Boardwalk

TSX: **BEI.UN**

ANNUAL REPORT **2013**

the value of Community


BOARDWALK RENTAL COMMUNITIES

BOARDWALK REAL ESTATE INVESTMENT TRUST

Boardwalk REIT

the value of Community

Letter to Unitholders

Resident Members

Unitholders

Our Dedicated Associates

Community

2013 Highlights

Operating Results

- Rental revenues increased by 5.0% to $462.0 million.
- Net Operating Income ("NOI") increased by 5.1% to $290.0 million.
- Funds From Operations ("FFO") from continuing operations increased by 11.9% to $168.2 million.

Performance

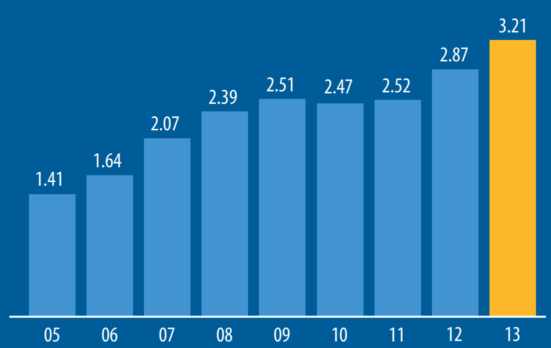
- The Trust increased its distribution to $2.04 per Trust Unit on an annualized basis effective with its February 28, 2014 record date.
- The Trust demonstrated one of the lowest distribution payout ratios among Canadian REITs during fiscal 2013 at approximately 62% of FFO.
- Operating Margins improved to approximately 63%.

Financing

- The Trust renewed $286.4 million, and up financed $30.0 million in CMHC Insured Mortgages in fiscal 2013 and reduced its average interest rate on these mortgages from 4.45% to 2.79%.
- The Portfolio Weighted Average interest rate has been reduced to 3.46%.
- 99% of the Trust's mortgages are NHA-Insured.
- At December 31, 2013, the Trust had $131.0 million in cash liquidity on its balance sheet in addition to a $196 million undrawn credit facility.

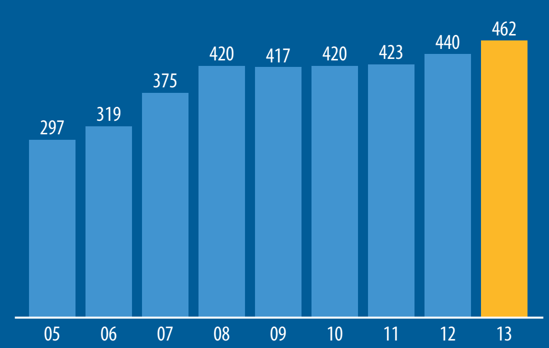
Funds From Operations

Per Unit (Cdn$)



Rental Revenue

(Cdn$ millions)



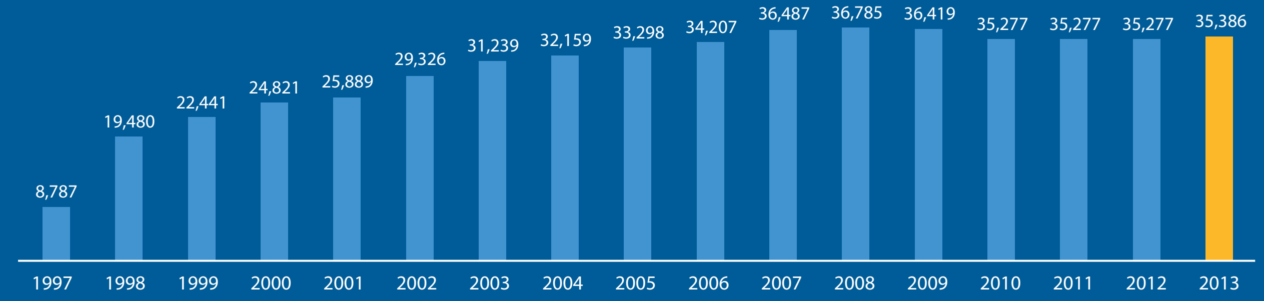
Corporate Profile

Boardwalk REIT is Canada's friendliest landlord and currently owns and operates more than 226 properties with 35,386 residential units (as at December 31, 2013) totaling approximately 30 million net rentable square feet. Boardwalk's principal objectives are to provide its Residents with the best quality communities and superior Customer Service, while providing Unitholders with sustainable monthly cash distributions, and increase the value of its Trust Units through selective acquisition, disposition, development and effective management of its residential multi-family properties. Boardwalk REIT is vertically integrated and is Canada's leading owner/operator of Multi-Family Communities with over 1,500 Associates bringing Resident Members home to properties located in Alberta, Saskatchewan, Ontario, Quebec, and British Columbia.

Our Mission:

"To serve and provide our Residents with quality rental communities."

Boardwalk REIT – Total Number of Units



Letter to Unitholders

(From left to right): Roberto Geremia, President; William Wong, Chief Financial Officer; William Chidley, Senior Vice President, Corporate Development; Sam Kolias, Chief Executive Officer and Chairman of the Board; and Van Kolias, Senior Vice President, Quality Control.

We are pleased to report on a positive year for Boardwalk REIT ("Boardwalk" or the "Trust"). In 2013, we continued to provide the best value in housing by focusing on providing our Resident Members with superior customer service and the best quality communities, while also providing our Unitholders with sustainable monthly distributions coupled with long-term organic growth. The commitment and dedication of our Associates continues to drive our success and has allowed the Trust to report Funds from Operations ("FFO") performance of $3.21 per Trust Unit on a diluted basis for 2013, a growth of approximately 12% compared to 2012.

The Value of Community

The value of community for Boardwalk begins by providing the best quality and service. We continue to provide resident friendly programs including our Internal Subsidy Program which provides rental increase forgiveness to Resident Members who can prove financial hardship as a result of a rental increase, and, our Self-Imposed Rent Protection Program which limits the amount of a rent increase to a sustainable level for any given year for existing Residents. These programs, along with our Community initiatives help to further provide a Community where we believe our Residents are proud to call home. In 2013, our Resident Members were invited to join fellow Residents in over 50 Boardwalk hosted events across the country. We believe our Community focus has set Boardwalk apart, and, to date, our Members have rewarded us with their loyalty through lower turnover and higher occupancy as we continue to build long-term relationships with our Residents.

