quality communities through Customer Service will continue to allow the Trust to close the existing mark to market in rents. The Trust believes this organic revenue growth continues to be a significant opportunity for the Trust.

The market for acquisitions has become extremely competitive as the demand for assets in the Canadian multi-family asset class has increased. With a limited number of higher quality product coming to the market, we continue to see price appreciation in Canadian Multi-Family Real Estate as actual reported transaction cap rates decrease to record low levels. Record low cap rates make any new acquisitions marginally accretive. Although, this does make it more difficult to source accretive external acquisitions, the underlying value of our current portfolio of over 35,000 rental units continues to appreciate.

Along with current Government of Canada Bond Yields, CMHC insured mortgage interest rates remain near historically low levels, and continue to allow the Trust to renew maturing mortgage financing at accretive levels. The Trust continues to prudently manage its mortgage financing with a balanced approach.

With improving in-place rents, and decreased financing costs in the first 9 months of 2011, the Trust has updated its 2011 Financial Guidance as follows:

Description	2011	2011 - Q3
	Original Guidance	Revised Guidance
Acquisitions	No new apartment acquisitions or dispositions	No new apartment acquisitions or dispositions
Stabilized Building NOI Growth	-3% - 1%	-1% - 1%
FFO Per Trust Unit	\$2.35 - \$2.55	\$2.45 - \$2.53
AFFO per Trust Unit - based on \$450/yr/apt	\$2.05 to \$2.25	\$2.15 - \$2.23

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.

## 2012 FINANCIAL GUIDANCE

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As is customary with the Trust's third quarter release, guidance for the upcoming 2012 fiscal year is as follows:

Description	2012 Financial Guidance
Acquisitions	No new apartment acquisitions or dispositions
Stabilized Building NOI Growth	1% - 4%
FFO Per Trust Unit	\$2.65 - \$2.85
AFFO per Trust Unit - based on \$450/yr/apt	\$2.35 - \$2.55

For further detail, please refer to pages 65 and 66 of the MD&A.

## SUPPLEMENTARY INFORMATION

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

## IN CONCLUSION

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I would like to thank our team of over 1,600 Associates for their dedicated commitment and service to our Residents and Communities.

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

Lastly, I would like to thank our Residents for calling Boardwalk home.

Sincerely,

*(signed)*

Sam Kolias,  
Chairman and CEO

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Nine Months Ended September 30, 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 and nine months ended September 30, 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 pre-IFRS Canadian generally accepted accounting principles (“Canadian GAAP”), 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](http://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

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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 nine months 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 September 30, 2011, Boardwalk REIT’s property portfolio was concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec.

At September 30, 2011, the fair value of Boardwalk’s ‘Investment Property’ assets was \$4.7 billion, which generated a profit of \$31.9 million and \$89.1 million for the third quarter and first nine months of 2011 (before fair value gains and income tax expense (recovery), respectively). 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 Statements of Financial Position and Condensed Consolidated Statements of Comprehensive Income, which are discussed further in this MD&A. During the third quarter and first nine months of 2011, the Trust earned \$34.8 million and \$97.6 million, respectively, of Funds From Operations.

## OUTLOOK

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The first nine months of 2011 has continued to show strength for the multi-family industry in Canada. In a continuation of last year’s trend, many real estate entities elected to access the equity and debt markets to improve their existing liquidity or assist in current or future acquisition. Boardwalk continues to maintain a significant liquidity position earmarked for future acquisitions or value-added opportunities. Recent property transactions have shown that there has been an increased demand to own Canadian apartments to the extent that we are continuing to notice a further compression of Capitalization Rates, resulting in material increases in the price of properties in this asset class. Although, to date, Boardwalk has not acquired any new apartment units during 2011, we continue to be active in the bidding process; however, Boardwalk has not been able to conclude that acquiring these assets at the noted prices would be in the best interest of the Trust on a risk-adjusted basis.

The Canadian multi-family real estate sector continues to have access to a very low cost of debt through the use of Government of Canada-backed debt with the NHA program, which is administered by Canada Mortgage and Housing Corporation (“CMHC”). With the continued turmoil in the world markets, Canada continues to stand out as a country of high regard and, as a result, is experiencing historical lows in the bond markets, transcending close to historical lows for those who choose to use the NHA vehicle.

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 regular distribution payout ratio of approximately 72.2% of Funds From Operations (“FFO”) for the first nine months of 2011.

This is consistent with the 73.0% for the first nine months of 2010. The Trust continues to have access to low-rate Government of Canada-backed debt in the form of NHA insurance.

As we move forward, we continue to look for ways to further enhance the returns provided to our stakeholders as we continue to focus inward on our operations continuously looking for ways to reduce cost while focusing on our customers. In addition, we continue to maintain a conservative balance sheet with a Debt-to-Gross Book Value Ratio at approximately 46%.

## 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, deferred 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 Canadian 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 26 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 70% 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

- Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by CMHC on on-site maintenance compensation to Associates, repairs and maintenance, as well as capital upgrades.

#### Compliance with DOT

At September 30, 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 - Q3 2011 versus Q3 2010 & Nine Months 2011 versus Nine Months 2010

The following table shows a reconciliation of changes in FFO from Q3 2010 to Q3 2011 and for the nine months ended September 30, 2010 to the nine months ended September 30, 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, deferred 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	9 Months
FFO Opening - Sep 2010 <sup>(1)</sup>	\$ 0.65	\$ 1.85
NOI from Stabilized Properties	\$ 0.01	\$ -
Financing Costs <sup>(2)</sup>	\$ 0.03	\$ 0.09
Administration and other	\$ (0.01)	\$ (0.01)
FFO Loss from Sold Properties	\$ (0.01)	\$ (0.06)
<b>FFO Closing - Sep 2011</b>	<b>\$ 0.67</b>	<b>\$ 1.87</b>

(1) The calculation of FFO under IFRS differs from the calculation of FFO under Canadian GAAP as a result of changes to the calculation of compensation expense recorded, which relates to the amortization of the Trust's deferred unit compensation plan. As a result of this change, FFO Per Unit for the three and nine months ended September 30, 2010 calculated under IFRS was \$0.65 and \$1.85, respectively, as noted above, compared to \$0.64 and \$1.85 as previously reported under Canadian GAAP.

(2) Financing costs above exclude 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 \$222.1 million at September 30, 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. It is the Trust's intention to use some of this excess liquidity to repay the maturing unsecured debenture in the first quarter of 2012.

#### HEDGING ACTIVITIES

There were no new hedging activities in the first nine months 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 effect 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 bond forward 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 notional 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 September 30, 2011, the unamortized amount of this effective hedge was approximately \$184 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 May 1, 2015 date of maturity. 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 September 30, 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 retire this security with existing liquidity opportunities available for the Trust that have a significantly lower cost for the Trust as compared to the 5.61% current yield on this instrument.

## PERFORMANCE REVIEW

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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 proceeding 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 nine months of 2011.

For the three and nine months ended September 30, 2011, the Trust declared regular distributions of \$23.5 million and \$70.5 million (this includes distributions paid to the LP Class B Unitholders), respectively, representing approximately 67.5% and 72.2% 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 three and nine months ended September 30, 2011 and the comparative periods 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.

<b>FFO Reconciliation</b> <i>In \$000's, except per unit amounts</i>	<b>3 Months</b> <b>Sep 2011</b>	3 Months Sep 2010	% Change	<b>9 Months</b> <b>Sep 2011</b>	9 Months Sep 2010	% Change
Profit for the period	\$ 169,087	\$ 164,066		\$1,088,192	\$ 231,538	
Adjustments						
Fair value (gains) <sup>(1)</sup>	\$ (137,505)	\$ (179,118)		\$ (258,653)	\$ (199,659)	
Add back loss on sale of assets	\$ -	\$ 489		\$ -	\$ 1,581	
Add back distributions to LP Class B Units recorded as financing charges <sup>(2)</sup>	\$ 2,014	\$ 4,251		\$ 6,041	\$ 8,279	
Deferred income tax expense (recovery)	\$ 309	\$ 43,414		\$ (740,434)	\$ 53,220	
Depreciation expense on PP&E	\$ 901	\$ 826		\$ 2,493	\$ 2,372	
<b>Funds from operations</b>	<b>\$ 34,806</b>	<b>\$ 33,928</b>	<b>2.6%</b>	<b>\$ 97,639</b>	<b>\$ 97,331</b>	<b>0.3%</b>
<b>Funds from operations - per unit</b>	<b>\$ 0.67</b>	<b>\$ 0.65</b>	<b>3.1%</b>	<b>\$ 1.87</b>	<b>\$ 1.85</b>	<b>1.1%</b>

(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 FFO of \$34.8 million and \$97.6 million, respectively, for the three and nine months ended September 30, 2011, compared to \$33.9 million and \$97.3 million for the same periods last year. FFO on a per unit fully diluted basis for the current quarter ended September 30, 2011 increased approximately 3.1% compared to the same period in the prior year, from \$0.65 to \$0.67. The increase was primarily the result of higher rental revenue and lower financing costs, partially mitigated by the FFO loss on properties sold in the latter part of 2010.

## REVIEW OF RENTAL OPERATIONS

<i>In \$000's, except number of suites</i>	<b>3 Months</b> <b>Sep 30, 2011</b>	3 Months Sep 30, 2010	Change	<b>9 Months</b> <b>Sep 30, 2011</b>	9 Months Sep 30, 2010	Change
Total rental revenue	\$ 105,994	\$ 104,292	1.6%	\$ 315,654	\$ 315,301	0.1%
Expenses						
Operating expenses	\$ 21,961	\$ 18,915	16.1%	\$ 63,103	\$ 57,364	10.0%
Utilities	\$ 8,157	\$ 8,274	(1.4)%	\$ 29,964	\$ 31,408	(4.6)%
Property taxes	\$ 8,361	\$ 9,764	(14.4)%	\$ 27,112	\$ 27,506	(1.4)%
	\$ 38,479	\$ 36,953	4.1%	\$ 120,179	\$ 116,278	3.4%
<b>Net operating income</b>	<b>\$ 67,515</b>	<b>\$ 67,339</b>	<b>0.3%</b>	<b>\$ 195,475</b>	<b>\$ 199,023</b>	<b>(1.8)%</b>
Operating margins	<b>63.7%</b>	64.6%		<b>61.9%</b>	63.1%	
Number of suites at Dec. 31	<b>35,277</b>	35,686		<b>35,277</b>	35,686	

Overall, Boardwalk REIT's rental operations reported results in-line with the same periods in the prior year. The Trust reported a 0.1% increase in revenue for the nine months ended September 30, 2011 and an increase of 1.6% in rental revenue in Q3 2011 compared to the same periods in the prior year. The slight increase in rental revenue for the nine months ended September 30,

2011 was the result of an increase in revenue generated from our same-store properties, or properties referred to as stabilized, offset slightly by a loss of rental revenue generated from properties that were strategically sold during 2010, while the increase in revenues for the three months ended September 30, 2011 are mainly attributable to increasing rental revenues throughout the portfolio and in particular Alberta. Total rental expenses increased 4.1% and 3.4%, respectively, for the three and nine months ended September 30, 2011. The increase in rental expenses is mainly attributable to higher rental operating expenses. Reported operating expenses increased by approximately \$3.0 million or 16.1%. The increase is mainly the result of a change in estimate the Trust made in this quarter for the nine months ended September 30, 2011. As was noted in previous disclosures, over the past year, the Trust continued to hire additional staff to assist in various Customer Service, quality control and capital projects. The Trust has increased the amount of detail tracking of actual work performed by our onsite Associates to assist in the operating effectiveness of our overall operations. This additional detail increased the accuracy of our wage capitalization. Based on this new information, we have determined that an additional \$1.1 million of salaries and wages should be reallocated to expense for the first two quarters ended and an additional \$600 thousand for the current quarter as compared to the amounts that would have been reported under the old estimate. Boardwalk continues to be committed to our in-house capital program and believes it costs less and adds more value as compared to contracting out to third parties. The Trust will continue to work on improving the gathering of data even further to continue to improve its operating efficiency and making reporting estimates even more accurate. Utility cost decreased by 1.4% and 4.6% for the three and nine months ended September 30, 2011 due to decreases occurring 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. The reported decrease in property taxes is mainly attributed to successful property tax appeals received on our Alberta portfolio during 2010 that lowered property taxes for 2011 along with reduced rates for some of our properties in our Ontario portfolio. 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 current quarter decreased slightly to 63.7%, when compared to 64.6% for the same period in 2010, while the operating margin for the first nine months of 2011 was also slightly lower at 61.9%, when compared to 63.1% 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>	<b>3 Months Sep 30, 2011</b>	3 Months Sep 30, 2010	% Change	<b>9 Months Sep 30, 2011</b>	9 Months Sep 30, 2010	% Change
Total rental revenue	\$ 2,043	\$ 2,859	(28.5)%	\$ 6,049	\$ 8,627	(29.9)%
Expenses						
Operating expenses	\$ 380	\$ 327	16.2%	\$ 1,063	\$ 1,200	(11.4)%
Utilities	\$ 156	\$ 230	(32.2)%	\$ 559	\$ 879	(36.4)%
Property taxes	\$ 117	\$ 146	(19.9)%	\$ 305	\$ 460	(33.7)%
	\$ 653	\$ 703	(7.1)%	\$ 1,927	\$ 2,539	(24.1)%
Net operating income	\$ 1,390	\$ 2,156	(35.5)%	\$ 4,122	\$ 6,088	(32.3)%
Operating margins	<b>68.0%</b>	75.4%		<b>68.1%</b>	70.6%	

Boardwalk REIT's British Columbia portfolio continued to report good results. Rental revenues decreased by 28.5% and 29.9% and expenses decreased by 7.1% and 24.1% for the three and nine months ended September 30, 2011, respectively, compared to the same periods in the prior year, largely as a result of the sale of Non-Core properties in this province in the latter part of 2010. Operating margins for the third quarter and first nine months of 2011 decreased at 68.0% and 68.1%, respectively, compared to the 75.4% and 70.6% for the same periods in 2010. This reported decrease, particularly in the third quarter, was mainly the result of the above noted change in our wage capitalization estimate. The resulting cumulative impact for the nine months of 2011 was reported in the current quarter.

## Alberta Rental Operations

<i>In \$000's, except number of suites</i>	<b>3 Months Sep 30, 2011</b>	3 Months Sep 30, 2010	% Change	<b>9 Months Sep 30, 2011</b>	9 Months Sep 30, 2010	% Change
Total rental revenue	\$ 62,699	\$ 60,519	3.6%	\$ 186,114	\$ 183,135	1.6%
Expenses						
Operating expenses	\$ 12,557	\$ 10,031	25.2%	\$ 35,656	\$ 31,086	14.7%
Utilities	\$ 4,476	\$ 4,431	1.0%	\$ 15,905	\$ 16,545	(3.9)%
Property taxes	\$ 4,281	\$ 5,451	(21.5)%	\$ 14,347	\$ 14,289	0.4%
	\$ 21,314	\$ 19,913	7.0%	\$ 65,908	\$ 61,920	6.4%
Net operating income	\$ 41,385	\$ 40,606	1.9%	\$ 120,206	\$ 121,215	(0.8)%
Operating margins	<b>66.0%</b>	67.1%		<b>64.6%</b>	66.2%	

Boardwalk REIT's Alberta operations for the three and nine months ended September 30, 2011 reported increases in rental revenues when compared to the same periods reported in 2010. The reported rental revenue changes are the combined effect of changes to in-place occupied rents and an increase in overall occupancy levels compared to the same periods in the prior year. Expenses have increased for the three and nine months ended September 30, 2011, mainly as a result of an increase in operating expenses. Operating expenses increased primarily as a result of the above noted change in wage capitalization estimate and the related charge taken in the current quarter, somewhat offset by reported decreases in repairs and maintenance and operating general and administrative expenses. The increase in operating expenses for the nine months ended September 30, 2011 relates to the same noted wage capitalization adjustment as well as higher labour costs associated with the increased number of on-site maintenance and personnel staff. The reported property tax decrease for the nine months ended September 30, 2011 is mainly the result of lower property valuations in 2011 compared to 2010 as a result of successful appeals in 2010.