The value of community for Boardwalk begins by providing the best quality and service.

2013 Economic Environment

Demand for rental housing in 2013 was strong in most of the Trust's markets. Throughout the year, vacancy rates in our core markets decreased. This decrease allowed the Trust to continue its Rental Strategy of maintaining high occupancy through the continuous monitoring of occupancy levels, adjusting market rents, and offering suite specific incentives to optimize revenue.

Despite market expectations of higher interest rates in 2013, the Canadian Real Estate market continued to be strong as multi-family asset transactions showed that capitalization rates remained low, which in turn, when coupled with increasing market rents in most markets, kept prices high for investment grade apartments. Debt financing continued to be readily available for CMHC-insured financing for Multi-Family Real Estate which continued to drive demand. The Trust was able to capitalize further on the low interest rate environment by renewing our maturing mortgages at interest rates well below the maturing rates.

The Prairie Provinces continued to lead economic growth in 2013 and, as a result, presented continued strong rental fundamentals for the Trust. Driven by positive employment prospects in Alberta, migration into the province remained elevated as interprovincial migration remained the largest source of new residents into Alberta. Alberta and Saskatchewan continued its trend of carrying the lowest unemployment rates, and continued to earn the highest wages in the country, a positive leading indicator for housing. The home ownership and resale market appeared to be balanced despite the continued tightening of mortgage criteria in 2013. Many of the Residents who leave a Boardwalk community do so to purchase a home; however, despite increasing market rents, rental continues to remain the most affordable form of housing in Canada.

Balanced and Sustainable Growth

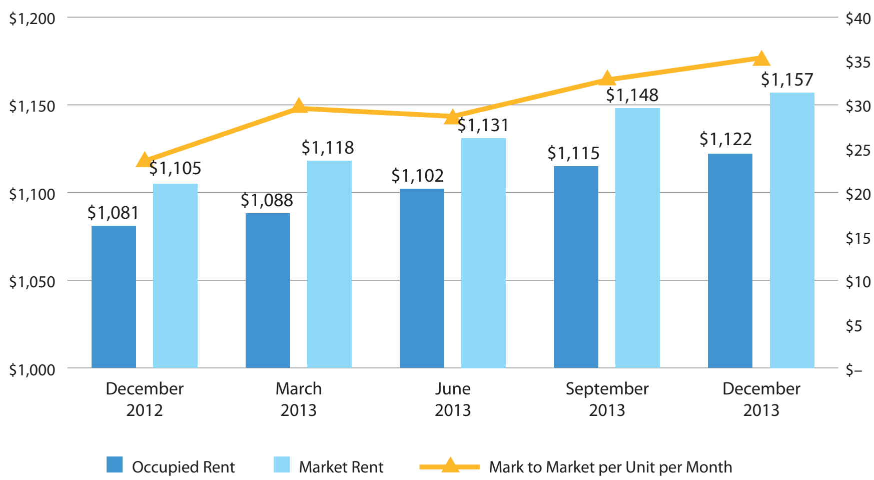
The Trust did not acquire or dispose any apartment units in 2013; however, Boardwalk continued to deliver solid organic growth throughout the year. With approximately 65% of its over 35,000 apartment units in Alberta and Saskatchewan, the Trust is well-positioned in historically higher-growth markets, while remaining diversified with properties in

Portfolio Highlights

- Occupancy for the year ended 2013 was 98.4%.
- Average Market Rent for the end of 2013 was $1,157 per unit per month, up from $1,105 in 2012.
- Average Occupied Rent for the end of 2013 was $1,122 per unit per month, up from $1,081 in the same period last year.
- Interest coverage ratio for fiscal 2013 was 3.15 times compared to 2.76 for the same period last year.

British Columbia, Ontario and Quebec. In 2013, the Trust continued to provide sustainable monthly cash distributions which as of the February, 2014 regular monthly distribution, has increased 13.3% since the beginning of 2012 to $2.04 per Trust Unit on an annualized basis while also decreasing the Trust's FFO payout ratio to a conservative 62% of 2013 FFO. The Trust continues to be in a solid position to deliver and grow sustainable cash distributions while providing Unitholders with long-term growth.

We continue to benefit from high occupancy as a result of the Trust's Rental Strategy of monitoring vacancy, adjusting market rents, and offering suite specific incentives to optimize revenue. The Trust reported occupancy levels at the end 2013 of 98.4%, a slight increase from the prior year of 98.2%, and continued to be successful in increasing occupied rents throughout the year in a progressive fashion. Market rents have also increased and continue to have a considerable mark-to-market opportunity as we enter 2014.



The Trust's average market rent at the end of 2013 was $1,157 versus the average occupied rent of $1,122. The narrowing of this loss to lease gap continues to be a key revenue growth opportunity for the Trust, however, we believe the best method of closing this loss to lease opportunity is through the Trust's Rental Strategy of maintaining occupancy, adjusting rent, and offering suite specific incentives to optimize revenue.

Boardwalk completed construction of its first development project on excess land the Trust owned. The 109-unit, wood-frame building in Calgary, Alberta, named Spruce Ridge Gardens, was completed on time and on budget of approximately $19 million. Boardwalk received an Occupancy Permit from The City of Calgary in December of 2013 and as of March 2014 has leased over 70% of the units in Spruce Ridge Gardens. The Trust continues to undertake a staggered approach to its leasing program to ensure that Customer Service levels are maintained.

The Trust has partnered with the Province of Alberta to provide 54 affordable housing units at Spruce Ridge Gardens. The Rent Subsidy Grant, in partnership with the Province of Alberta, has contributed approximately $7.5 million to assist in providing these units for 20 years at rental rates 10% below CMHC market rental rates. We estimated the capitalization rate of this project to be approximately 6.1% while allowing the Trust to surface approximately $4.25 million of land value.

The Trust is continuing to explore the viability of other potential development on excess land the Trust currently owns. The combination of low capitalization rates, low interest rates, and relatively low construction costs may provide the Trust an opportunity to enhance value to our Unitholders by increasing the quality of the Trust's portfolio from the development of new multi-family assets.

Financial Strength and Flexibility

At the end of 2013, the Trust had approximately $327 million in available liquidity (comprised of $131 million in cash and access to an undrawn $196 million credit facility). Ample liquidity and balance sheet strength is an important element in the execution of the Trust's overall strategy as it provides maximum flexibility should a potential opportunity arise.

As interest rates continued to remain low throughout 2013, the Trust was able to renew approximately $286 million in mortgage maturities, as well as obtain an additional $30 million of additional mortgage funds with an average term of 8 years at a weighted average interest rate of 2.79%, a decrease from the 4.45% maturing rate on these mortgages, and a significant decrease in the Trust's interest expense. As of early February 2014, estimated CMHC-insured 5- and 10-year mortgage rates were estimated to be 2.30% and 3.30% respectively. The Trust was able to execute forward locking of interest rates on select mortgages to crystalize interest savings on a portion of the Trust's maturities in 2013. The Trust's mortgage program in 2013 had a bias towards longer mortgage terms to to lock in low interest rates for a longer term.

Boardwalk's Debt (net of cash) to Fair Value at the end of 2013 was a conservative 39%. The Trust's Fair Value as of December 31, 2013 was $5.7 billion, an increase from $5.5 billion a year ago, and was the result of increasing market rents and overall growth in the Trust's Net Operating Income, where capitalization rates remained relatively unchanged. Our interest coverage ratio, measured as Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA") to interest expense (excluding gains) for the current year increased to 3.15 times versus 2.76 times for the same period last year.

The Trust achieved an increase of 5.1% in Stabilized Building Net Operating Income in 2013 which was slightly above our revised guidance range and mainly a result of lower than expected utilities costs in the fourth quarter of 2013. The Trust's rental strategy of maintaining high occupancy coupled with the increase in occupied and market rents, along with decreasing turnover costs, provided positive growth in 2013. These gains were tempered, however, by an increase in operating expenses mainly attributable to higher wages and salaries as well as inflationary pressures of other expense items throughout the year, including property taxes and utilities.

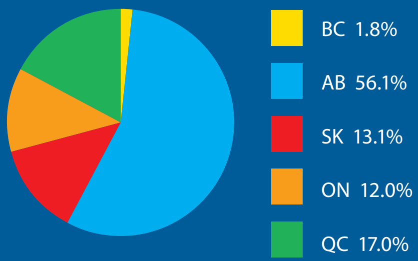
Boardwalk Stabilized NOI Growth for 2013

Original Guidance	1% - 4%
Revised Guidance	3 % - 5%
Actual Results, 2013	5.1%

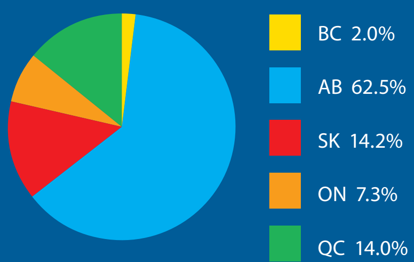
Financial and Operating Highlights

- Rental revenues of $462.0 million, an increase of 5.0% compared to $439.9 million for the twelve-month period ended December 31, 2013.
- Net Operating Income of $290.0 million, representing a 5.1% increase from $276.1 million in the same period last year.
- FFO from continuing operations of $168.2 million, an increase of 11.9% compared to $150.3 million year-over-year.
- FFO per unit from continuing operations of $3.21 on a diluted basis, up 11.8% compared to $2.87 for the twelve-month period ended December 31, 2013.
- AFFO from continuing operations was $151.4 million, an increase of 12.6% compared to $134.4 million year-over-year.
- AFFO per unit from continuing operations was $2.89 on a diluted basis, up 12.5% compared to $2.57 for the twelve-month period ended December 31, 2013.

Unit Breakdown by Province
As at Dec 31, 2013



NOI Breakdown by Province
As at Dec 31, 2013
(need to update)



For fiscal 2013, our reported FFO increased by approximately 11.8% versus the same period last year to $3.21, and finished slightly above our revised guidance range of $3.10 to $3.20 per Trust Unit. The positive FFO growth can be attributed to the positive NOI growth the Trust was able to achieve through its NOI Optimization strategy combined with continued reduction in interest expense.

Funds from Operation – 2013

Original Guidance	$2.95 to $3.15
Revised Guidance	$3.10 to $3.20
Actual Results, 2013	$3.21

2014 Outlook

2013 was a positive year for the Trust. We continue to build long term relationships with our Residents while further enhancing our product and service. We believe we are well-positioned to continue to close the mark-to-market gap on rents with sustainable rental increases in most of our markets while maintaining high occupancy levels. This organic growth opportunity combined with management of inflationary expenses should continue to drive the Trust's NOI results in 2014.

A continued low interest rate environment should additionally add to FFO growth as approximately $435 million of mortgages will mature in 2014 with an average interest rate of 3.42%, representing a potential interest savings opportunity. Current consensus estimates forecast that interest rates will gradually increase in 2014. The Trust is constantly monitoring the credit market and, if it feels it is warranted, the Trust may commit to forward interest rate locks in order to crystallize interest expense savings; however, a balanced approach to the Trust's mortgage program will be undertaken.

With this in mind, we are optimistic for 2014. As is customary, at the end of the third quarter of 2013, the Trust provided a financial outlook for the upcoming year to increase transparency in our financial reporting by sharing our own perspectives on the Trust's current position and objectives. This guidance is updated on a quarterly basis and is reported during our quarterly conference calls and press releases.

Description	2014 Financial Guidance
Investment Properties	No new apartment acquisitions, dispositions or developments
Stabilized Building NOI Growth	1% to 4%
FFO Per Trust Unit	$3.25 to $3.45
AFFO per Trust Unit - based on $475/yr/apt	$2.93 to $3.13

In 2014, we expect to remain well capitalized, and foresee a solid year with FFO in the range of $3.25 to $3.45 and Stabilized Building NOI growth of 1% to 4%. At this time, we are not anticipating any new apartment acquisitions in 2014, as we continue to believe our largest opportunity remains organic growth and investment in our existing communities.

In Summary and a Special Thank You

In June of 2013, Southern Alberta experienced one of the worst natural disasters in Canadian history as flood waters crested into homes and communities across Southern Alberta, including those in the City of Calgary. Many of our Associates and Boardwalk Residents were affected by the flooding which included an evacuation of our Head Office and a number of Boardwalk Communities within the flood zone. Only one of our buildings, Elbow Towers, was severely affected by the floodwaters, and thankfully none of our Associates or Residents were injured in the disaster.