Reported utilities for the three and nine months ended September 2011 were up 1.0% and down 3.9%, respectively. The reported decrease in the nine month reported number is mainly the result of lower reported natural gas expense, somewhat offset by increased electricity charges.

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>	<b>3 Months Sep 30, 2011</b>	3 Months Sep 30, 2010	% Change	<b>9 Months Sep 30, 2011</b>	9 Months Sep 30, 2010	% Change
Total rental revenue	\$ 14,204	\$ 13,945	1.9%	\$ 42,361	\$ 41,414	2.3%
Expenses						
Operating expenses	\$ 2,549	\$ 1,870	36.3%	\$ 6,973	\$ 5,540	25.9%
Utilities	\$ 963	\$ 850	13.3%	\$ 3,484	\$ 3,392	2.7%
Property taxes	\$ 963	\$ 949	1.5%	\$ 2,964	\$ 2,894	2.4%
	\$ 4,475	\$ 3,669	22.0%	\$ 13,421	\$ 11,826	13.5%
Net operating income	\$ 9,729	\$ 10,276	(5.3)%	\$ 28,940	\$ 29,588	(2.2)%
Operating margins	<b>68.5%</b>	73.7%		<b>68.3%</b>	71.4%	

For the current quarter and first nine months of 2011, Boardwalk's Saskatchewan operational rental revenue increased by 1.9% and 2.3%, respectively. The revenue increases are mainly the result of strong rental market fundamentals in both Regina and Saskatoon. Rental expenses increased by 22.0% and 13.5% for the three and nine months ended September 30, 2011 compared to the same periods in the prior year, mainly as a result of an increase in operating expenses. The reported increases in operating expenses for both the reported three and nine month are the result of increased labour costs relating to the change in wage capitalization estimate previously discussed as well as an increased investment in on-site maintenance and personnel staff. Repairs and maintenance also increased in both these reported periods.

Utility costs for both reported periods increased primarily as a result of increased natural gas consumption. Water and sewer charges also increased from the same periods in the prior year.

The Trust had 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 26 of the Trust's condensed consolidated financial statements for the three and nine months ended September 30, 2011.

### Ontario Rental Operations

<i>In \$000's, except number of suites</i>	<b>3 Months Sep 30, 2011</b>	3 Months Sep 30, 2010	% Change	<b>9 Months Sep 30, 2011</b>	9 Months Sep 30, 2010	% Change
Total rental revenue	\$ 9,740	\$ 9,584	1.6%	\$ 29,283	\$ 28,800	1.7%
Expenses						
Operating expenses	\$ 1,970	\$ 1,687	16.8%	\$ 5,418	\$ 4,972	9.0%
Utilities	\$ 1,551	\$ 1,728	(10.2)%	\$ 5,108	\$ 5,211	(2.0)%
Property taxes	\$ 1,248	\$ 1,508	(17.2)%	\$ 4,225	\$ 4,517	(6.5)%
	\$ 4,769	\$ 4,923	(3.1)%	\$ 14,751	\$ 14,700	0.3%
Net operating income	\$ 4,971	\$ 4,661	6.7%	\$ 14,532	\$ 14,100	3.1%
Operating margins	51.0%	48.6%		49.6%	49.0%	

Boardwalk REIT's Ontario operations reported increases in rental revenue of 1.6% and 1.7% for the three and nine months ended September 30, 2011, respectively, compared to the same periods in the prior year, due to an increase in occupied rents and increased occupancy levels. The reported increases in operating costs for both the reported three and nine month are the result of increased labour costs relating to the change in wage capitalization estimate previously discussed as well as increased maintenance and on-site personnel staff. Repairs and maintenance also increased in both these reported periods.

The reported decreases in utilities for both the three and six month periods were the result of lower natural gas costs. The lower cost can be attributed to a fixed price natural gas contract in place for Ontario. 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 26 of the Trust's consolidated financial statements for the three and nine months ended September 30, 2011. The fixed price is below the current floating prices for natural gas

Property taxes decreased 17.2% and 6.5% for the three and nine months ended September 30, 2011, respectively, compared to the same periods in the prior year, due to property tax refunds received from the City of Windsor and City of Kitchener in 2011.

### Quebec Rental Operations

<i>In \$000's, except number of suites</i>	<b>3 Months Sep 30, 2011</b>	3 Months Sep 30, 2010	% Change	<b>9 Months Sep 30, 2011</b>	9 Months Sep 30, 2010	% Change
Total rental revenue	\$ 17,290	\$ 17,239	0.3%	\$ 51,708	\$ 51,120	1.2%
Expenses						
Operating expenses	\$ 3,507	\$ 3,899	(10.1)%	\$ 10,638	\$ 11,315	(6.0)%
Utilities	\$ 927	\$ 930	(0.3)%	\$ 4,666	\$ 4,706	(0.8)%
Property taxes	\$ 1,736	\$ 1,681	3.3%	\$ 5,202	\$ 5,079	2.4%
	\$ 6,170	\$ 6,510	(5.2)%	\$ 20,506	\$ 21,100	(2.8)%
Net operating income	\$ 11,120	\$ 10,729	3.6%	\$ 31,202	\$ 30,020	
Operating margins	64.3%	62.2%		60.3%	58.7%	

Boardwalk REIT's Quebec operations reported good results. Reported rental revenue showed slight increases of 0.3% and 1.2% for the three and nine months ended September 30, 2011, respectively. Reported total rental expenses for the current quarter and nine months ended September 30, 2011 decreased compared to the same periods in the prior year, largely the result of a decrease in operating expenses for this region. Similar to Ontario, the Trust had a fixed price natural gas contract for 50% of our Quebec usage at a price of \$7.65/GJ. This contract expired on October 31, 2010 and was renewed for an additional one-year term at a

fixed price of \$4.07/GJ. In addition, 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 26 of the Trust's consolidated financial statements for the three and nine months ended September 30, 2011.

### Boardwalk's Rental Strategy

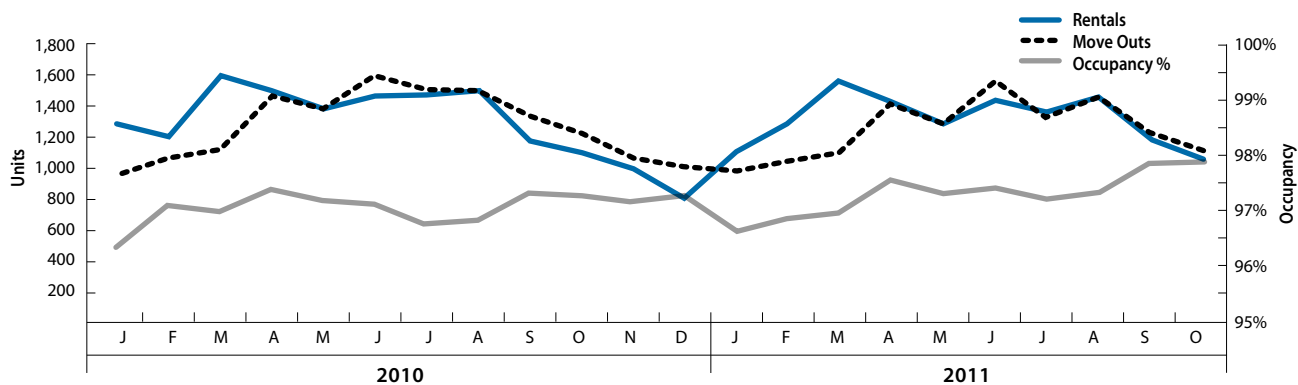
Boardwalk's rental revenue strategy focuses on maximizing rental revenues through actively managing three main variables: occupancy levels, market rents and suite-specific incentives. It is important to note that these variables are in constant flux and may be different between regions and buildings within the same region. The main goal of our strategy is to maximize revenue throughout 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 July, 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	Q3 2011	Q3 2010	Q2 2011
Calgary	98.89%	97.57%	98.19%
Edmonton	96.81%	96.93%	96.77%
Kitchener	97.47%	96.76%	98.89%
London	97.76%	97.32%	97.77%
Montreal	95.56%	96.37%	96.36%
Other Alberta	96.96%	92.53%	96.95%
Quebec City	97.95%	97.82%	98.41%
Regina	97.22%	96.83%	98.14%
Saskatoon	97.51%	97.98%	96.32%
Windsor	96.64%	96.38%	97.31%
Vancouver	99.44%	98.57%	98.73%
Verdun	99.42%	98.71%	99.47%
Victoria	98.34%	96.38%	97.72%
Total	97.52%	97.01%	97.49%

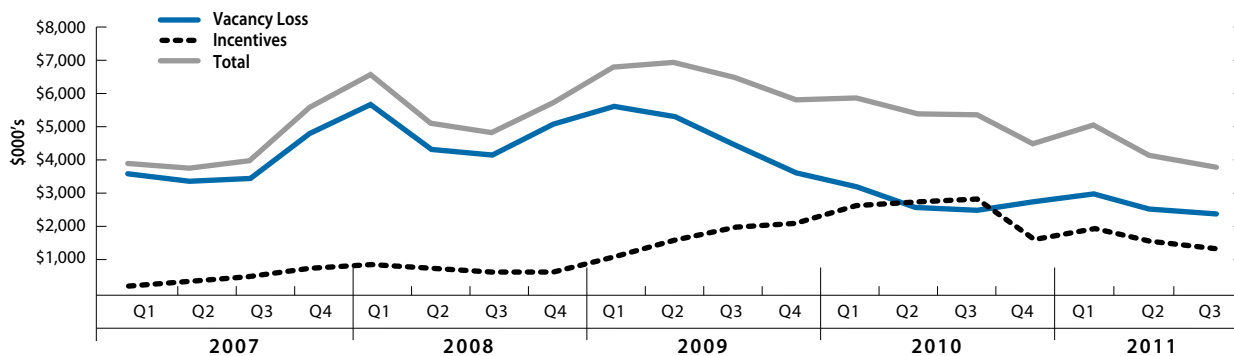
In the third quarter of 2011, the Trust's overall occupancy rate remained relatively consistent at 97.52%, compared to 97.01% for the same period in the prior year. Boardwalk's overall rental revenue maximization strategy focuses on the Trust balancing the key inputs, including occupancy levels and existing 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 to 97.52% for the third quarter of 2011, compared to the third quarter of 2010 when the occupancy rate was 97.01%. 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 ongoing 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 continued decline in vacancy loss and incentives in the third 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 third quarter 2011, or a total of 35,277 units. The following table compares the stabilized property results for the three and nine months ended September 30, 2011 with the same periods in the prior year.

Sep 30 2011 - 3 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,234	6.10%	8.67%	5.04%	18.0%
Edmonton	12,337	1.57%	6.19%	-0.79%	36.3%
Other Alberta	2,172	6.70%	13.39%	3.12%	6.0%
British Columbia	633	4.00%	54.88%	-9.94%	2.0%
Ontario	4,265	1.63%	-3.12%	6.65%	7.2%
Quebec	6,000	1.57%	-4.18%	5.06%	16.2%
Saskatchewan	4,636	1.85%	21.97%	-5.33%	14.2%
	35,277	2.69%	6.00%	0.98%	100.0%

Sep 30 2011 - 9 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,234	3.28%	7.32%	1.53%	18.0%
Edmonton	12,337	0.37%	5.45%	-2.39%	36.3%
Other Alberta	2,172	4.86%	12.28%	0.90%	6.1%
British Columbia	633	1.93%	20.69%	-4.98%	2.1%
Ontario	4,265	1.68%	0.35%	3.06%	7.3%
Quebec	6,000	2.44%	-1.76%	5.40%	15.7%
Saskatchewan	4,636	2.29%	13.48%	-2.19%	14.5%
	35,277	1.86%	5.15%	0.03%	100.0%

Stabilized revenue (which excludes interest revenue earned) increased by 2.7% and 1.9% for the three and nine months ended September 30, 2011, respectively, compared to the same periods in the prior year. Operating expenses reported for the three and nine months ended September 30, 2011 increased by 6.0% and 5.2% for the from the same periods in 2010, and overall NOI increased 1.0% and 0.0% for the three and nine months ended September 30, 2011, respectively, compared to the same periods in the prior year. The increase in reported stabilized revenue was driven mainly by an increase in occupancy levels. The increase in operating expenses are largely the result of the previously discussed change in estimate in relation to amounts reported as capitalized wages and salaries, which the entire amount (\$1.7 million), was reported through the third quarter of 2011. If we were to only include the estimated adjustment relating to the current quarter (approximately \$600 thousand), NOI growth reported for the current period would have been 2.65% as compared to the 0.98% reported.

Stabilized Revenue Growth	# of Units	Q3 2011 vs. Q2 2011	Q3 2011 vs. Q1 2011	Q3 2011 vs. Q4 2010	Q3 2011 vs. Q3 2010
Calgary	5,234	1.06%	3.63%	4.73%	6.10%
Edmonton	12,337	0.88%	1.78%	1.06%	1.57%
Other Alberta	2,172	0.21%	2.46%	2.72%	6.70%
British Columbia	633	1.09%	2.86%	3.29%	4.00%
Ontario	4,265	-0.71%	0.07%	0.15%	1.63%
Quebec	6,000	0.57%	0.38%	0.59%	1.57%
Saskatchewan	4,636	0.56%	1.21%	0.80%	1.85%
	35,277	0.63%	1.68%	1.60%	2.69%

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 third quarter of 2011 increased slightly by 0.6% over Q2 2011, increased by 1.7% compared to Q1 2011, increased 1.6% compared to Q4 2010 and increased by 2.7% compared to Q3 2010. The increase is the result of Q3 occupancy level being slightly higher than those reported during Q2 of 2011. 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 September 30, 2011, adjusted for current occupancy levels, totaled \$6.5 million on an annualized basis, representing \$0.12 per outstanding Unit (Trust & LP B). The estimated loss-to-lease is the direct result of Boardwalk's proactive strategy to increase occupancy levels in Alberta.

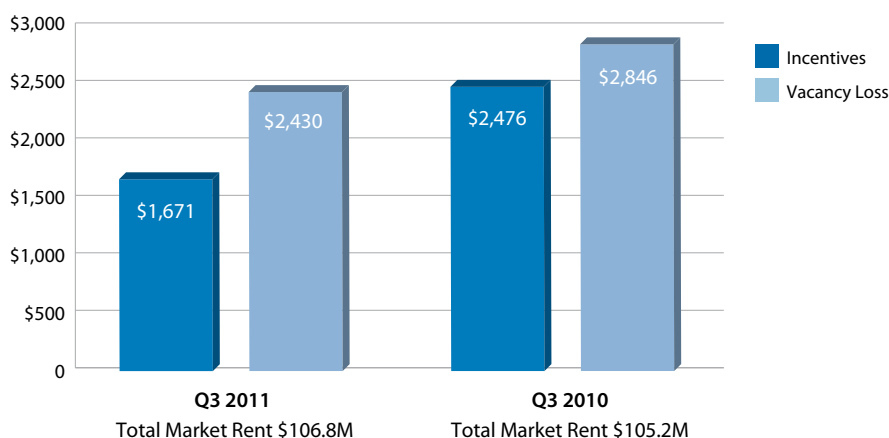
The reader should note that estimated loss-to-lease, measured at a point in time, is a non-GAAP measure and that reported market rents can be very seasonal and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" 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.