As a result of the tireless efforts of our team of over 1,500 Associates, who did everything from assembling sandbags, volunteering with rescue efforts, and helping neighbouring communities rebuild, we were able to restore Elbow Towers to nearly its original capacity within 6 weeks of the flooding. The responses we received from the displaced Residents from Elbow Towers were overwhelming, with the majority of our Residents returning home to Elbow Towers upon its restoration. This experience, though extraordinary and without precedent, truly exemplified the value of community.

We would like to take this opportunity to thank our 1,500 Associates across Canada for their dedication and commitment to our vision and values in providing our Residents with the best quality communities.

Thank you to our stakeholders as well as financial and operating partners for their continued support. We would especially like to thank CMHC, our largest financial partner, as they continue to provide mortgage insurance products which maintain low interest rates and mitigates renewal risks, all of which allows Boardwalk to provide the best value in rental housing for Canadians.

We would also like to thank our Board of Trustees for their invaluable guidance and continued focus on governance.

As always, thank you to our Residents for their continued loyalty and engagement in our Boardwalk Community. Thank you for calling Boardwalk your home.

Respectfully,

Sam Kolias
Chairman and CEO

Rental Revenue Cycle

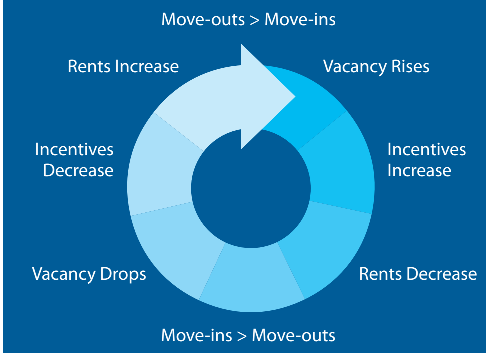


Table of Qualitative and Quantitative Goals and Targets

Boardwalk strives to meet and exceed its goals and targets by adhering to its Golden Foundation:

Golden Rule: Treat others as you want to be treated

Golden Goal: Be good

Golden Vision: Love community

Golden Mission: Have fun

Boardwalk adapts and creates strategies and implements policies that help us to achieve our mission, "To serve and provide our Residents with quality communities." By doing this, Boardwalk believes that the benefits will be felt by our Residents, our Associates, our Organization, our Communities and our Unitholders. We believe that these benefits include:

- Continued appreciation of our property values, as well as the ability to obtain cash flow that is both sustainable and long-term, the results of which will enhance value for our Unitholders;
- An opportunity to create and establish a work environment for our Associates across Canada that is dependable, rewarding, safe and healthy;
- The opportunity and ability to be a positive influence in our local and global communities; and,
- To remain Canada's leading provider of multi-family residential housing. Boardwalk believes it will be able to accomplish this through the continued careful cultivation of internal growth, selected development on excess land density it owns, and a targeted and disciplined external acquisition program.

Our goals and targets are outlined in the table below; Boardwalk aims to exceed these goals and targets. Outside market forces often have an effect on our expenses and returns, and, as a result, we must recognize that exceeding our targets is not always achievable in each area. However, as an organization, we continue to strive to overcome these obstacles and improve where and when we can. We would like to note that our goals and targets, as explained below, are all intricately intertwined with one another. One stakeholder may place importance on one target, while others may place priority on another.

Boardwalk firmly believes in holding ourselves accountable and we hope our goals, targets and performance will encourage and inspire discussion between all of our stakeholders. Boardwalk actively pursues all of our goals and targets as we believe that by doing so, we are creating positive results for all of our stakeholders, as well as creating strong and lasting Community and value for our Residents and Associates.

Key:

- ✔✔ Achieved, and aim to improve still further
- ✔ Achieved
- ✓ Partly achieved
- ✗ Did not achieve

RESIDENT MEMBERS: To work proactively to ensure Boardwalk remains Canada's multi-family residential landlord of choice.			
2013 Targets		**2013 Results**	**2014 Targets**
Continually improve the Customer Service we provide.	✔✔	Boardwalk works tirelessly to provide Residents with superior Customer Service. The Boardwalk Call Centre is open 24 hours a day, 7 days a week and 365 days a year. The Call Centre allows prospective and current Resident Members to communicate with Boardwalk by phone, live chat or email. In 2013, our Call Centre received 163,890 phone calls, 126,510 emails and 33,398 live chats, all of which increased from 2012. In addition to Boardwalk's Customer Call Centre, Resident Members are provided with 24 hour on-call maintenance, as well as our 72-hour maintenance guarantee. This guarantee ensures that any standard maintenance requests will be completed within 3 business days. In the event that these requests are not completed, for each additional day the repair takes, the Resident Member will receive one day of free rent. Boardwalk continued to track the reasons Residents leave their Boardwalk communities in 2013. Over the course of the year, our move outs totalled 12,222, a decrease from 13,183 in 2012. In addition, 14% of those move outs were transfers within Boardwalk. In 2013, Boardwalk continued to administer an automated telephone survey. The purpose of this survey is to contact Resident Members who have either just moved in, or recently had maintenance work completed, and obtain their feedback. We monitor these results closely to ensure we improve where and when we can. In 2013 we sent out 11,986 surveys of which 86% were positive results. In 2013 we continued to promote and add new features to the Boardwalk secure Resident website. This website allows Residents to enter maintenance requests online, obtain information about their lease and account balance as well as receive electronic communications from Boardwalk. In 2014 we plan to further evaluate this website to ensure that it is meeting Resident needs. *(continued)*	Continually improve the Customer Service we provide.