	Sep 2011 Occupied Rent	Sep 2011 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies (\$000's)	Weighted Average Units	% of Portfolio
Calgary	\$ 1,143	\$ 1,207	\$ 64	\$ 3,930	5,310	15%
Edmonton	\$ 1,077	\$ 1,077	\$ 0	\$ 50	12,497	35%
Other Alberta	\$ 1,052	\$ 1,049	\$ (3)	\$ (62)	1,936	6%
Alberta Portfolio	\$ 1,092	\$ 1,109	\$ 17	\$ 3,917	19,743	56%
Saskatchewan	\$ 1,048	\$ 1,063	\$ 15	\$ 811	4,636	13%
Ontario	\$ 788	\$ 806	\$ 18	\$ 903	4,265	12%
Quebec	\$ 978	\$ 985	\$ 7	\$ 465	6,000	17%
British Columbia	\$ 1,000	\$ 1,052	\$ 52	\$ 395	633	2%
Total Portfolio	\$ 1,029	\$ 1,044	\$ 15	\$ 6,492	35,277	100%

The increase in the loss-to-lease for our portfolio, from \$3.0 million at June 2011 to \$6.5 million at September 2011 was due primarily to the increase in market rents throughout the portfolio, particularly in Alberta, thus increasing the spread between occupied and market rents.

The Trust's previous focused strategy of reducing market rent prices was an attempt to increase overall occupancy, with the main focus on increasing overall rental revenue. In recent months, the Trust was able to increase market rents in specific properties by reducing incentives while maintaining occupancy levels. 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.

### Incentives & Vacancy Loss



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.

## FINANCING COSTS

Financing costs for the third quarter and first nine months of 2011 decreased from the same periods in the prior year, from \$30.0 million and \$85.8 million, respectively, to \$26.1 million and \$79.1 million, due primarily to lower interest rates and the sale of a number of the Trust's Non-Core properties in 2010. In addition to the above, a special distribution was declared and paid in September 2010 to all Unitholders on record as at August 30, 2010. As a result of this, in Q3 2010, the Trust paid a special distribution of \$2.24 million dollars to the LP Class B Unitholders. In accordance with IFRS standards, this special distribution payment along with regular distribution payments to the LP Class B Unitholders is recorded as a financing cost. Boardwalk's overall liquidity as of the date of this report is estimated to be approximately \$418.1 million. The details of this will be discussed later in this report. Of the \$418.1 million, approximately \$222.1 million of this is represented by cash reported on its September 30, 2011 statement of financial position.

At September 30, 2011, the reported weighted average interest rate on its mortgage and debt portfolio was 4.18% compared to 4.22% at June 30, 2011, 4.25% at March 31, 2011, 4.27% at December 31, 2010 and 4.32% at September 30, 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 September 30, 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 for the third quarter and first nine months of 2011, which have been recorded as financing charges was \$2.0 million and \$6.0, respectively, which is consistent with the \$2.0 million and \$6.0 million paid in distributions for the same periods in the prior year. As discussed above, in addition to these regular distributions, a special distribution of \$2.2 million was paid out in September 2010 and included in financing charges in the financial statements. 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 third quarter and first nine months of 2011 was \$0.6 million and \$1.9 million, respectively, compared to \$0.5 million and \$1.1 million for the same periods in the prior year.

### Administration

Included in administration expenses are costs associated with Boardwalk REIT's centralized administrative functions. The amounts reported for the three and nine months ended September 30, 2011, which relates to corporate administration, were \$6.9 million and \$19.6 million, respectively, compared to \$5.9 million and \$19.0 million for the same periods in the prior year, an increase of approximately 16.9% and 3.2%.

For the three and nine months ended September 30, 2011 and prior comparative periods, Boardwalk REIT allocated certain administration costs between corporate and rental operating expenses. The amounts allocated to rental operating expenses related to specific administrative costs associated with primarily operation-specific staff and related support initiatives. Total administration costs, combining rental operating and corporate, were \$12.9 million and \$36.5 million for the three and nine months ended September 30, 2011, respectively, compared to \$11.9 million and \$34.9 million for the same periods in the prior year. The increase was primarily the result of a higher profit sharing and bonus accrual for the current quarter compared to the same quarter in the previous year.

The allocation of administration expenses between corporate and operating general and administration 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 costs.

### 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 nine months ended September 30, 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 and nine months ended September 30, 2011 were \$2.6 million and \$7.8 million, respectively, which were consistent with the \$2.5 million and \$7.6 million recorded for the same periods in the prior year upon the application of IFRS standards.

## OTHER INCOME AND EXPENSES

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### 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 September 30, 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, and has, therefore, not recorded a deferred tax liability as at September 30, 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.

On July 20, 2011, the Finance Department announced proposed changes to the SIFT regulations including the treatment of stapled securities (particularly the deductibility of interest expense related to these securities and the treatment of distributions relating to these units) and other minor technical updates. These changes are not expected to impact the Trust.

### 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 nine months of 2010 or 2011.

For a list of property dispositions in the first nine 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.

External valuations were obtained based on a cross section of properties from different geographical locations and markets across the Trust’s rental portfolio. As at September 30, 2011, 5 properties, representing an aggregate fair value of \$238.6 million and 5.1% of the Trust’s portfolio were appraised by the Appraisers. As at June 30, 2011, 5 properties, representing an aggregate fair value of \$188.8 million and 4.2% of the Trust’s portfolio as of that date were appraised by the Appraisers. As at March 31, 2011, 11 properties representing an aggregate fair value of \$777.0 million and 18.0% of the Trust’s portfolio as of that date were appraised by the Appraisers. The fair value of the Trust’s Investment property 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 to corroborate the Trust’s internal valuation, 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	Sep 30, 2011		Dec 31, 2010		Jan 1, 2010	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
<b>Capitalization rate by city:</b>						
Calgary	5.25%	6.00%	5.75%	6.50%	6.00%	6.50%
Edmonton	5.50%	6.00%	6.00%	6.25%	6.25%	7.00%
Other Alberta	6.25%	8.00%	6.00%	8.25%	6.25%	8.50%
Vancouver	5.00%	6.50%	5.25%	6.75%	5.25%	7.25%
Kitchener	6.00%	6.00%	6.50%	6.50%	6.75%	6.75%
London	6.00%	6.25%	6.50%	6.75%	6.75%	7.00%
Windsor	6.75%	7.25%	7.25%	7.75%	7.25%	7.75%
Montreal	5.75%	6.75%	6.25%	7.25%	6.50%	7.50%
Quebec City	5.75%	6.25%	6.00%	6.50%	6.25%	7.50%
Regina	6.50%	6.75%	7.00%	7.25%	6.75%	7.00%
Saskatoon	6.50%	6.75%	7.00%	7.25%	6.75%	7.00%
	5.00%	8.00%	5.25%	8.25%	5.25%	8.50%
<b>Land Lease</b>	5.50%	11.50%	6.00%	11.75%	6.18%	11.66%

Overall portfolio weighted average capitalization rates were 5.96%, 6.41% and 6.64% as at September 30, 2011, December 31, 2010 and January 1, 2010, respectively.

The “Overall Capitalization Rate” method requires that a forecasted net operating income (“NOI”) be divided by a Capitalization Rate (“cap rate”) to determine a fair value. As such, fluctuations in both NOI and cap rates could significantly alter the fair value. Below summarizes the impact of changes in both cap rates and NOI on the Trust’s fair value of its investment properties as at September 30, 2011:

As at September 30, 2011 (in 000's)

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		\$269,067	\$274,614	\$277,388	\$280,162	\$285,710
Capitalization Rate						
-0.25%	5.71%	58,034	153,193	203,773	252,352	349,511
Cap Rate As Reported	5.96%	(139,625)	(46,542)	4,654,164	46,542	139,625
+0.25%	6.21%	(321,370)	(232,034)	(187,366)	(142,698)	(53,362)

Investment property with a fair value of \$417.2 million (\$391.9 million – December 31, 2010, \$380.6 million – 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 \$575.0 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 \$4.4 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 nine months of 2011, the Trust capitalized \$45.1 million in building improvements and recorded a fair value gain of \$290.8 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

For the 2010 year and the first nine months of 2011, there were no new property acquisitions.

### Dispositions

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

In the first nine months of 2010, Boardwalk REIT reported total gains under Canadian GAAP of approximately \$20.7 million on the dispositions of an 88-unit rental property located in Edmonton, the insurance settlement of a 31-unit rental property located in Grand Prairie, Alberta, a 321-unit apartment building located in Gatineau, Quebec, a 91-unit apartment building located in Calgary, Alberta, a 178-unit apartment building located in Montreal, Quebec and two 12-unit rental buildings located in Regina, Saskatchewan.

The gain on sale of these same properties 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 Condensed Consolidated 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 under IFRS for the three and nine months ended September 30, 2010 is as follows:

<i>Cdn\$ Thousands, except units sold</i>	3 months ended Sep 30, 2010	9 months ended Sep 30, 2010
Gross Sales Price	\$ 13,113	\$ 57,033
Cost of dispositions	(378)	(918)
Net cash proceeds	12,735	56,115
Carrying value of investment property sold	(13,113)	(57,033)
Other adjustments on disposition	(111)	(663)
Loss on dispositions	\$ (489)	\$ (1,581)
Multi-family units sold	119	733

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 nine months of 2011, Boardwalk REIT invested approximately \$48.4 million (comprised of \$45.1 million for investment properties and \$3.3 on property, plant and equipment) back into its properties in the form of project enhancements, compared to the \$49.2 million (\$46.4 million for investment properties and \$2.8 million property, plant and equipment) invested in the same period in 2010. The slight decrease in the current year-to-date compared to the same period in the prior year is due primarily to a decrease in expenditures largely related to building exterior and suite improvements in 2011.

Included in these amounts is approximately \$14.7 million of capitalized on-site wages and salaries, compared to \$14.3 million for the same period last year. This slight 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 September 30, 2011, the Trust used a closing price of \$48.18 based on the closing price of the TSX listed Boardwalk REIT Trust Units to determine the fair value of these financial liabilities at that date. The total fair value of these units recorded on the Condensed Consolidated Statement of Financial Position at September 30, 2011 was \$215.6 million and a corresponding fair value loss of \$31.0 million was recorded on the Condensed Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2011.

The deferred unit compensation plan had a fair value of \$7.1 million and a corresponding fair value loss of \$1.1 million was recorded on the statement of comprehensive income for the nine months ended September 30, 2011.

### 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>	<b>3 Months Sep 2011</b>	<b>Per Suite</b>	3 Months Sep 2010	Per Suite	<b>9 Months Sep 2011</b>	<b>Per Suite</b>	9 Months Sep 2010	Per Suite
Maintenance Capital Expenditures	\$ 3,969	\$ 113	\$ 4,018	\$ 113	\$ 11,906	\$ 338	\$ 12,127	\$ 338
Stabilizing & Value Enhancing Capital	\$ 12,139	\$ 344	\$ 14,859	\$ 416	\$ 33,220	\$ 942	\$ 34,290	\$ 954
	\$ 16,108	\$ 457	\$ 18,877	\$ 529	\$ 45,126	\$ 1,280	\$ 46,417	\$ 1,292

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 67.5% of reported FFO and 76.2% of AFFO for the three month period ended September 30, 2011 compared to 69.7% and 79.1%, respectively, for the three month period ended September 30, 2010.

For the nine months ended September 30, 2011, the Trust is currently paying out an estimated 72.2% of reported FFO and 82.2% of AFFO compared to 73.0% and 83.4%, respectively, for the same period last year.

(000's)	<b>3 Months Sep 2011</b>	3 months Sep 2010	<b>9 months Sep 2011</b>	9 months Sep 2010
Funds From Operations (FFO)	\$ 34,806	\$ 33,928	\$ 97,639	\$ 97,331
Maintenance Capital Expenditures	\$ 3,969	\$ 4,018	\$ 11,906	\$ 12,127
Adjusted Funds From Operations (AFFO)	\$ 30,837	\$ 29,910	\$ 85,733	\$ 85,204
AFFO per unit (Trust and LP B Units)	\$ 0.59	\$ 0.57	\$ 1.64	\$ 1.62
Unitholder Distributions-Regular (Trust Units and LP B Units)	\$ 23,503	\$ 23,653	\$ 70,498	\$ 71,088
Distribution as a % of FFO	67.5%	69.7%	72.2%	73.0%
Distribution as a % of AFFO	76.2%	79.1%	82.2%	83.4%

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:

Summary of Unitholders' Capital Contributions	Units
Jan 1, 2010	48,269,467
Units issued for vested deferred units	45,066
Units purchased and cancelled	(423,400)
Dec 31, 2010	47,891,133
Units issued for vested deferred units	29,052
Units purchased and cancelled	(160,900)
<b>Sep 30, 2011</b>	<b>47,759,285</b>

For the nine months ended September 30, 2011 and for the year ended December 31, 2010, Boardwalk REIT purchased and cancelled the following Trust Units:

Bid Number	Sep 30, 2011			Dec 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
5	-	-	-	-	-	-
	<b>160,900</b>	<b>\$ 6,740</b>	<b>\$ 41.89</b>	<b>423,400</b>	<b>\$ 17,024</b>	<b>\$ 40.21</b>

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
5	August 24, 2011	August 23, 2012	3,884,118	-	-	-
				<b>4,542,747</b>	<b>\$ 170,509</b>	<b>\$ 37.53</b>

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.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at September 30, 2011, there were 47,759,285 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 52,234,285. 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 September 30, 2011	\$ 222,085,000
Subsequent Committed Additional Financing	\$ -
	\$ 222,085,000
Committed Revolving Credit Facility Available	\$ 196,028,000
<b>Total Available Liquidity</b>	<b>\$ 418,113,000</b>

In addition to this, the Trust estimates that assuming market conditions remain the same, if warranted, the Trust could arrange an additional \$50.9 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 \$181.3 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 \$45.5 million of debt coming due in 2011 (as shown in the table below), all has NHA insurance and represent in aggregate approximately 33% of current estimated "underwriting" values on those individual secured assets. Currently, interest rates on NHA insured mortgages are well below the reported 4.85% 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.

The Trust has undertaken to forward lock in committed mortgage rates on these maturing mortgages as such we have a very low exposure to increasing interest rates for the mortgages maturing for the rest of 2011.

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, and to take advantage of the current low-interest rate environment, the Trust has undertaken to forward fix the interest rates on approximately \$33.9 million of the remaining \$45.5 million of 2011 maturing mortgages. The new interest rates, including the forward fix premium, average 3.60% as compared to the 4.97% rate that was on the maturing mortgages.

The chart below shows a breakdown of the maturing mortgages, which have fixed forward interest rates attached.

Maturity Date	Units	Maturing Mortgage Amount	Weighted Maturing Avg. Interest Rate	Weighted Avg. New Interest Rate	Average Term
October 1, 2011	121	\$ 5,160,000	4.19%	3.24%	9
November 1, 2011	204	\$ 10,390,000	4.78%	3.87%	7
December 1, 2011	482	\$ 18,310,000	5.29%	3.54%	6
<b>Total Fwd Locked</b>	<b>807</b>	<b>\$ 33,860,000</b>	<b>4.97%</b>	<b>3.60%</b>	<b>7</b>

## 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 September 30, 2011 were \$2.18 billion, compared to \$2.17 billion reported on September 30, 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 September 30, 2011 was 4.18% compared to 4.32% on September 30, 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 of Maturity	Principal Outstanding as at Sep 30, 2011	Weighted Average Interest Rate By Maturity	% of Total
2011	45,474,951	5.42%	1.91%
2012*	572,543,443	4.85%	24.03%
2013	287,474,108	4.51%	12.07%
2014	427,582,749	3.51%	17.95%
2015	453,019,401	3.72%	19.02%
2016	230,266,494	4.05%	9.67%
2017	136,891,709	3.63%	5.75%
2018	70,624,891	3.90%	2.96%
2019	76,403,663	5.09%	3.21%
2020	55,671,314	4.48%	2.34%
2021	25,985,654	4.17%	1.09%
<b>Total Principal Outstanding</b>	<b>2,381,938,377</b>	<b>4.18%</b>	<b>100.00%</b>
<b>Unamortized Deferred Costs</b>	<b>(90,187,663)</b>		
<b>Per Financial Statements</b>	<b>2,291,750,714</b>		

\* Includes unsecured debenture of \$112.4 million.

### 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 September 30, 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 4 months away from September 30, 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 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 September 30, 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)	Sep 30, 2011	Dec 31, 2010
Total reported assets	\$ 4,916,402	\$ 4,585,925
Reported amortization	33,234	30,739
	<b>\$ 4,949,636</b>	<b>\$ 4,616,664</b>
Mortgages payable	\$ 2,179,405	\$ 2,153,206
Debentures	112,345	112,211
	<b>\$ 2,291,750</b>	<b>\$ 2,265,417</b>
Debt to GBV	<b>46.3%</b>	49.1%
DOT Limit	<b>70.0%</b>	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 nine months ended September 30, 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 2.41 as compared to 2.32 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, including a reconciliation of our equity, net income and comprehensive income as reported under Canadian GAAP and IFRS, is summarized below. The significant accounting policies followed on the adoption of IFRS are included in Note 2 and the reconciliations can be found in Note 3 of the unaudited notes to the Condensed Consolidated Financial Statements for the period ended September 30, 2011.

## CRITICAL ACCOUNTING POLICIES

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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 IFRS. 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”). Fair value is determined based on a combination of internal and external processes. 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, 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. Building and other asset acquisitions, which do not meet the above definition, are recorded as an asset addition based on the purchase price.

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. As an individual building does not constitute a major line of business, individual building sales are not treated as 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 condensed consolidated 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 amount that would have been determined (net of amortization) had no impairment loss been recognized.

#### (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 for certain corporate subsidiaries of the Trust. 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 Trustees 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) Rental revenue**

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) Ancillary rental income

Ancillary rental 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 follows:

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 method less any impairment. <sup>(1) (2)</sup>
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 other comprehensive income.
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 method less any impairment. <sup>(1) (2)</sup>

(1) The effective interest 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 follows:

Financial asset	Classification	Measurement
Trade and other receivables	Loans and receivables	Amortized cost
Segregated tenants' security deposits	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost

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 follows:

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 method. <sup>(1)</sup>

(1) The effective interest 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 follows:

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 September 30, 2011, September 30, 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 of the financial statements. 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. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to NOTE 5 for sensitivity analysis.

**(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, with early adoption permitted. 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 on its consolidated financial statements.

**Consolidated Financial Statements**

In June 2011, the IASB issued IFRS 10 – Consolidated Financial Statements ("IFRS 10") to replace Standing Interpretations Committee 12 – Consolidation – Special Purpose Entities and the new consolidation requirements of IAS 27 – Consolidated and Separate Financial Statements ("IAS 27") (discussed below). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding or potential voting rights.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013. The Trust is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

IAS 27 was revised in May 2011 and was revised to eliminate the principles of consolidation from IAS 27 (as they are now included in IFRS 10) and focus on requirements related to disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Trust does not expect these amendments to have a significant impact on its consolidated financial statements.

### **Joint Arrangements**

IFRS 11 – Joint Arrangements (“IFRS 11”) was issued in June 2011 and is the result of the IASB’s project to replace IAS 31 – Interest in Joint Ventures (“IAS 31”). The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust does not expect this standard to have a significant impact on its consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) was revised in May 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust does not expect these amendments to have a significant impact on its consolidated financial statements.

### **Disclosure of Interests in Other Entities**

IFRS 12 – Disclosure of Interests in Other Entities (“IFRS 12”) was issued in June 2011 and outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity’s interests in subsidiaries and joint arrangements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

### **Fair Value Measurements**

IFRS 13 – Fair Value Measurements (“IFRS 13”) was issued in June 2011 and provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

### **Employee Benefits**

IAS 19 – Employee Benefits (“IAS 19”) amendments were issued in June 2011 that will change the accounting for defined benefit plans and termination benefits. This standard requires that the changes in defined benefit obligations are recognized as they occur, eliminating the corridor approach and accelerating the recognition of past service costs. The changes in defined benefit obligation and plan assets are to be disaggregated into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefit liabilities (assets). This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust does not expect the amendments to IAS 19 to have a significant impact on its consolidated financial statements.

### **Presentation of Financial Statements**

IAS 1 was amended in 2011 to expand on the disclosures required of items within Other Comprehensive Income. The revised standard requires that an entity distinguishes between those items that are recycled to profit and loss versus those items which are not recycled. Retrospective application is required and the standard is effective for annual periods beginning on or after July 1, 2012. The Trust does not expect the amendments to IAS 1 to have a significant impact on its consolidated financial statements.



## 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 third IFRS condensed consolidated interim financial statements for the third 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 condensed consolidated 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.

A detailed review of all asset acquisitions when they occur will be performed and any 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 (Condensed Consolidated 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).

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
Inventories	IAS 2	<p>Inventories are presented separately on the IFRS Condensed Consolidated Statement of Financial Position.</p> <p>Inventories are carried at the lower of cost or net realizable value.</p> <p>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.</p>	<p>Reclassification of assets from other assets (CDN GAAP) to inventories under IFRS.</p> <p>Inventories balance was \$2.9 million on the IFRS opening Condensed Consolidated Statement of Financial Position as a result of reclassification.</p>	<p>Reclassification of assets from other assets (CDN GAAP) to inventories under IFRS.</p> <p>Inventories balance was \$3.0 million on the IFRS Condensed Consolidated Statement of Financial Position as a result of reclassification.</p>
Mortgages Payable	IFRS 7, IAS 32 and 39	<p>Classified as a financial liability and carried at amortized cost on the Statement of Financial Position.</p> <p>Split between current and long term portion.</p>	<p>No impact on total carrying amount of mortgages payable.</p> <p>Current portion of \$0.5 billion presented as part of current liabilities.</p> <p>\$1.7 billion presented as part of long-term liabilities on the IFRS classified statement of financial position.</p>	<p>No impact on total carrying amount of mortgages payable.</p> <p>Current portion of \$0.3 billion presented as part of current liabilities.</p> <p>\$1.8 billion presented as part of long-term liabilities on the IFRS statement of financial position.</p>
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	<p>Designated as "fair value through profit or loss" (FVTPL) financial liability under IFRS.</p> <p>Recorded at fair value at each reporting date with changes in fair value flowing through the statement of comprehensive income.</p>	<p>The LP Class B Units are recorded as a liability under IFRS and carried at their fair value.</p> <p>Previously recorded as equity under Canadian GAAP.</p> <p>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.</p>	<p>The LP Class B Units are recorded as a liability under IFRS and carried at their fair value.</p> <p>Previously recorded as equity under Canadian GAAP.</p> <p>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.</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
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 earnings 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	Dec 31, 2010		Jan 1, 2010	
<b>Capitalization rate by city:</b>				
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%
<b>Land Lease</b>	6.00%	11.75%	6.18%	11.66%

The weighted average of the “Overall Capitalization Rate” was 6.64% and 6.41% for January 1 and December 31, 2010, respectively.

The “Overall Capitalization Rate” method requires that a forecasted net operating income (“NOI”) be divided by a cap rate to determine a fair value. As such, fluctuations in both NOI and cap rates could significantly alter the fair value. Below are tables, which summarize the sensitivity to the reported fair value estimate based on adjustments to both cap rates and NOI:

As at December 31, 2010 (in 000's)

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		\$268,495	\$274,031	\$276,799	\$279,567	\$285,103
Capitalization Rate						
-0.25%	6.16%	40,448	130,318	175,253	220,188	310,058
Cap Rate As Reported	6.41%	(129,547)	(43,182)	4,318,242	43,182	129,547
+0.25%	6.66%	(286,781)	(203,658)	(162,096)	(120,535)	(37,412)

As at January 1, 2010 (in 000's)

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		\$265,982	\$271,466	\$274,208	\$276,950	\$282,434
Capitalization Rate						
-0.25%	6.39%	32,830	118,654	161,566	204,478	290,302
Cap Rate As Reported	6.64%	(123,889)	(41,296)	4,129,636	41,296	123,889
+0.25%	6.89%	(269,235)	(189,640)	(149,842)	(110,044)	(30,448)

Investment property with a fair value of \$380.6 million at January 1, 2010 and \$391.9 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, September 30, 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, September 30, 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 fair value through profit or loss on the basis that this financial liability is classified as 'fair value through profit or loss' ("FVTPL") 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, \$210.3 million as at September 30, 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 FVPTL 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, \$5.5 million as at September 30, 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, Jan 1, 2010	IFRS Adjustments	IFRS Jan 1, 2010
<b>Assets</b>				
<b>Non-current assets</b>				
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
<b>Current assets</b>				
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
<b>Total assets</b>		<b>\$ 2,378,278</b>	<b>\$ 1,980,948</b>	<b>\$ 4,359,226</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
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)	–	3,049	3,049
Deferred tax liabilities	(vi)	94,956	597,960	692,916
		2,352,428	292,359	2,644,787
<b>Current liabilities</b>				
Mortgages payable		–	474,449	474,449
Debentures		–	–	–
Deferred unit-based compensation		–	1,147	1,147
Refundable tenants' security deposits		16,263	–	16,263
Trade and other payables		54,627	–	54,627
		70,890	475,596	546,486
<b>Total Liabilities</b>		<b>2,423,318</b>	<b>767,955</b>	<b>3,191,273</b>
<b>Equity</b>				
Unitholders' equity		\$ (45,040)	\$ 1,212,933	\$ 1,167,953
<b>Total Equity</b>		<b>(45,040)</b>	<b>1,212,933</b>	<b>1,167,953</b>
<b>Total Liabilities and Equity</b>		<b>\$ 2,378,278</b>	<b>\$ 1,980,948</b>	<b>\$ 4,359,226</b>

### (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 are adjusted on a quarterly basis 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	(1,147)
	3,049

**(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:

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
<b>Assets</b>				
<b>Non-current assets</b>				
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
<b>Current assets</b>				
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
<b>Total assets</b>		<b>\$ 2,326,802</b>	<b>\$ 2,259,123</b>	<b>\$ 4,585,925</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
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)	–	3,401	3,401
Deferred tax liabilities	(vi)	99,197	641,162	740,359
		2,364,614	539,035	2,903,649
<b>Current liabilities</b>				
Mortgages payable		–	290,122	290,122
Debentures		–	–	–
Deferred unit-based compensation		–	2,028	2,028
Refundable tenants' security deposits		15,556	–	15,556
Trade and other payables		55,648	–	55,648
		71,204	292,150	363,354
<b>Total Liabilities</b>		<b>2,435,818</b>	<b>831,185</b>	<b>3,267,003</b>
<b>Equity</b>				
Unitholders' equity		\$ (109,016)	\$ 1,427,938	\$ 1,318,922
<b>Total Equity</b>		<b>(109,016)</b>	<b>1,427,938</b>	<b>1,318,922</b>
<b>Total Liabilities and Equity</b>		<b>\$ 2,326,802</b>	<b>\$ 2,259,123</b>	<b>\$ 4,585,925</b>

**(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 as follows:

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	(2,028)
	3,401

**(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 \$21.4 million and \$63.1 million for the three and nine months ended September 30, 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 and nine months ended September 30, 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 \$4.3 million and \$8.3 million for the three and nine months ended September 30, 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 September and 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 (\$0.5) million and (\$1.6) million for the three and nine months ended September 30, 2010 compared to a gain on sale of \$34.2 million, \$5.7 million and \$20.7 million, respectively, recorded under Canadian GAAP.

The impact of this change results in a decrease to profit of \$37.3 million, \$6.2 million and \$22.3 million for the year ended December 31, 2010 and three and nine months ended September 30, 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 \$210.6 million and \$245.4 million was recorded for the three and nine months ended September 30, 2010 and \$230.6 million was recorded for the year ended December 31, 2010. The increase (decrease) in the fair value of investment properties at those dates is largely the result of decreasing (increasing) Capitalization Rates used in the fair value determination. Fair value gains (losses) on investment properties recorded on the Condensed Consolidated Statement of Comprehensive Income will result in a corresponding increase (decrease) 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 and nine months ended September 30, 2010 and year ended December 31, 2010 resulted in the recognition of a fair value loss of \$31.1 million, \$44.5 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 gain (loss) recorded on the Trust's financial statements. These closing market prices were \$47.00 as at September 30, 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 a decrease of \$0.3 million and \$0.1 million for the three and nine months ended September 30, 2010, and an increase of \$0.2 million for the year ended December 31, 2010 to the compensation expense recognized when compared 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 and nine months ended September 30, 2010 and the year ended December 31, 2010, the Trust

recorded a fair value loss of \$0.4 million, \$1.2 million and \$0.6 million 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) represents a separate major line of business or geographical area of operations,
- (b) is part of a single coordinated 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 of 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 differences, which resulted in the recognition of an increase (decrease) in the deferred income tax expense (recovery) of \$40.6 million, \$49.1 million and \$43.2 million, respectively, for the three and nine months ended September 30, 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 (decrease) in income tax expense (recovery) has resulted in a corresponding decrease (increase) 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 and nine months ended September 30, 2010.

Note	Year ended Dec 31, 2010	3 months ended Sep 30, 2010	9 months ended Sep 30, 2010
Net earnings as reported under Canadian GAAP	\$ 71,729	\$ 14,309	\$ 48,414
Differences increasing (decreasing) reported amounts			
Investment properties (i)			
Fair value gain	230,575	210,607	245,424
Reverse Canadian GAAP depreciation expense	84,880	21,376	63,057
Adjustment to gain (loss) on sale	(37,273)	(6,215)	(22,325)
Financial instruments (ii)			
LP B Units			
Fair value loss	(18,795)	(31,056)	(44,526)
Distributions recorded as financing charge	(10,293)	(4,251)	(8,279)
Deferred unit-based compensation			
Fair value loss	(623)	(433)	(1,239)
Compensation expense	(199)	321	135
Deferred taxes (iii)	(43,207)	(40,592)	(49,123)
Total IFRS adjustments	\$ 205,065	\$ 149,757	\$ 183,124
Profit as reported under IFRS	\$ 276,794	\$ 164,066	\$ 231,538

#### (xiii) 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.

**(xiv) 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.

**(xv) 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

Other than the changes in profit outlined above, 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 and nine months ended September 30, 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 Condensed Consolidated Statement of Comprehensive Income. 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 \$4.3 million and \$8.3 million cash inflow to financing activities for the three and nine months ended September 30, 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 and key controls related to these material changes have been identified, mapped and testing is completed on a quarterly basis on these items to ensure that no material deficiencies exist as a result of the Trust's transition to these new accounting standards. Key controls for all other processes are tested annually to ensure the controls remain effective. For the third quarter of 2011, testing has been completed on all key controls and no material deficiencies have been identified.

#### **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 Unitholders, being recorded as financing charges all of which flow through the Condensed Consolidated 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 a summary of the Trust's 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 financing charges 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>

Name of Debt Covenant	Covenant Test	Impact on debt covenant upon the adoption of IFRS
Committed Revolving Credit Facility	Debt Service coverage ratio should not fall below 1.2 to 1	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. Although the DSC ratio will be lower under IFRS, the Trust is still In compliance with the minimum threshold.
	Debt Service coverage ratio, specific to the Security Portfolio should not fall below 1.15 to 1	The threshold and calculation of this covenant has not been impacted by the adoption of IFRS. This covenant is only calculated semi-annually. At June 30, 2010 and December 31, 2010, the Trust was in compliance with this covenant.
	Debt to GBV should not exceed 70%	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. Boardwalk continues to be onside with this debt covenant.
Mortgage Payable Agreements	CMHC Debt Covenants and various restrictive covenants	The thresholds and calculations of the CMHC debt covenants have not been impacted by the adoption of IFRS. Boardwalk continues to be onside with the CMHC debt and restrictive covenants.