RESIDENT MEMBERS: To work proactively to ensure Boardwalk remains Canada's multi-family residential landlord of choice.			
2013 Targets	**2013 Results**		**2014 Targets**
Develop innovative ways to further improve our long term relationships with our Customers.	✔✔	In 2013 Boardwalk continued its Internal Subsidy program. This program helps Residents in financial need. We believe that programs like these help us to establish and maintain strong relationships with our Residents. In addition, we also continued our internal rent control which limits the amount we will raise rents in any given year. In 2013, Boardwalk continued efforts to strengthen the communities in which our Residents live. We held over 50 events for Residents across Canada in 2013, and plan to continue these efforts in 2014. At each Resident event that Boardwalk holds, Boardwalk distributes Resident feedback cards to collect valuable information on how we can further improve our communities and meet Residents' needs. Boardwalk hosted the second annual Monopoly Tournament in 2013. This year the tournament was held in Edmonton, AB. After 4 rounds of competition, the three finalists competed against a Boardwalk representative. The first place winner received six months free rent, second place received one month free rent and the third place finalist received an iPad. Throughout 2013, Boardwalk continued excursions to build homes for those in need in Tijuana Mexico through Homes of Hope. Over the course of these three trips, Boardwalk was able to bring 18 Residents from across Canada along for the journey. In 2013, Boardwalk launched its Resident Member Magazine across Canada entitled Across the Board. The first issue included a survey for Residents to fill out to collect their thoughts and opinions on the magazine. The magazine received overwhelmingly positive feedback and is now published three times a year. A key component to this magazine is Resident participation as Residents have begun to participate not only in magazine contests, but volunteering to write content themselves.	Develop innovative ways to further improve our long term relationships with our Customers.
Respond to the changing priorities of our Customers.	✔✔	In 2013, Boardwalk launched a redesign of www.bwalk.com. The purpose behind this redesign was to continue to ensure that our website was meeting the needs of both potential and current Residents. Boardwalk's new website is adaptable for different devices and we have received a positive response on the change. In 2013, the number of visits to www.bwalk.com increased by 14%. We continued to have Residents register on Boardwalk's secure Resident website in 2013. The goal behind this website is to increase our availability to Resident Members, and provide them with an easy way to interact with us as well as obtain valuable information about their account. In 2013, Boardwalk will continue to evaluate the website and look for ways to improve its value to our Residents.	Respond to the changing priorities of our Customers.

ASSCIATES: Invest in our people to provide them with supportive, engaging, long-term employment.			
2013 Targets		**2013 Results**	**2014 Targets**
Strive to cultivate a corporate culture of on-going, open, two-way dialogue between all levels of Associates. Continue to implement our new communications strategic plan.	✔✔	Throughout 2013, Boardwalk continued to add new and exciting content to its intranet. This website provides Associates with valuable Human Resources and Health and Safety information, as well as access to photos and information from events across Canada. Boardwalk continued to distribute a quarterly magazine to Associates in 2013. This magazine continues to be a success among Associates across the country. The magazine includes stories and photos about events across Canada as well as Human Resources, Health and Safety and Boardwalk financial information. Throughout 2014, we will, as always, continue to look for ways to improve the magazine in order to ensure it continues to provide relevant and useful information to Associates. In 2013, Boardwalk once again held annual luncheons for Associates and Executives. The goal for these events in 2013 was to engage Associates more at the event and focus the luncheons on our Associates. Boardwalk received overwhelmingly positive feedback about these events in 2013. In 2014, Boardwalk looks forward to continuing to engage Associates in these events.	Strive to cultivate a corporate culture of on-going, open, two-way dialogue between all levels of staff. Continue to implement our new communications strategic plan.
Encourage a positive workplace that effectively engages Associates. Encourage work-life balance. Constantly adjust internal policy and focuses to the changing priorities of our Associates, innovatively maintaining a balance between our Associates, Customers, Unitholders and Communities.	✔✔	Throughout 2013, Boardwalk continued their Site Staff and Corporate Compensation Plans that include a Profit Share and High Potential program. Boardwalk strives to ensure that Associates are being offered competitive salaries and benefits. Boardwalk has an internal committee that is dedicated to raising funds to provide gifts of hope to Associates and their families in times of need. There is a committee in each Region across Canada and Boardwalk matches 100% of the fundraising efforts for these committees.	Encourage a positive workplace that effectively engages Associates. Encourage work-life balance. Constantly adjust internal policy and focuses to the changing priorities of our Associates, innovatively maintaining a balance between our Associates, Customers, Unitholders and Communities.
Foster safe and respectful work practices and environ-ments, and further develop the training, orientation and support offered to new Associates.	✔✔	Boardwalk provides Associates with valuable in-house training to ensure that new hires feel safe, comfortable and welcome in their new positions. This in-house training includes; orientation sessions for new hires, Mentorship programs to encourage and sustain Associate development throughout their careers, and continued Associate development through regular reviews, future plans and succession planning. In 2013, Boardwalk invested $118,912.81 in Associate training and develop-ment, an increase from last year. These funds cover items such as books, tuition and membership fees so that our Associates can continue to grow and learn throughout their careers. Extensive planning was ongoing, during 2013, towards generating a comprehensive mechanical, electrical and structural building systems data repository, known as Boardwalk Building Systems Management. Development of this system is intended to streamline and optimize operational and capital building system expenditure and maintenance activities. *(continued)*	Foster safe and respectful work practices and environ-ments, and further develop the training, orientation and support offered to new Associates.