As outlined in NOTE 29(d) 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.

## 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 and procedures, 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 deficiencies 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’ current processes. Key controls related to these processes have been identified and have been 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. At the end of the third quarter, Boardwalk once again reviewed the key inputs in the determination of this range. Based on this review, we are revising the 2011 FFO Guidance as noted below.

The following table summarizes our 2011 Financial Guidance:

Description	Guidance	Q3 2011 Revised Guidance
Acquisitions	No new apartment acquisitions	No new apartment acquisitions
Stabilized Building NOI growth	-3.0% to 1%	-1% to 1%
FFO per Trust Unit	\$2.35 to \$2.55	\$2.45 to \$2.53
AFFO per Trust Unit	\$2.05 to \$2.25	\$2.15 to \$2.23

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	2011 Budget	Per Suite	Nine months ended Sep 2011	Per Suite
Total Approved	\$ 79,600	\$ 2,231	\$ 45,126	\$ 1,280
Maintenance Capital	\$ 16,100	\$ 450	\$ 11,906	\$ 338
Stabilizing & Value Added Capital	\$ 63,500	\$ 1,781	\$ 33,220	\$ 942
	\$ 79,600	\$ 2,231	\$ 45,126	\$ 1,280

For the first nine months of 2011, Boardwalk REIT incurred \$45.1 million (or \$1,280 per apartment unit) of capital improvements back into its investment properties.

## 2012 FINANCIAL PERFORMANCE GUIDANCE

As is customary in Boardwalk's third quarter report, the Trust is providing financial guidance for the upcoming 2012 fiscal year. The following table summarizes management's estimate of FFO for fiscal 2012.

Description	2012 Objectives
Acquisitions	No New Apartment acquisitions
Stabilized Building NOI growth	1% to 4%
FFO per Trust Unit	\$2.65 to \$2.85
AFFO per Trust Unit	\$2.35 to \$2.55

Capital Budget <i>(in \$ millions except per unit)</i>	2012 Budget	Per Unit
Total Approved	\$ 85.0	\$ 2,410
Maintenance Capital	\$ 15.9	\$ 450
Stabilizing & Value Added Capital	\$ 69.1	\$ 1,960
	\$ 85.0	\$ 2,410

### 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](http://www.sedar.com).

Respectfully,

*(signed)*

Roberto A. Geremia  
President

November 10, 2011

*(signed)*

William Wong  
Chief Financial Officer

# CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

UNAUDITED (Cdn \$ Thousands)

As at	Note	Sep 30, 2011	Dec 31, 2010 <sup>(1)</sup>	Jan 1, 2010 <sup>(1)</sup>
<b>Assets</b>				
<b>Non-current assets</b>				
Investment properties	5	\$ 4,654,164	\$ 4,318,242	\$ 4,129,636
Property, plant and equipment	6	18,046	17,248	16,517
Deferred tax assets	16	771	681	686
		<b>4,672,981</b>	<b>4,336,171</b>	<b>4,146,839</b>
<b>Current assets</b>				
Inventories	7	2,683	3,017	2,899
Prepaid assets	8	4,134	3,620	3,197
Trade and other receivables	9	2,680	3,044	3,049
Segregated tenants' security deposits	10	11,839	11,987	12,917
Cash		222,085	228,086	190,325
		<b>243,421</b>	<b>249,754</b>	<b>212,387</b>
<b>Total Assets</b>		<b>\$ 4,916,402</b>	<b>\$ 4,585,925</b>	<b>\$ 4,359,226</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Mortgages payable	11	\$ 1,880,252	\$ 1,863,084	\$ 1,671,189
Debentures	12	–	112,211	111,834
LP Class B Units	13	215,606	184,594	165,799
Deferred unit-based compensation	14	4,227	3,401	3,049
Deferred tax liabilities	16	14	740,359	692,916
		<b>2,100,099</b>	<b>2,903,649</b>	<b>2,644,787</b>
<b>Current liabilities</b>				
Mortgages payable	11	299,153	290,122	474,449
Debentures	12	112,345	–	–
Deferred unit-based compensation	14	2,922	2,028	1,147
Refundable tenants' security deposits		15,418	15,556	16,263
Trade and other payables	15	49,135	55,648	54,627
		<b>478,973</b>	<b>363,354</b>	<b>546,486</b>
<b>Total Liabilities</b>		<b>\$ 2,579,072</b>	<b>\$ 3,267,003</b>	<b>\$ 3,191,273</b>
<b>Equity</b>				
Unitholders' equity	17	\$ 2,337,330	\$ 1,318,922	\$ 1,167,953
<b>Total Equity</b>		<b>\$ 2,337,330</b>	<b>\$ 1,318,922</b>	<b>\$ 1,167,953</b>
<b>Total Liabilities and Equity</b>		<b>\$ 4,916,402</b>	<b>\$ 4,585,925</b>	<b>\$ 4,359,226</b>

(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:

(signed)

Sam Kolia  
Trustee

(signed)

Gary Goodman  
Trustee

# CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

UNAUDITED (Cdn \$ Thousands)

	Note	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010 <sup>(1)</sup>	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010 <sup>(1)</sup>
Rental revenue	18	\$ 104,353	\$ 102,887	\$ 310,813	\$ 310,476
Ancillary rental income	19	1,641	1,405	4,841	4,825
Total rental revenue		105,994	104,292	315,654	315,301
Rental expenses					
Operating expenses		21,961	18,915	63,103	57,364
Utilities		8,157	8,274	29,964	31,408
Property taxes		8,361	9,764	27,112	27,506
Net operating income		67,515	67,339	195,475	199,023
Financing costs	20	26,118	30,021	79,057	85,805
Administration		6,877	5,945	19,554	18,953
Depreciation and amortization	21	2,629	2,522	7,759	7,585
Profit from continuing operations before gains and other items, fair value gains and income tax expense (recovery)		31,891	28,851	89,105	86,680
Loss on sale of assets	22	–	(489)	–	(1,581)
Fair value gains	23	137,505	179,118	258,653	199,659
Profit before income tax expense (recovery)		169,396	207,480	347,758	284,758
Income tax expense (recovery)	16	309	43,414	(740,434)	53,220
Profit for the period		169,087	164,066	1,088,192	231,538
Other comprehensive income		2	3	17	15
Total comprehensive income		\$ 169,089	\$ 164,069	\$ 1,088,209	\$ 231,553

(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		1,504	–	–	–	–	1,504
Units purchased and cancelled		(8,531)	–	–	–	–	(8,531)
Profit for the period		–	231,538	–	231,538	–	231,538
Other comprehensive income		–	–	–	–	15	15
Total comprehensive income for the period		–	231,538	–	231,538	15	231,553
Distributions declared to Unitholders		–	–	(89,091)	(89,091)	–	(89,091)
<b>Balance, September 30, 2010</b>		<b>\$ 200,396</b>	<b>\$ 1,638,453</b>	<b>\$ (535,252)</b>	<b>\$ 1,103,201</b>	<b>\$ (209)</b>	<b>\$ 1,303,388</b>
Balance, December 31, 2010	3	\$ 192,272	\$ 1,683,707	\$ (556,856)	\$ 1,126,851	\$ (201)	\$ 1,318,922
Units issued		1,396	–	–	–	–	1,396
Units purchased and cancelled		(6,740)	–	–	–	–	(6,740)
Profit for the period		–	1,088,192	–	1,088,192	–	1,088,192
Other comprehensive income		–	–	–	–	17	17
Total comprehensive income for the period		–	1,088,192	–	1,088,192	17	1,088,209
Distributions declared to Unitholders		–	–	(64,457)	(64,457)	–	(64,457)
<b>Balance, September 30, 2011</b>		<b>\$ 186,928</b>	<b>\$ 2,771,899</b>	<b>\$ (621,313)</b>	<b>\$ 2,150,586</b>	<b>\$ (184)</b>	<b>\$ 2,337,330</b>

See accompanying notes to these condensed consolidated financial statements

# CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED (Cdn \$ Thousands)

Note	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010 <sup>(1)</sup>	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010 <sup>(1)</sup>
<b>Operating activities</b>				
	\$ 169,087	\$ 164,066	\$ 1,088,192	\$ 231,538
	–	489	–	1,581
	(137,505)	(179,118)	(258,653)	(199,659)
	309	43,414	(740,434)	53,220
21	2,629	2,522	7,759	7,585
	34,520	31,373	96,864	94,265
32	1,067	3,004	(4,503)	(6,436)
	35,587	34,377	92,361	87,829
<b>Investing activities</b>				
5	(16,108)	(18,877)	(45,126)	(46,417)
22	–	12,735	–	56,115
24	138	–	138	–
6	(1,067)	(837)	(3,291)	(2,830)
	(17,037)	(6,979)	(48,279)	6,868
<b>Financing activities</b>				
	(21,488)	(45,654)	(64,477)	(89,090)
	–	(1,071)	(6,740)	(8,531)
	43,419	14,779	24,777	27,634
	(1,369)	(4,334)	(3,660)	(8,491)
	2	3	17	15
	20,564	(36,277)	(50,083)	(78,463)
	39,114	(8,879)	(6,001)	16,234
	182,971	215,438	228,086	190,325
	\$ 222,085	\$ 206,559	\$ 222,085	\$ 206,559

(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 and Nine Months Ended September 30, 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 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 International Accounting Standard (“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 and nine months ended September 30, 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"). Fair value is determined based on a combination of internal and external processes. 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 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, or for administrative purposes, and 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 cost 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. Building and other asset acquisitions, which do not meet the above definition, are recorded as an asset addition based on the purchase price.

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. As an individual building does not constitute a major line of business, individual building sales are not treated as 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 condensed consolidated 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 amount that would have been determined (net of amortization) had no impairment loss been recognized.

**(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, if any, is based on taxable profit for the year for certain corporate subsidiaries of the Trust. 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 Trustees 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) Rental revenue*

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) Ancillary rental income*

Ancillary rental 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 method less any impairment. <sup>(1) (2)</sup>
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 other comprehensive income.
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 method less any impairment. <sup>(1) (2)</sup>

- (1) The effective interest 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	Loans and receivables	Amortized cost

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 method. <sup>(1)</sup>

(1) The effective interest 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 28. 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 September 30, 2011, September 30, 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. 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. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to NOTE 5 for sensitivity analysis.

(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 capital work is completed 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 pre-IFRS 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 September 30, 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, September 30, 2010	\$ 229,569	\$ 251,757	\$ (581,915)	\$ (330,158)	\$ (209)	\$ (100,798)
Reclassification of LP B Units as a financial liability (i)	(24,840)	-	-	-	-	(24,840)
Reclassification of LP B Units distributions to cumulative profit (i)	-	(46,663)	46,663	-	-	-
Reclassification of deferred unit-based compensation as a financial liability (i)	(4,333)	-	-	-	-	(4,333)
Differences increasing (decreasing) reported amounts						
Investment properties (ii)	-	2,266,418	-	2,266,418	-	2,266,418
Financial instruments (iii)						
LP B Units	-	(185,485)	-	(185,485)	-	(185,485)
Deferred unit-based compensation	-	(1,177)	-	(1,177)	-	(1,177)
Deferred taxes (iv)	-	(646,397)	-	(646,397)	-	(646,397)
As reported under IFRS, September 30, 2010	\$ 200,396	\$ 1,638,453	\$ (535,252)	\$ 1,103,201	\$ (209)	\$ 1,303,388

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, September 30, 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, September 30, 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 FVTPL 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, \$210.3 million as at September 30, 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 FVTPL 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, \$5.5 million as at September 30, 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 and nine months ended September 30, 2010.

	Note	Year ended Dec 31, 2010	3 months ended Sept 30, 2010	9 months ended Sept 30, 2010
Net earnings as reported under Canadian GAAP		\$ 71,729	\$ 14,309	\$ 48,414
Differences increasing (decreasing) reported amounts				
Investment properties	(i)			
Fair value gain		230,575	210,607	245,424
Reverse Canadian GAAP depreciation expense		84,880	21,376	63,057
Adjustment to gain (loss) on sale		(37,273)	(6,215)	(22,325)
Financial instruments	(ii)			
LP B Units				
Fair value gain		(18,795)	(31,056)	(44,526)
Distributions recorded as financing charge		(10,293)	(4,251)	(8,279)
Deferred unit-based compensation				
Fair value loss		(623)	(433)	(1,239)
Compensation expense		(199)	321	135
Deferred taxes	(iii)	(43,207)	(40,592)	(49,123)
Total IFRS adjustments		\$ 205,065	\$ 149,757	\$ 183,124
Profit as reported under IFRS		\$ 276,794	\$ 164,066	\$ 231,538

##### (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 was carried at fair value under IFRS 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 and nine months ended September 30, 2010.

	Year ended Dec 31, 2010	3 months ended Sept 30, 2010	9 months ended Sept 30, 2010
Comprehensive income as reported under Canadian GAAP	\$ 71,752	\$ 14,312	\$ 48,429
Changes to profit outlined in NOTE 3(d)	205,065	149,757	183,124
Comprehensive income as reported under IFRS	\$ 276,817	\$ 164,069	\$ 231,553

**(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 financing costs 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 \$4.3 million cash inflow for financing activities and a corresponding cash outflow for operating activities for the three months ended September 30, 2010 from Canadian GAAP to IFRS, and a \$8.3 million cash inflow for financing activities and a corresponding cash outflow for operating activities for the nine months ended September 30, 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 September 30, 2010, this change resulted in basic earnings per unit of \$3.41 under IFRS versus \$0.27 under Canadian GAAP. For the nine months ended September 30, 2010, this change resulted in basic earnings per unit of \$4.80 under IFRS versus \$0.92 under Canadian GAAP (see NOTE 17(d)).

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 September 30, 2010, this change resulted in diluted earnings per unit of \$3.80 under IFRS versus \$0.27 under Canadian GAAP. For the nine months ended September 30, 2010, this change resulted in diluted earnings per unit of \$5.42 under IFRS versus \$0.92 under Canadian GAAP (see NOTE 17(d)).



### (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, with early adoption permitted. 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 on its consolidated financial statements.

### **Consolidated Financial Statements**

In June 2011, the IASB issued IFRS 10 – Consolidated Financial Statements (“IFRS 10”) to replace Standing Interpretations Committee 12 – Consolidation – Special Purpose Entities and the new consolidation requirements of IAS 27 – Consolidated and Separate Financial Statements (“IAS 27”) (discussed below). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding or potential voting rights. This standard is required to be applied for accounting periods beginning on or after January 1, 2013. The Trust is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

IAS 27 was revised in May 2011 and was revised to eliminate the principles of consolidation from IAS 27 (as they are now included in IFRS 10) and focus on requirements related to disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Trust does not expect these amendments to have a significant impact on its consolidated financial statements.

### **Joint Arrangements**

IFRS 11 – Joint Arrangements (“IFRS 11”) was issued in June 2011 and is the result of the IASB’s project to replace IAS 31 – Interest in Joint Ventures (“IAS 31”). The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust does not expect this standard to have a significant impact on its consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) was revised in May 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust does not expect these amendments to have a significant impact on its consolidated financial statements.