ASSOCIATES: Invest in our people to provide them with supportive, engaging, long-term employment.			
2013 Targets		**2013 Results**	**2014 Targets**
Educate and enforce our Health and Safety Procedures to all Associates	✔	In 2013, Boardwalk continued its Zero Injury Campaign with the goal of continuing to ensure that our Associates are in safe work environments. Through this program, Associates have had a Health and Safety objective added to their performance reviews and sites that remain injury free for a period of one year will be recognized at Boardwalk's annual luncheons with the Executive team, on our intranet and in our internal magazine. In 2013, we are pleased to announce that 205 sites were injury free, an increase of 10 from 2012. In 2013, Boardwalk conducted an internal Health and Safety audit. We received a final mark of 98% in this audit and have created an action plan to ensure that we continue to improve the safety of our sites across Canada. In 2014, Boardwalk will have an external audit conducted. As a result of our continued commitment to Health and Safety, we have seen a significant decrease in our Claims Costs through WCB Alberta over the past three years.	Continue to create a safe work environment by educating our Associates and enforcing our Health and Safety Procedures.
Strive to constantly enhance our ability to attract, support, encourage and recognize high-performing and innovative team members.	✔	In 2013, Boardwalk was pleased to present 7 Associates with Foundation of Excellent Awards, and one Associate with a Leader of Excellence Award. The recipients of these awards are nominated by their peers and given to Associates who actively live Boardwalk's Mission, Vision and Values each day. Boardwalk continued the Chairman's Scholarship program in 2013. This program provides post-secondary education scholarships to the children of Boardwalk Associates. In 2013, we were pleased to award 17 children of Associates with scholarships that totaled over $150,000. Throughout 2013, Boardwalk continued its internal Bravo program. This program recognizes Associates who have received compliments from Residents for going above and beyond. In 2013, we recognized over 250 Associates by presenting them with a Bravo. Boardwalk continued their Associate Referral Bonus in 2013. This program provides Associates with a monetary bonus when they refer friends and family to work at Boardwalk. As always, Boardwalk continues to conduct market research and reviews Associate compensation to ensure that Associates are receiving wages and benefits that are competitive and align with market trends and standards.	Strive to constantly enhance our ability to attract, support, encourage and recognize high-performing and innovative team members.
Decrease turn-over to 15-25%, retain long term Associates, and further develop succession planning policy and procedures	✔	To continue to ensure that all Associates are well trained and comfortable in their roles at Boardwalk, we have an ongoing Mentorship Program. This program provides new Associates with a mentor to help them train and learn their new job. Our Mentorship Guides are updated quarterly with any policy or procedure changes and are available in print or online. At Boardwalk we try to be prepared for the future and offer our Associates a chance to continue to excel. In 2013, we continued our succession planning; this requires that each Leader select a successor for their role, as well as to set a time frame in which their successor will be ready to take on this role. Boardwalk currently has over 1,500 Associates. Of these Associates, 12% have been with Boardwalk over five years and 6% over 10 years. In 2013, Associate turnover was 17.62%, which is approximately 3% lower than 2012.	Decrease turnover to 10-20% retain long term Associates, and further develop succession planning policy and procedures

COMMUNITY: To positively impact the communities in which we operate and the larger global community.			
2013 Targets	**2013 Results**		**2014 Targets**
Expand and continue to focus on our Community Development Department in order to further foster collaboration with Government and Social Services.	✔✔	Boardwalk is pleased to continue its involvement with a program called Housing First. This program gives Boardwalk the opportunity to help homeless individuals in Alberta find affordable housing. In 2013, we provided approximately 425 total units in Edmonton and Calgary to this program. As always, Boardwalk continues to look for ways in which to contribute in the creation of affordable housing. As a result, we partner with municipal housing companies that include: Calgary Housing Company, Capital Region Housing Corporation, Red Deer Housing, Wood Buffalo Housing and Development Corporation, Grand Spirit Foundation and London Middlesex Housing. Through these programs, Boardwalk provides a total of 825 units. In 2013, Boardwalk partnered with the Government of Alberta to provide 54 affordable housing units at Boardwalk's first development project: Spruce Ridge Gardens in Calgary.	Expand and continue to focus on our Community Development Department in order to further foster collaboration with Government and Social Services.
Continue to assist our Customers who are in financial need.	✔✔	In an effort to assist our Residents who are in financial needs, Boardwalk has an Internal Subsidy Program. In 2013, we have approximately 33 suites on internal subsidy, and this number fluctuates throughout the year. Boardwalk also continues to impose an internal rent control. This program limits the amount Boardwalk can, or will, increase rents in any given month. This program began in 1999 and we continue to evaluate and improve this program to ensure its continued sustainability for our Residents.	Continue to assist our Customers who are in financial need.
Focus on encouraging corporate and individual contribution and involvement in our communities.	✔✔	Once again, Boardwalk hosted its National Week of Caring in December 2013. Throughout this week, each Associate across Canada is given the opportunity and is encouraged to volunteer in their community for up to four hours of paid work time. In 2013 over 400 Associates took part in the Week of Caring and donated over 1,400 hours of their time. Boardwalk provides each Associate with the opportunity to participate in a Company Matched Payroll Charitable Deduction program. This program allows Associates to donate to an organization from Boardwalk's list of registered charities and to have their donation matched by Boardwalk. Boardwalk matches these contributions up to $1,000 per Associate, per year. In 2013, we matched over $31,000, an increase from 2012. In 2013, Boardwalk continued Boardwalk Angels, a program introduced in 2012. This program recognizes Associates and Resident Member's contributions to charitable events in an effort to better the lives of others and support local and global communities. This program expanded in 2013 to include an Angels Pin and Letter to Residents and Associates who perform random acts of kindness. In 2012, Boardwalk awarded 32 buildings with Heart Plaques to recognize Resident Members who participated in charitable events. In 2013, Boardwalk is pleased to say that the number of buildings which have received plaques has grown to over 100. *(continued)*	Focus on encouraging corporate and individual contribution and involvement in our communities.

COMMUNITY: To positively impact the communities in which we operate and the larger global community.		
2013 Targets	**2013 Results**	**2014 Targets**
To expand our boundaries by taking an active role in our global community.	✔ In 2013, Boardwalk continued to invite Residents and Associates to travel to Tijuana, Mexico, with a program called Homes of Hope through YWAM. These trips provide Residents and Associates the opportunity to work together to build homes for families in need. In 2013, Boardwalk was able to make three trips to Tijuana and build eight homes. Over the course of the year, 120 Associates and 18 Residents attended these trips. Boardwalk once again participated in Operation Christmas Child through Samaritan's Purse in 2013. Residents were invited to join us in packing shoeboxes to send to children in need around the world. In 2013, Boardwalk Associates and Residents packed a total of 2,600 boxes, and increase of approximately 500 from 2012. In addition to packing shoeboxes, Associates also volunteered at the Samaritan's purse warehouse to further help the program.	To expand our boundaries by taking an active role in our global community.

THE ENVIRONMENT: To positively impact the environment through sustainable practices.		
2013 Targets	**2013 Results**	**2014 Targets**
Increase corporate sustainability by creating opportunities for positive environmental change.	✔ Boardwalk has electrically metered over 5,500 suites across Canada. This is in an effort to continue to make our Residents aware of their impact on the environment. Boardwalk has continued to purchase and install low-flow shower heads and toilets in our suites, as well as use paint with low VOC and that meets all of the standards to ensure that it is environmentally friendly. In addition, Boardwalk also purchases energy star appliances. Boardwalk sites use timers and photocells in outdoor lighting to ensure lights do not stay on all of the time, as well as LED lights in emergency fixtures. Boardwalk is well under way with the replacement of all light fixtures in Ontario; we are replacing them with CFL fixtures. Boardwalk ensures that all Investor materials are made available online on our Investor Website www.BoardwalkREIT.com which helps us to reduce our paper usage tremendously. We continued to use FSC-certified mixed sources paper for our annual reports. We continue to encourage our Investors to register online to receive our Annual Report and other Investor materials.	Increase corporate sustainability by creating opportunities for positive environmental change.

CORPORATE GOVERNANCE: To provide fully transparent, on-going corporate information to all stakeholders, meeting or exceeding the guidelines set out by the TSX regarding effective corporate governance.

2013 Targets	2013 Results		2014 Targets
Maintain independence of the Board.	✓	Currently the Trust has 7 Trustees, 5 of whom are independent.	Maintain independence of the Board.
Strive to continually improve transparency and open, honest dialogue with all Unitholders.	✓	Our corporate presentation is continually updated and posted on our investor website along with our quarter and annual reports. We provide the public with the opportunity to call in and listen to all of our quarterly conference calls. There is also an audio recording of our webcasts made available for one week after the teleconference. Our senior management as well as our dedicated Investor Relations team have committed to making ourselves available to answer and address specific Unitholder questions.	Strive to continually improve transparency and open, honest dialogue with all Unitholders.
Further enhance procedures and systems for the consistent, timely dissemination of corporate and industry information.	✓	In 2013, we continued to see success and improvement with our quarterly reporting format. We are always looking for ways in which to make our reporting format more efficient. We provide webcasts of all of our quarterly conference calls to the public. We also strive to make all of our documents and webcasts easily accessible. There are links to all of our current and past documents containing our corporate information on our investor website.	Further enhance procedures and systems for the consistent, timely dissemination of corporate and industry information.

UNITHOLDERS: To provide a consistent, sustainable and attractive investment option focused on providing stable monthly cash flow and increasing overall returns for Unitholders.

2013 Targets	2013 Results		2014 Targets
Realize FFO target of $2.95 to $3.15 per Trust Unit.	✓	Boardwalk exceeded its original FFO expectation for the year and achieved FFO of $3.21 per Trust Unit for 2013. The Trust did update its guidance each quarter in 2013, as more information was made available to the Trust	Realize FFO target of $3.25 to $3.45.
Stabilized Buildings NOI growth of 1% to 4%.	✓	Stabilized Buildings NOI increased 5.1%, and exceeded our original target. The Trust also revised its NOI target through the year and driven by higher than expected revenue growth, met the top end of its provided range.	Stabilized Buildings NOI growth of 1% to 4%.
Realize a total return on the REIT units that outperforms the S&P / TSX Composite and the S&P / TSX Capped Real Estate Indices.	✓	In 2013, Boardwalk Unitholders realized a total return of -2.8% on their REIT units, compared to the posted return of -12.8% for the S&P / TSX Capped Real Estate Indices. The S&P TSX Composite index however, returned a gain of 7.9% and outperformed Boardwalk Units in 2013.	Realize a total return on the REIT units that outperforms the S&P / TSX Composite and the S&P / TSX Capped Real Estate Indices.
Complete performance enhancing transactions to maximize Unitholder value.	✓	In 2013, the Trust increased its FFO/Unit by 11.8% to $3.21/Trust unit by focusing on organic revenue growth while managing controllable expenses. The Trust feels that this organic growth focus continues to be the largest opportunity for sustainable growth. The Trust also continued to renew its maturing mortgages at accretive interest rates given the low interest rate environment. In addition, the Trust completed its first development project: a 109 units four storey building in Calgary.	Complete performance enhancing transactions to maximize Unitholder value.

Resident Members

The foundation of Boardwalk communities is our Resident Members and we make every effort to provide our Residents with the highest quality community possible. Boardwalk has continued to focus on Resident retention by focusing on creating and strengthening communities. In 2013, we maintained this focus as our Community focus continued to grow.

Part of providing our Residents with a great community to live in is responding to their needs and addressing where and how Boardwalk can improve. Boardwalk's Customer Call Centre is open 24 hours a day, seven days a week, and provides service to Residents across Canada. Residents are able to contact us by phone, email or live internet chat. In 2013, Boardwalk received 163,890 phone calls, 126,510 emails, and 33,398 live chats from Residents.

Boardwalk strives to ensure that all Resident concerns are dealt with in a timely manner which is the reason for our 24-hour on call maintenance at each community. Boardwalk also offers a 72-hour maintenance guarantee to Residents. This guarantee ensures that any standard maintenance request made by a Resident Member will be completed within three business days. Any additional days the repairs take will result in a free day of rent for the Resident.

In 2013, Boardwalk continued to survey Residents who have either just moved into a suite or had maintenance work completed. These surveys are conducted via the telephone and we use the results to better understand our Residents needs and how we can continue to improve the service we provide. Boardwalk administered 11,986 surveys in 2013 of which 86% were positive results. Any negative responses received are followed up on until the Resident is satisfied. Boardwalk also monitors the reasons for which Residents decide to move out of their Boardwalk community. Our move outs decreased from 13,183 in 2012 to 12,222 in 2013. In addition, 14% of move outs in 2013 were transfers within Boardwalk.

In 2013, Boardwalk's secure Resident website continued to be a valued source of information for Residents. The website's redesign, launched in 2012, offers Residents a place to obtain information about their Boardwalk Community, information about their account, and a place to receive electronic communication from Boardwalk. In 2014, Boardwalk will continue to look for ways to improve the website. 2014 will also see the launch of the redesigned www.bwalk.com. The new website design allows current and potential Residents easier browsing on a variety of different devices.

Boardwalk prides itself on being Canada's friendliest landlord and fostering value in Community. In 2013, Boardwalk continued its Internal Subsidy program which helps Residents who are experiencing financial hardships. In addition, Boardwalk continued its internal rent control in 2013, which ensures we provide only sustainable rental increases.

Boardwalk hosted over 50 Resident Appreciation Events across Canada in 2013. These events included, but were not limited to, the following: barbeques, zoo days, sporting events, and tickets to local festivals. At each of these events across Canada, Residents were provided with feedback cards. The information we collect from these cards focus on things like the kinds of community events and initiatives our Residents would like to see.