### **Disclosure of Interests in Other Entities**

IFRS 12 – Disclosure of Interests in Other Entities (“IFRS 12”) was issued in June 2011 and outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity’s interests in subsidiaries and joint arrangements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

### **Fair Value Measurements**

IFRS 13 – Fair Value Measurements (“IFRS 13”) was issued in June 2011 and provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

### Employee Benefits

IAS 19 – Employee Benefits (“IAS 19”) amendments were issued in June 2011 that will change the accounting for defined benefit plans and termination benefits. This standard requires that the changes in defined benefit obligations are recognized as they occur, eliminating the corridor approach and accelerating the recognition of past service costs. The changes in defined benefit obligation and plan assets are to be disaggregated into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefit liabilities (assets). This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted. The Trust does not expect the amendments to IAS 19 to have a significant impact on its consolidated financial statements.

### Presentation of Financial Statements

IAS 1 was amended in 2011 to expand on the disclosures required of items within Other Comprehensive Income. The revised standard requires that an entity distinguishes between those items that are recycled to profit and loss versus those items which are not recycled. Retrospective application is required and the standard is effective for annual periods beginning on or after July 1, 2012. The Trust does not expect the amendments to IAS 1 to have a significant impact on its consolidated financial statements.

## NOTE 5: INVESTMENT PROPERTIES

As at	Sep 30, 2011	Dec 31, 2010
Balance, beginning of period	\$ 4,318,242	\$ 4,129,636
Additions		
Building improvements (incl. capitalized wages)	45,126	69,290
Dispositions	–	(111,258)
Fair value gains	290,796	230,574
Balance, end of period	\$ 4,654,164	\$ 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 January 1, 2010 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.

Subsequent to January 1, 2010, external valuations were obtained based on a cross section of properties from different geographical locations and markets across the Trust’s rental portfolio. As at September 30, 2011, 5 properties, representing an aggregate fair value of \$238.6 million and 5.1% of the Trust’s portfolio were appraised by the Appraisers. As at June 30, 2011, 5 properties, representing an aggregate fair value of \$188.8 million and 4.2% of the Trust’s portfolio as of that date were appraised by the Appraisers. As at March 31, 2011, 11 properties representing an aggregate fair value of \$777.0 million and 18.0% of the Trust’s portfolio as of that date were appraised by the Appraisers. The fair value of the remainder of the Trust’s investment property portfolio was determined internally by the Trust using the same assumptions and valuation techniques used by the external valuation professionals. Despite performing a valuation on a sample of the Trust’s properties (and not performing a valuation on all of the Trust’s properties) to corroborate the Trust’s internal valuation, 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 the Appraisers. 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	Sep 30, 2011		Dec 31, 2010		Jan 1, 2010	
Capitalization rate by city:	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Calgary	5.25%	6.00%	5.75%	6.50%	6.00%	6.50%
Edmonton	5.50%	6.00%	6.00%	6.25%	6.25%	7.00%
Other Alberta	6.25%	8.00%	6.00%	8.25%	6.25%	8.50%
Vancouver	5.00%	6.50%	5.25%	6.75%	5.25%	7.25%
Kitchener	6.00%	6.00%	6.50%	6.50%	6.75%	6.75%
London	6.00%	6.25%	6.50%	6.75%	6.75%	7.00%
Windsor	6.75%	7.25%	7.25%	7.75%	7.25%	7.75%
Montreal	5.75%	6.75%	6.25%	7.25%	6.50%	7.50%
Quebec City	5.75%	6.25%	6.00%	6.50%	6.25%	7.50%
Regina	6.50%	6.75%	7.00%	7.25%	6.75%	7.00%
Saskatoon	6.50%	6.75%	7.00%	7.25%	6.75%	7.00%
	5.00%	8.00%	5.25%	8.25%	5.25%	8.50%
<b>Land Lease</b>	<b>5.50%</b>	<b>11.50%</b>	<b>6.00%</b>	<b>11.75%</b>	<b>6.18%</b>	<b>11.66%</b>

Overall weighted average Capitalization Rates for fair valuing the Trust's investment properties at September 30, 2011, December 31, 2010 and January 1, 2010 were 5.96%, 6.41% and 6.64%, respectively.

The "Overall Capitalization Rate" method requires that a forecasted net operating income ("NOI") be divided by a Capitalization Rate ("Cap Rate") to determine a fair value. As such, fluctuations in both NOI and cap rates could significantly alter the fair value. Below are tables which summarize the impact of changes in both cap rates and NOI on the Trust's fair values:

As at September 30, 2011

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		\$269,067	\$274,614	\$277,388	\$280,162	\$285,710
Capitalization rate						
-0.25%	5.71%	58,034	153,193	203,773	252,352	349,511
Cap rate as reported	5.96%	(139,625)	(46,542)	4,654,164	46,542	139,625
+0.25%	6.21%	(321,370)	(232,034)	(187,366)	(142,698)	(53,362)

As at December 31, 2010

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		\$268,495	\$274,031	\$276,799	\$279,567	\$285,103
Capitalization rate						
-0.25%	6.16%	40,448	130,318	175,253	220,188	310,058
Cap rate as reported	6.41%	(129,547)	(43,182)	4,318,242	43,182	129,547
+0.25%	6.66%	(286,781)	(203,658)	(162,096)	(120,535)	(37,412)

As at January 1, 2010

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		\$265,982	\$271,466	\$274,208	\$276,950	\$282,434
Capitalization rate						
-0.25%	6.39%	32,830	118,654	161,566	204,478	290,302
Cap rate as reported	6.64%	(123,889)	(41,296)	4,129,636	41,296	123,889
+0.25%	6.89%	(269,235)	(189,640)	(149,842)	(110,044)	(30,448)

Investment property with a fair value of \$417.2 million (\$391.9 million – December 31, 2010, \$380.6 million – January 1, 2010) is situated on land held under ground leases.

Investment properties with a fair value of \$575.0 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. 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 \$4.4 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 and nine months ended September 30, 2011, the Trust capitalized \$9 thousand and \$188 thousand, respectively (three months ended September 30, 2010 – \$nil, nine months ended September 30, 2010 – \$nil) in relation to borrowing costs. These costs are directly related 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 September 30, 2011 and September 30, 2010, investment properties earned rental revenue (excluding ancillary rental income) of \$104.3 million and \$101.8 million, respectively. Direct operating expenses in relation to investment properties were \$37.4 million and \$35.3 million, for the three months ended September 30, 2011 and September 30, 2010, respectively. For the nine months ended September 30, 2011 and September 30, 2010, investment properties earned rental income of \$310.7 million and \$305.0 million, respectively. Direct operating expenses in relation to investment properties were \$116.5 million and \$110.8 million, for the nine months ended September 30, 2011 and September 30, 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 categorized into the following classes and their respective useful economic life is used to calculate the amount of depreciation or amortization for each period. Categories 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 September 30, 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	Sep 30, 2011			Dec 31, 2010			Jan 1, 2010		
	Cost	Accum. Deprec.	Net book value	Cost	Accum. Deprec.	Net book value	Cost	Accum. Deprec.	Net book value
Administration building	\$ 4,423	\$ (1,803)	\$ 2,620	\$ 4,408	\$ (1,671)	\$ 2,737	\$ 4,364	\$ (1,473)	\$ 2,891
Site equipment	14,266	(6,379)	7,887	13,004	(5,459)	7,545	11,057	(4,396)	6,661
Automobiles	4,933	(3,061)	1,872	4,556	(2,763)	1,793	4,218	(2,356)	1,862
Warehouse assets	2,696	(885)	1,811	2,280	(757)	1,523	1,987	(611)	1,376
Corporate assets	3,306	(2,677)	629	3,174	(2,621)	553	3,118	(2,546)	572
Computer hardware	11,767	(10,511)	1,256	11,339	(10,138)	1,201	10,865	(9,620)	1,245
Computer software	9,887	(7,916)	1,971	9,226	(7,330)	1,896	8,435	(6,525)	1,910
<b>Total</b>	<b>\$ 51,278</b>	<b>\$(33,232)</b>	<b>\$ 18,046</b>	<b>\$ 47,987</b>	<b>\$(30,739)</b>	<b>\$ 17,248</b>	<b>\$ 44,044</b>	<b>\$(27,527)</b>	<b>\$ 16,517</b>

The following table outlines a reconciliation of the carrying amount of PP&E as at September 30, 2011:

	Jan 1, 2011 opening net book value	Additions	Depreciation	Sep 30, 2011 closing net book value
Administration building	\$ 2,737	\$ 15	\$ (132)	\$ 2,620
Site equipment	7,545	1,262	(920)	7,887
Automobiles	1,793	377	(298)	1,872
Warehouse assets	1,523	416	(128)	1,811
Corporate assets	553	132	(56)	629
Computer hardware	1,201	428	(373)	1,256
Computer software <sup>(1)</sup>	1,896	661	(586)	1,971
<b>Total</b>	<b>\$ 17,248</b>	<b>\$ 3,291</b>	<b>\$ (2,493)</b>	<b>\$ 18,046</b>

(1) Included in computer software is \$521 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:

	Jan 1, 2010 opening net book value	Additions	Depreciation	Dec 31, 2010 closing net book value
Administration building	\$ 2,891	\$ 45	\$ (199)	\$ 2,737
Site equipment	6,661	2,035	(1,151)	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	476	(520)	1,201
Computer software <sup>(1)</sup>	1,910	793	(807)	1,896
<b>Total</b>	<b>\$ 16,517</b>	<b>\$ 4,036</b>	<b>\$ (3,305)</b>	<b>\$ 17,248</b>

(1) Included in computer software is \$521 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 September 30, 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	Sep 30, 2011	Dec 31, 2010	Jan 1, 2010
Parts and supplies	\$ 2,635	\$ 2,965	\$ 2,843
Baseboard, carpet and linoleum	48	52	56
	\$ 2,683	\$ 3,017	\$ 2,899

## NOTE 8: PREPAID ASSETS

The major components of prepaid assets are as follows:

As at	Sep 30, 2011	Dec 31, 2010	Jan 1, 2010
Prepaid property taxes	\$ 2,469	\$ 1,046	\$ 1,293
Prepaid ground leases	420	1,936	1,175
Prepaid expenses and other	1,245	638	729
	\$ 4,134	\$ 3,620	\$ 3,197

## NOTE 9: TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise an aggregate amount of \$2.7 million at September 30, 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	Sep 30, 2011	Dec 31, 2010	Jan 1, 2010
Trade receivables	\$ 2,642	\$ 2,546	\$ 2,056
Mortgage holdbacks and refundable mortgage fees	38	498	993
	\$ 2,680	\$ 3,044	\$ 3,049

Refer to NOTE 29 (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 September 30, 2011, \$12.0 million at December 31, 2010 and \$12.9 million at January 1, 2010.

## NOTE 11: MORTGAGES PAYABLE

As at	Sep 30, 2011		Dec 31, 2010		Jan 1, 2010	
	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance
Mortgage payable						
Fixed rate	4.12%	\$ 2,179,405	4.20%	\$ 2,144,818	4.47%	\$ 2,145,638
Variable rate	–	–	–	8,388	–	–
<b>Total</b>		<b>2,179,405</b>		<b>2,153,206</b>		<b>2,145,638</b>
Current		\$ 299,153		\$ 290,122		\$ 474,449
Non-current		1,880,252		1,863,084		1,671,189
		<b>\$ 2,179,405</b>		<b>\$ 2,153,206</b>		<b>\$ 2,145,638</b>

Estimated future principal payments required to meet mortgage obligations as at September 30, 2011 are as follows:

	Secured By Investment Properties
12 months ended September 30, 2012	\$ 299,153
12 months ended September 30, 2013	532,846
12 months ended September 30, 2014	232,806
12 months ended September 30, 2015	581,098
12 months ended September 30, 2016	269,082
Subsequent	354,549
	2,269,534
Unamortized deferred financing costs	(90,304)
Unamortized mark-to-market adjustment	175
	<b>\$ 2,179,405</b>

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 January 1, 2010, December 31, 2010 and September 30, 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 \$87.6 million at September 30, 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 and nine months ended September 30, 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 September 30, 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 September 30, 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 September 30, 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 September 30, 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 29 (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 29 (d).

As at	Sep 30, 2011		Dec 31, 2010		Jan 1, 2010	
	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance
Unsecured debenture						
Fixed rate	5.61%	\$ 112,345	5.61%	\$ 112,211	5.61%	\$ 111,834
<b>Total</b>		<b>\$ 112,345</b>		<b>\$ 112,211</b>		<b>\$ 111,834</b>
Current		\$ 112,345		\$ -		\$ -
Non-current		-		112,211		111,834
		<b>\$ 112,345</b>		<b>\$ 112,211</b>		<b>\$ 111,834</b>

The unsecured debentures principal balance of \$112.3 million is scheduled to mature on January 23, 2012. Upon maturity, the unsecured debentures expect to be settled using the Trust’s excess liquidity (comprised of cash of \$222.1 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 \$215.6 million at September 30, 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 September 30, 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	Sep 30, 2011	Dec 31, 2010	Jan 1, 2010
Current	\$ 2,922	\$ 2,028	\$ 1,147
Non-current	4,227	3,401	3,049
	\$ 7,149	\$ 5,429	\$ 4,196

The total of \$7.1 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 deferred units granted since the inception of the deferred unit-based compensation plan in 2006 were as follows:

Deferred units granted in	Number	Grant date	Expiry Date	Fair value at grant date <sup>(1)</sup>
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	37,562	February & June 2011	February & June 2016	\$ 1,741
	365,057			\$ 13,033

(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 and nine months ended September 30, 2011 total costs of \$0.7 million and \$2.0 million, respectively, were recognized (September 30, 2010 – \$0.2 million for the three months and \$1.6 million for the nine months) 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	37,562	32,043
Additional deferred units earned on units	6,800	6,900
Deferred units converted to Trust Units or cash	(29,064)	(29,064)
<b>Balance, September 30, 2011</b>	<b>238,594</b>	<b>9,879</b>

## NOTE 15: TRADE AND OTHER PAYABLES

The components of the Trust’s accounts payable and accrued liabilities are as follows:

As at	Sep 30, 2011	Dec 31, 2010	Jan 1, 2010
Trade payables and accrued liabilities	\$ 46,281	\$ 52,924	\$ 52,126
Provisions	2,854	2,724	2,501
	<b>\$ 49,135</b>	<b>\$ 55,648</b>	<b>\$ 54,627</b>

As at September 30, 2011, December 31, 2010 and January 1, 2010, the Trust’s most significant provision relates to vacation payable to its employees within each employee’s individual employment agreement. The remaining provisions relate to legal claims arising from minor tenant injuries.

As at September 30, 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 September 30, 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 technical 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.

On July 20, 2011, the Finance Department announced proposed changes to the SIFT regulations including the treatment of stapled securities (particularly the deductibility of interest expense related to these securities and the treatment of distributions relating to these units) and other minor technical updates. These changes are not expected to impact the Trust's consolidated financial statements.

The proposed changes (specifically those from December 2010) in its current form will allow the Trust to unambiguously qualify as a REIT for Canadian income tax purposes. However as at September 30, 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. Consequently, the Trust reversed its deferred income tax liability related to the SIFT rules on January 1, 2011.

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

As at	Dec 31, 2010	Recognized in profit	Sep 30, 2011
Deferred tax asset (liabilities) related to:			
Operating losses (income)	\$ 565	\$ 93	\$ 658
Differences in tax base and carrying amount, net, investment properties and PP&E under SIFT Legislation	(740,355)	740,355	–
Differences in tax base and carrying amount, net, investment properties and PP&E for corporate entities	117	(4)	113
Other	(5)	(8)	(14)
Net deferred tax assets (liabilities)	\$ (739,678)	\$ 740,436	\$ 757
Deferred tax asset	681	91	771
Deferred tax liability	(740,359)	740,345	(14)
Net deferred tax assets (liabilities)	\$ (739,678)	\$ 740,436	\$ 757

As at	Jan 1, 2010	Recognized in profit	Dec 31, 2010
Deferred tax assets (liabilities) 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	(5)	681
Deferred tax liability	(692,916)	(47,443)	(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 or nine months ended September 30, 2011 or the year ended December 31, 2010.

Wholly owned Canadian corporate subsidiaries have deferred tax assets of \$0.8 million (December 31, 2010 – \$0.6 million, January 1, 2010 – \$0.7 million) 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 Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
Current tax expense	\$ –	\$ –	\$ 2	\$ –
Deferred tax expense (recovery)	309	43,414	(740,436)	53,220
Total income tax expense (recovery)	\$ 309	\$ 43,414	\$ (740,434)	\$ 53,220

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

	<b>3 months ended Sep 30, 2011</b>	3 months ended Sep 30, 2010	<b>9 months ended Sep 30, 2011</b>	9 months ended Sep 30, 2010
Profit before income tax expense	\$ 169,396	\$ 207,480	\$ 347,758	\$ 284,758
Remove profit from non taxable entities	(157,402)	(196,371)	(315,337)	(253,674)
Accounting profit subject to tax	11,994	11,109	32,421	31,084
Deduct management fee charged to corporate entities	(10,372)	11,061	(32,141)	(31,107)
Taxable profit (loss)	1,622	48	280	(23)
Weighted average substantively enacted tax rate	26.6%	26.7%	26.6%	26.7%
Calculated income tax expense (recovery)	431	13	74	(6)
Reversal of previously recorded SIFT liability	-	-	(740,355)	-
Changes to other deferred tax liabilities	(122)	43,401	(153)	53,226
Total income tax expense (recovery)	\$ 309	\$ 43,414	\$ (740,434)	\$ 53,220

As at September 30, 2011, December 31, 2010 and January 1, 2010, the Trust does not have any unrecognized deductible temporary differences, unrecognized 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 13.

### (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 are as follows:

As at	Sep 30, 2011	Dec 31, 2010	Jan 1, 2010
REIT Units outstanding, beginning of period	47,891,133	48,269,467	49,002,042
Units issued for vested deferred units	29,052	45,066	57,425
Units purchased and cancelled	(160,900)	(423,400)	(790,000)
REIT Units outstanding, end of period	47,759,285	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 nine months ended September 30, 2011 and for the year ended December 31, 2010, Boardwalk REIT purchased and cancelled the following Trust Units:

Bid Number	Sep 30, 2011			Dec 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
5	-	-	-	-	-	-
	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
5	August 24, 2011	August 23, 2012	3,884,118	-	-	-
				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 Sep 30, 2011	Monthly Distribution	Units outstanding December 31, 2010	Monthly Distribution
Boardwalk REIT Units	47,759,285	\$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. The Board of Trustees declares distributions to be paid on the 15th of the month following the record date. Distributions to be paid subsequent to the reporting date (to be paid on November 15, 2011) totaled \$7.2 million (\$0.15 per unit) and have not been included as a liability in the statement of financial position as the record date for these distributions was October 31, 2011.

### (c) Cash flow hedge

For the three and nine months ended September 30, 2011 and September 30, 2010, the cash flow hedge consists of the following amounts:

	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
Cash flow hedge, beginning of period	\$ (186)	\$ (212)	\$ (201)	\$ (224)
Losses on settlement of effective bond forward	2	3	17	15
Cash flow hedge, end of period	\$ (184)	\$ (209)	\$ (184)	\$ (209)

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 June 30, 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 September 30, 2011, the unamortized balance was \$184 thousand (December 31, 2010 unamortized balance - \$201 thousand and \$224 thousand at transition date on January 1, 2010). The amount of \$2 thousand and \$17 thousand was recognized in profit or loss under financing charges for the three months and nine month ended September 30, 2011, respectively (\$3 thousand and \$15 thousand for the three and nine months ended September 30, 2010, respectively).

(d) Earnings per unit

	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
<b>Numerator</b>				
Profit – basic	\$ 169,087	\$ 164,066	\$ 1,088,192	\$ 231,538
Loss on fair value adjustments to unexercised deferred units	160	433	1,132	1,239
Distribution paid on LP Class B units	2,014	4,251	6,041	8,279
Loss (gain) on fair value adjustment to LP Class B units	(493)	31,056	31,011	44,526
Profit – diluted	\$ 170,768	\$ 199,806	\$ 1,126,376	\$ 285,582
<b>Denominator</b>				
Weighted average units outstanding – basic	47,759,285	48,100,082	47,780,932	48,205,173
Unexercised deferred units	9,879	681	3,365	232
Conversion of LP Class B units	4,475,000	4,475,000	4,475,000	4,475,000
Weighted average units outstanding - diluted	52,244,164	52,575,763	52,259,297	52,680,405
Earnings per unit – basic	\$ 3.54	\$ 3.41	\$ 22.77	\$ 4.80
Earnings per unit – diluted	\$ 3.27	\$ 3.80	\$ 21.55	\$ 5.42

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 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 \$104.4 million and \$310.8 million for the three and nine months ended September 30, 2011, respectively (\$102.9 million – three months ended September 30, 2010, \$310.5 million – nine months ended September 30, 2010).

As at September 30, 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	\$ 153,637	\$ 13,928	\$ 1,669

**NOTE 19: ANCILLARY RENTAL INCOME**

Ancillary rental income was comprised of the following:

	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
Revenue from coin laundry and vending machines	\$ 1,365	\$ 1,304	\$ 3,965	\$ 4,136
Revenue from telephone and cable providers	276	101	876	689
Total	\$ 1,641	\$ 1,405	\$ 4,841	\$ 4,825

## 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 \$26.1 million for the three months ended September 30, 2011 and \$79.1 million for the nine months ended September 30, 2011 (\$30.0 million – three months ended September 30, 2010, \$85.8 million – nine months ended September 30, 2010) and can be summarized as follows:

	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
Interest on secured debt (mortgages payable)	\$ 22,745	\$ 24,219	\$ 68,970	\$ 72,633
Interest on unsecured debt (debentures)	1,576	1,576	4,729	4,729
LP Class B unit distribution	2,014	4,251	6,041	8,279
Other interest charges	395	516	1,170	1,253
Interest income	(612)	(541)	(1,853)	(1,089)
Total	\$ 26,118	\$ 30,021	\$ 79,057	\$ 85,805

## NOTE 21: DEPRECIATION AND AMORTIZATION

The components of depreciation and amortization were as follows:

	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
Amortization of deferred financing costs	\$ 1,728	\$ 1,696	\$ 5,266	\$ 5,213
Depreciation of property, plant and equipment	901	826	2,493	2,372
Total	\$ 2,629	\$ 2,522	\$ 7,759	\$ 7,585

## NOTE 22: LOSS ON SALE OF ASSETS

For the three and nine months ended September 30, 2011, there were no dispositions of the Trust's investment properties.

During the third quarter of 2010, the Trust completed the sale of an 88-unit rental property located in Edmonton, Alberta (Alberta operating segment) and settled with the insurers for proceeds of \$3.4 million on a building in Grande Prairie, Alberta consisting of 31 units which was completely destroyed by a fire on November 28, 2009 (Alberta operating segment).

During the second quarter of 2010, the Trust: (i) completed the sale of a 91-unit rental property located in Calgary, Alberta (Alberta operating segment); (ii) completed the sale of a 178-unit rental property located in Montreal, Quebec (Quebec operating segment); and (iii) completed the sale of two 12-unit rental buildings located in Regina, Saskatchewan (Saskatchewan operating segment).

During the first quarter of 2010, Boardwalk REIT disposed of a 321-unit apartment building located in Gatineau, Quebec (Quebec operating segment).

The loss on dispositions was as follows:

	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
Gross sales price	\$ –	\$ 13,113	\$ –	\$ 57,033
Costs of disposition	–	(378)	–	(918)
Net cash proceeds	–	12,735	–	56,115
Carrying value of investment property sold	–	(13,113)	–	(57,033)
Other adjustments on disposition	–	(111)	–	(663)
Loss on dispositions	\$ –	\$ (489)	\$ –	\$ (1,581)

## NOTE 23: FAIR VALUE GAINS (LOSSES)

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

	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
Investment properties	\$ 137,172	\$ 210,607	\$ 290,796	\$ 245,424
Financial liabilities designated as FVTPL				
Deferred unit-based compensation	(160)	(433)	(1,132)	(1,239)
LP Class B Units	493	(31,056)	(31,011)	(44,526)
Total fair value gains	\$ 137,505	\$ 179,118	\$ 258,653	\$ 199,659

## NOTE 24: SALE OF EQUIPMENT

During the third quarter of 2011, coin laundry appliances were sold for net cash proceeds of \$138 thousand. No gain or loss on sale was recorded as the proceeds approximated fair value.

## NOTE 25: 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 September 30, 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 September 30, 2011, future minimum lease payments related to these leases were as follows:

	Within 12 months	2 to 5 years	Over 5 years
Ground leases	\$ 3,416	\$ 14,026	\$ 135,515
Warehouse and office space *	710	957	-
	\$ 4,126	\$ 14,983	\$ 135,515

\* This is net of \$65 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 \$1.1 million and received sublease payments of \$61 thousand for the three months ended September 30, 2011 (\$1.1 million and \$54 thousand, respectively, for the three months ended September 30, 2010). For the nine months ended September 30, 2011, the Trust recognized lease expenses of \$3.3 million and received sublease payments of \$189 thousand (\$2.9 million and \$193 thousand, respectively, for the nine months ended September 30, 2010).

## NOTE 26: 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 physical supply agreement for Saskatchewan, which covered the period from November 1, 2009 to October 31, 2010, 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 supply contract covered the period from November 1, 2009 to October 31, 2010, and 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 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 expect to be settled using the Trust's excess liquidity (comprised of cash of \$222.1 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 September 30, 2011 is \$3.4 million (September 30, 2010 - \$6.7 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 September 30, 2011, December 31, 2010 and January 1, 2010, no amounts have been recorded in the condensed consolidated financial statements with respect to the above noted indirect guarantees.

## NOTE 27: CAPITAL MANAGEMENT AND LIQUIDITY

The Trust defines capital resources as the aggregate of Unitholders' equity at market value, debt (both secured and unsecured), cash flows from operations, 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	Sep 30, 2011	Dec 31, 2010	Jan 1, 2010
Total assets	\$ 4,916,402	\$ 4,585,925	\$ 4,359,226
Amortization of non building assets	33,234	30,739	27,527
	4,949,636	4,616,664	4,386,753
Mortgages payable	2,179,405	2,153,206	2,145,638
Unsecured debenture	112,345	112,211	111,834
	2,291,750	2,265,417	2,257,472
Adjusted Debt to GBV	46.3%	49.1%	51.5%

With a DOT limit not to exceed 70% on Adjusted Debt-to-Gross Book Value, a Debenture Trust Indenture not to exceed 60% on Adjusted Debt-to-Gross Book Value and a credit facility not to exceed 75% on Adjusted Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional debt of approximately \$658.1 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 September 30, 2011, the Trust's weighted average cost of capital was 4.32%.

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

As at	Sep 30, 2011		Dec 31, 2010		Jan 1, 2010	
	Cost of Capital <sup>(1)</sup>	Underlying Value <sup>(2)</sup>	Cost of Capital <sup>(1)</sup>	Underlying Value <sup>(2)</sup>	Cost of Capital <sup>(1)</sup>	Underlying Value <sup>(2)</sup>
<b>Liabilities</b>						
Mortgages payable	4.12%	\$ 2,526,779	4.20%	\$ 2,221,676	4.47%	\$ 2,192,768
Unsecured debenture	5.61%	113,492	5.61%	115,521	5.61%	116,449
LP Class B Units	3.74%	215,606	4.36%	184,594	4.86%	165,799
Deferred unit-based compensation	4.54%	7,149	5.26%	5,429	5.96%	4,196
<b>Unitholders' equity</b>						
Boardwalk REIT Units	4.54%	2,301,042	5.26%	1,975,509	5.96%	1,788,384
<b>Total</b>	<b>4.32%</b>	<b>\$ 5,164,068</b>	<b>4.71%</b>	<b>\$ 4,502,729</b>	<b>5.01%</b>	<b>\$ 4,267,596</b>

(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 98.9% of this debt at September 30, 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 53% 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 29 (d), Boardwalk REIT's debenture and committed revolving credit facility agreements contain financial covenants.

Available liquidity as at September 30, 2011 included cash on hand of \$222.1 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 September 30, 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.

**(a) Hedging transactions**

In the beginning of 2008, the Trust entered into a bond forward 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 notional 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 September 30, 2011, the unamortized balance was \$184 thousand (December 31, 2010 unamortized balance - \$201 thousand, January 1, 2010 - \$224 thousand) and \$2 thousand and \$17 thousand was recognized in profit under financing charges for the three and nine months ended September 30, 2011, respectively (\$3 thousand and \$15 thousand for the three and nine months ended September 30, 2010, respectively).

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 \$87.6 million (December 31, 2010 - \$88.6 million, January 1, 2010 - \$91.5 million). As at September 30, 2011, the fair value of the mortgage debt subject to the interest rate swap was \$94.9 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 September 30, 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 September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

As at	Sep 30, 2011				Dec 31, 2010		Jan 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	\$ -	\$ 2,179,405	\$ 2,179,405	\$ 2,526,779	\$ 2,153,206	\$ 2,221,676	\$ 2,145,638	\$ 2,192,768
Debentures	-	112,345	112,345	113,492	112,211	115,521	111,834	116,449
LP Class B Units	215,606	-	215,606	215,606	184,594	184,594	165,799	165,799
Deferred unit-based compensation	7,149	-	7,149	7,149	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 \$348.5 million at September 30, 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 September 30, 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	Sep 30, 2011			Dec 31, 2010			Jan 1, 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets									
Cash	\$ 222,085	\$ -	\$ -	\$ 228,086	\$ -	\$ -	\$ 190,325	\$ -	\$ -
Financial liabilities									
LP Class B Units	215,606	-	-	184,594	-	-	165,799	-	-
Deferred unit-based compensation	7,149	-	-	5,429	-	-	4,196	-	-

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

*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 September 30, 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 29: 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 September 30, 2011, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at September 30, 2011, 100% was fixed-rate debt and 0% was floating-rate debt. For the quarter ended September 30, 2011, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be \$nil (September 30, 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 September 30, 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 three months ended September 30, 2011 bad debt expense totaled \$1.33 million (three months ended September 30, 2010 – \$1.47 million). For the nine months ended September 30, 2011 bad debt expense totaled \$4.33 million (nine months ended September 30, 2010 – \$4.26 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 listed by year of maturity date:

Year of Maturity	Mortgages payable		Debentures	
	Weighted average interest rate	Principal outstanding	Weighted average interest rate	Principal outstanding
2011	5.42%	\$ 45,475	–	\$ –
2012	4.85%	460,139	5.61%	112,405
2013	4.51%	287,474	–	–
2014	3.51%	427,583	–	–
2015	3.72%	453,019	–	–
Subsequent	4.22%	595,844	–	–
	4.12%	2,269,534	5.61%	112,405
Unamortized deferred financing costs		(90,304)		(60)
Unamortized mark-to-market adjustment		175		–
		\$ 2,179,405		\$ 112,345

#### 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 arrears 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 23rd and July 23rd 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 September 30, 2011, this ratio was 2.51 to 1 (September 30, 2010 – 2.32 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 September 30, 2011, this amount was 46.3% (December 31, 2010 – 49.1%, January 1, 2010 – 51.5%) 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 \$2.3 billion as at September 30, 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 September 30, 2011 of approximately \$575.0 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 September 30, 2011. The revolving facility requires monthly interest payments, is for a three-year term maturing on July 28, 2014 and can be extended annually thereafter, 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 on the maturity date of the credit agreement.

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 September 30, 2011, this ratio was 1.72 (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 June 30, 2011, this ratio was 1.56 (December 31, 2010 – 1.54 and January 1, 2010 – 1.51).
- (iii) Total indebtedness of the Trust will not exceed 75% of the GBV of all assets for the two most recent quarters as defined in the credit agreement. The calculation of the components of Debt to Gross Book Value in accordance with the credit agreement is similar to that defined in the DOT as outlined in NOTE 27, however the credit facility uses the two most recent quarters while the DOT is only for the current quarter. As at September 30, 2011, this ratio was 47.2% (December 31, 2010 – 49.1% and January 1, 2010 – 51.5%).

As at September 30, 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 26, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

## NOTE 30: 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 31: 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 30), 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 three and nine months ended September 30, 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) Key management personnel

Key management personnel of the Trust during the three and nine months ended September 30, 2011 and up to the date of this report were:

Sam Kolias, Chief Executive Officer  
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 Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
Short-term benefits	\$ 235	\$ 228	\$ 705	\$ 685
Post-employment benefits	11	11	34	33
Other long-term benefits	1	1	4	2
Deferred unit-based compensation	-	-	985	627
	\$ 247	\$ 240	\$ 1,728	\$ 1,347

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 three and nine months ended September 30, 2011 distributions on the LP Class B Units totaled \$2.0 million and \$6.0 million, respectively (\$4.3 million - three months ended September 30, 2010, \$8.3 million - nine months ended September 30, 2010). This transaction was made on terms equivalent to those in arms-length transactions.

As at September 30, 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 32: OTHER INFORMATION

### (a) Supplemental cash flow information

	3 months ended Sep 30, 2011	3 months ended Sep 30, 2010	9 months ended Sep 30, 2011	9 months ended Sep 30, 2010
Taxes paid	\$ –	\$ –	\$ 2	\$ –
Interest paid	\$ 28,295	\$ 31,984	\$ 82,309	\$ 88,513
<b>Net change in operating working capital</b>				
Net change in inventories	\$ (79)	\$ (224)	\$ 334	\$ (306)
Net change in prepaid assets	947	1,047	(514)	(557)
Net change in trade and other receivables	(944)	1,663	364	523
Net change in segregated and refundable tenants' security deposits	40	8	10	226
Net change in deferred unit-based compensation	567	126	1,816	1,471
Net change in trade and other payables	536	384	(6,513)	(7,793)
	<b>\$ 1,067</b>	<b>\$ 3,004</b>	<b>\$ (4,503)</b>	<b>\$ (6,436)</b>

(b) Included in administration costs is \$464 thousand relating to RRSP matching for the three months ended September 30, 2011 and \$1.37 million for the nine months ended September 30, 2011 (\$437 thousand for the three months ended September 30, 2010, \$1.28 million for the nine months ended September 30, 2010).

## NOTE 33: 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	Sep 30, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Assets	\$ 3,062,326	\$ 105,243	\$ 587,284	\$ 273,111	\$ 679,999	\$ 208,439	\$ 4,916,402
Liabilities	1,432,043	63,615	255,748	126,278	334,396	366,992	2,579,072

As at	Dec 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	Jan 1, 2010						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Assets	\$ 2,642,934	\$ 133,283	\$ 509,305	\$ 247,791	\$ 600,501	\$ 225,412	\$ 4,359,226
Liabilities	1,359,160	72,281	248,033	130,043	389,485	992,271	3,191,273

	3 months ended Sep 30, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Rental revenue	\$ 61,772	\$ 2,018	\$ 14,056	\$ 9,538	\$ 16,950	\$ 19	\$ 104,353
Ancillary rental income	927	25	148	202	340	(1)	1,641
Total rental revenue	62,699	2,043	14,204	9,740	17,290	18	105,994
Rental expenses							
Operating expenses	12,557	380	2,549	1,970	3,507	998	21,961
Utilities	4,476	156	963	1,551	927	84	8,157
Property taxes	4,281	117	963	1,248	1,736	16	8,361
Net operating income	41,385	1,390	9,729	4,971	11,120	(1,080)	67,515
Financing costs (a)	14,665	734	2,768	1,347	3,273	3,331	26,118
Administration	45	1	-	5	28	6,798	6,877
Depreciation and amortization (b)	879	30	117	76	721	806	2,629
Profit (loss) from continuing operations before gains and other items, fair value gains (losses) and income tax (recovery)	25,796	625	6,844	3,543	7,098	(12,015)	31,891
Fair value gains (losses)	117,687	1,258	16,824	8,837	(7,433)	332	137,505
Profit (loss) before income tax expense	143,483	1,883	23,668	12,380	(335)	(11,683)	169,396
Income tax expense (c)						309	309
Profit (loss)	\$ 143,483	\$ 1,883	\$ 23,668	\$ 12,380	\$ (335)	\$ (11,992)	\$ 169,087
Other comprehensive income	-	-	2	-	-	-	2
Comprehensive income (loss)	\$ 143,483	\$ 1,883	\$ 23,670	\$ 12,380	\$ (335)	\$ (11,992)	\$ 169,089
Additions to non-current assets (d)	\$ 8,797	\$ 458	\$ 1,785	\$ 1,375	\$ 3,861	\$ 899	\$ 17,175

	3 months ended Sep 30, 2010						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Rental revenue	\$ 59,734	\$ 2,824	\$ 13,779	\$ 9,389	\$ 17,016	\$ 145	\$ 102,887
Ancillary rental income	785	35	166	195	223	1	1,405
Total rental revenue	60,519	2,859	13,945	9,584	17,239	146	104,292
Rental expenses							
Operating expenses	10,031	327	1,870	1,687	3,899	1,101	18,915
Utilities	4,431	230	850	1,728	930	105	8,274
Property taxes	5,451	146	949	1,508	1,681	29	9,764
Net operating income	40,606	2,156	10,276	4,661	10,729	(1,089)	67,339
Financing costs (a)	15,780	832	2,904	1,418	3,313	5,774	30,021
Administration	43	-	(4)	6	2	5,898	5,945
Depreciation and amortization(b)	812	33	157	90	633	797	2,522
Profit (loss) from continuing operations before gains and other items, fair value gains (losses) and income tax recovery	23,971	1,291	7,219	3,147	6,781	(13,558)	28,851
(Loss) on sale of assets	(20)	-	-	-	-	(469)	(489)
Fair value gains (losses)	178,998	9,587	3,985	8,238	9,890	(31,580)	179,118
Profit (loss) before income tax expense	202,949	10,878	11,204	11,385	16,671	(45,607)	207,480
Income tax expense (c)	-	-	-	-	-	43,414	43,414
Profit (loss)	\$ 202,949	\$ 10,878	\$ 11,204	\$ 11,385	\$ 16,671	\$ (89,021)	\$ 164,066
Other comprehensive income	-	-	3	-	-	-	3
Comprehensive income (loss)	\$ 202,949	\$ 10,878	\$ 11,207	\$ 11,385	\$ 16,671	\$ (89,021)	\$ 164,069
Additions to non-current assets (d)	\$ 9,892	\$ 853	\$ 1,831	\$ 2,607	\$ 4,017	\$ 514	\$ 19,714

	9 months ended Sep 30, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Rental revenue	\$ 183,272	\$ 5,960	\$ 41,903	\$ 28,687	\$ 50,849	\$ 142	\$ 310,813
Ancillary rental income	2,842	89	458	596	859	(3)	4,841
Total rental revenue	186,114	6,049	42,361	29,283	51,708	139	315,654
Rental expenses							
Operating expenses	35,656	1,063	6,973	5,418	10,638	3,355	63,103
Utilities	15,905	559	3,484	5,108	4,666	242	29,964
Property taxes	14,347	305	2,964	4,225	5,202	69	27,112
Net operating income	120,206	4,122	28,940	14,532	31,202	(3,527)	195,475
Financing costs (a)	44,522	2,206	8,354	4,143	9,918	9,914	79,057
Administration	69	23	(10)	59	100	19,313	19,554
Depreciation and amortization(b)	2,619	93	463	249	2,104	2,231	7,759
Profit (loss) from continuing operations before gains and other items, fair value gains (losses) and income tax recovery	72,996	1,800	20,133	10,081	19,080	(34,985)	89,105
Fair value gains (losses)	228,244	5,555	36,639	16,454	3,904	(32,143)	258,653
Profit (loss) before income tax (recovery)	301,240	7,355	56,772	26,535	22,984	(67,128)	347,758
Income tax (recovery) (c)	–	–	–	–	–	(740,434)	(740,434)
Profit	\$ 301,240	\$ 7,355	\$ 56,772	\$ 26,535	\$ 22,984	\$ 673,306	\$ 1,088,192
Other comprehensive income	–	–	17	–	–	–	17
Comprehensive income (loss)	\$ 301,240	\$ 7,355	\$ 56,789	\$ 26,535	\$ 22,984	\$ 673,306	\$ 1,088,209
Additions to non-current assets (d)	\$ 24,281	\$ 1,086	\$ 4,740	\$ 4,584	\$ 10,859	\$ 2,867	\$ 48,417

	9 months ended Sep 30, 2010						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Rental revenue	\$ 180,327	\$ 8,486	\$ 40,910	\$ 28,173	\$ 50,412	\$ 2,168	\$ 310,476
Ancillary rental income	2,808	141	504	627	708	37	4,825
Total rental revenue	183,135	8,627	41,414	28,800	51,120	2,205	315,301
Rental expenses							
Operating expenses	31,086	1,200	5,540	4,972	11,315	3,251	57,364
Utilities	16,545	879	3,392	5,211	4,706	675	31,408
Property taxes	14,289	460	2,894	4,517	5,079	267	27,506
Net operating income	121,215	6,088	29,588	14,100	30,020	(1,988)	199,023
Financing costs (a)	47,009	2,509	8,323	4,289	10,167	13,508	85,805
Administration	152	3	12	(24)	225	18,585	18,953
Depreciation and amortization(b)	2,521	98	494	267	1,871	2,334	7,585
Profit (loss) from continuing operations before gains and other items, fair value gains (losses) and income tax expense	71,533	3,478	20,759	9,568	17,757	(36,415)	86,680
(Loss) on sale of assets	(20)	–	–	–	–	(1,561)	(1,581)
Fair value gains (losses)	170,285	10,769	12,558	3,218	50,068	(47,239)	199,659
Profit (loss) before income tax expense	241,798	14,247	33,317	12,786	67,825	(85,215)	284,758
Income tax expense (c)	–	–	–	–	–	53,220	53,220
Profit (loss)	\$ 241,798	\$ 14,247	\$ 33,317	\$ 12,786	\$ 67,825	\$ (138,435)	\$ 231,538
Other comprehensive income	–	–	15	–	–	–	15
Comprehensive income (loss)	\$ 241,798	\$ 14,247	\$ 33,332	\$ 12,786	\$ 67,825	\$ (138,435)	\$ 231,553
Additions to non-current assets (d)	\$ 25,442	\$ 2,629	\$ 4,832	\$ 5,059	\$ 8,914	\$ 2,370	\$ 49,247

**(a) Financing costs**

Financing costs were as follows:

	3 months ended Sep 30, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	\$ 14,620	\$ 733	\$ 2,765	\$ 1,348	\$ 3,279	\$ -	\$ 22,745
Interest on unsecured debt (debentures)	-	-	-	-	-	1,576	1,576
LP Class B unit distribution	-	-	-	-	-	2,014	2,014
Other interest charges	45	1	3	-	7	339	395
Interest income	-	-	-	-	(13)	(599)	(612)
<b>Total</b>	<b>\$ 14,665</b>	<b>\$ 734</b>	<b>\$ 2,768</b>	<b>\$ 1,348</b>	<b>\$ 3,273</b>	<b>\$ 3,330</b>	<b>\$ 26,118</b>

	3 months ended Sep 30, 2010						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	\$ 15,743	\$ 831	\$ 2,899	\$ 1,396	\$ 3,308	\$ 42	\$ 24,219
Interest on unsecured debt (debentures)	-	-	-	-	-	1,576	1,576
LP Class B unit distribution	-	-	-	-	-	4,251	4,251
Other interest charges	37	2	5	25	7	440	516
Interest income	-	-	-	(3)	(2)	(536)	(541)
<b>Total</b>	<b>\$ 15,780</b>	<b>\$ 833</b>	<b>\$ 2,904</b>	<b>\$ 1,418</b>	<b>\$ 3,313</b>	<b>\$ 5,773</b>	<b>\$ 30,021</b>

	9 months ended Sep 30, 2011						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	\$ 44,404	\$ 2,204	\$ 8,348	\$ 4,100	\$ 9,914	\$ -	\$ 68,970
Interest on unsecured debt (debentures)	-	-	-	-	-	4,729	4,729
LP Class B unit distribution	-	-	-	-	-	6,041	6,041
Other interest charges	119	1	12	43	21	974	1,170
Interest income	-	-	(6)	-	(17)	(1,830)	(1,853)
<b>Total</b>	<b>\$ 44,523</b>	<b>\$ 2,205</b>	<b>\$ 8,354</b>	<b>\$ 4,143</b>	<b>\$ 9,918</b>	<b>\$ 9,914</b>	<b>\$ 79,057</b>

	9 months ended Sep 30, 2010						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	All other segments	Total
Interest on secured debt (mortgages payable)	\$ 46,945	\$ 2,510	\$ 8,313	\$ 4,231	\$ 10,149	\$ 485	\$ 72,633
Interest on unsecured debt (debentures)	-	-	-	-	-	4,729	4,729
LP Class B unit distribution	-	-	-	-	-	8,279	8,279
Other interest charges	64	-	12	64	21	1,092	1,253
Interest income	(1)	-	(1)	(7)	(3)	(1,077)	(1,089)
<b>Total</b>	<b>\$ 47,008</b>	<b>\$ 2,510</b>	<b>\$ 8,324</b>	<b>\$ 4,288</b>	<b>\$ 10,167</b>	<b>\$ 13,508</b>	<b>\$ 85,805</b>

**(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 34: APPROVAL OF FINANCIAL STATEMENTS**

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The financial statements were approved by the Board of Trustees and authorized for issue on November 10, 2011.

## CORPORATE INFORMATION

### EXECUTIVE OFFICES

#### Calgary

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Suite 200, 1501 – 1 Street SW  
Calgary, Alberta T2R 0W1  
Phone: 403 531-9255  
Fax: 403 531-9565  
Web: www.BoardwalkREIT.com

### BOARD OF TRUSTEES

#### Sam Kolias

Chairman of the Board  
Calgary, Alberta

#### James Dewald<sup>(2)</sup> (3)

Calgary, Alberta

#### Gary Goodman<sup>(2)</sup>

Toronto, Ontario

#### Art Havener<sup>(3)</sup>

St. Louis, MO

#### Al Mawani<sup>(1)</sup> (2) (3)

Thornhill, Ontario

<sup>(1)</sup> Lead Trustee

<sup>(2)</sup> Member of the Audit and  
Risk Management Committee

<sup>(3)</sup> Member of the Compensation,  
Governance and Nominations Committee

### SENIOR MANAGEMENT

#### Jonathan Brimmell

Vice President, Operations,  
Ontario and Quebec

#### Dean Burns

General Counsel and Secretary

#### William Chidley

Senior Vice President, Corporate  
Development

#### Jean Denis

Vice President, Acquisitions,  
Eastern Canada

#### Ian Dingle

Vice President, Purchasing and  
Contracts

#### Roberto Geremia

President

#### Michael Guyette

CIO, VP Operations for Southern  
Alberta and BC

#### Sam Kolias

Chief Executive Officer

#### Van Kolias

Senior Vice President, Quality Control

#### Kelly Mahajan

Vice President, Customer Service  
and Process Design

#### Helen Mix

Vice President, Human Resources

#### Lisa Russell

Vice President, Acquisitions,  
Western Canada

#### William Wong

Chief Financial Officer

#### Bill Zigomanis

Vice President, Investments