In 2013, Boardwalk was pleased to launch its Resident Member Magazine across Canada – Across The Board. Earning its title through a Resident naming contest, the magazine includes local features, information and photos from recent Boardwalk events, games, colouring pages, contests, and much more. Boardwalk received overwhelmingly positive feedback from Residents on this magazine. It is currently distributed three times a year and features and increasing amount of Resident written articles.

Boardwalk continued bringing both Associates and Residents to Tijuana, Mexico, with YWAM and Homes of Hope in order to build homes for families in need. Boardwalk believes that one of the best ways we can build our Boardwalk Community is by working together to help others. In 2013, Boardwalk participated in three of these trips which included 120 Associates and 18 Residents.

In 2013, Boardwalk hosted its second Monopoly Tournament in Edmonton, AB. For this year's event, both Associates and Residents were eligible to participate. After four rounds, the three finalists played against a Boardwalk representative in the final round. The first place Associate received a $1,000 cash prize. As for the three Resident finalists, the first place Resident received six months free rent, second place received one month free rent, and the third place Resident received an iPad.

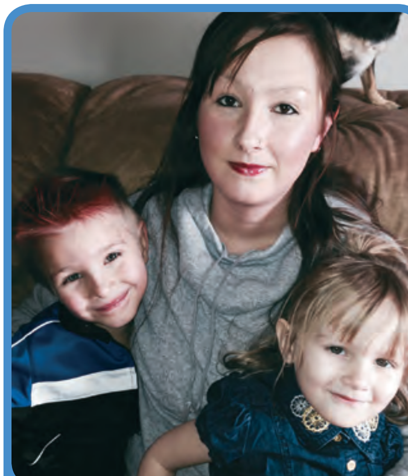
As always, in 2014, Boardwalk aims to continue to find new and innovative ways to strengthen our relationships with our Resident Members and widening engagement in our many Boardwalk communities. Boardwalk is committed to our Resident Members and we understand and believe in the true value of Community.

"

I never realized how much Boardwalk gets involved in the community. We need organizations like Boardwalk to be the lead for others!

"

– Mona, Boardwalk Resident



"

Thank you for giving me free rent for a year and the opportunity to continue with my schooling. Because of you, I can now watch my family grow.

"

– Melissa, Boardwalk Resident

Unitholders

Boardwalk has cultivated and acquired a diverse portfolio of assets spanning 18 major centres across Canada and consisting of over 226 properties. The continued diversity of our portfolio allows us to adapt to the changing economic conditions across different regions as well as mitigate any risks in individual markets. Over 65% of the Trust's portfolio is located in Alberta and Saskatchewan, allowing the opportunity to take advantage of the growth these two markets have seen as the resource sector continues to drive economic growth. Of course, Boardwalk is not immune to global market instability, and, as a result, continues to ensure the Trust maintains a strong financial position with ample liquidity. This ensures we are able to capitalize on potential opportunities as they arise.

The Trust continues to monitor the marketplace for acquisition opportunities and, through diligent analysis, will ensure any acquisitions are accretive under the appropriate conditions. Portfolio growth through acquisitions has not been prevalent in recent years for the Trust, as the actual cost of acquisition when risk adjusted were not in the best interest of the Trust. The low interest rate environment has, however, presented a unique opportunity for the Trust to potentially use excess land in its portfolio to increase the density of some of its assets through the development of new apartment buildings. Boardwalk has completed its first development project, on time and on budget, at its Spruce Ridge Gardens project in Calgary, AB; and continues to evaluate the viability of other development projects in other regions.

Organic growth within the Trust's portfolio remains the largest opportunity for the Trust to enhance value to Unitholders. The closing of the Trust's loss-to-lease (the difference between market rents and the actual rent received) on rents grew to $35 per unit per month at the end of 2013; and represents nearly $15 million in annualized revenue. As the Trust continues to maintain high occupancy, with rent adjustments, and suite specific incentives as part of its revenue optimization strategy, the closing of this loss-to-lease represents a significant opportunity for the Trust.

2013 FFO per unit was strong at $3.21 per Trust Unit, an 11.8% increase over the previous year. The Trust was able to sustainably increase distributions since the beginning of 2012 by 13.3% to provide our Unitholders with $2.04 per Unit, on an annualized basis, of regular cash distribution, as of the February 28, 2014 record date, which equated to approximately 62% of FFO in 2013, and remains one of the most conservative payout ratios among our peers. In total, the Trust distributed $103.4 million in 2013, with an estimated 30% allocated to a return of capital and 70% allocated to income.

As interest rates remained low for much of 2013, Boardwalk is pleased to have renewed approximately $286 million of maturing CMHC mortgage principal. The weighted average new interest rate on these funds was 2.79% versus the maturing rate of 4.45%, a significant decrease to Boardwalk's interest expense. The average term of these renewals was over 8 years.

Moving into 2014, interest rates are expected to remain at historically low levels and present an opportunity for the Trust to continue to reduce the maturing interest rates on 2014 mortgages. The Trust will continue to proactively monitor interest rate markets, and has prepared optional forward interest rate fix contracts on a significant number of mortgage maturities in 2014, should the market change.

With the Trust's seasoned management team, Boardwalk continues to be an industry leader in transparency and financial disclosure. Boardwalk's quarterly financial reports are an excellent source of information which we encourage all of our stakeholders to review. All of the Trust's financial reports can be found on our website: www.boardwalkreit.com. Boardwalk also continues to be one of the few REITs who provide financial guidance on a quarterly basis. Full transparency allows prospective and current Unitholders the opportunity to fully evaluate the Trust's long-term value proposition including, but not limited to, the Trust's stable cash distributions, healthy balance sheet, and conservative fiscal management.

Boardwalk has completed its first development project, on time and on budget, at its Spruce Ridge Gardens project in Calgary, AB

Associates

We believe that our success can be attributed to our team of over 1,500 dedicated and talented Associates. Boardwalk Associates strive to build and strengthen the communities in which our Residents live and we work. As a result of our dedication to our Associates, Boardwalk strives to ensure that we provide our Associates with a happy, healthy and safe work place, including a strong sense of community amongst colleagues as well as the rest of the Boardwalk community.

Boardwalk Associates receive extensive benefits, including: fitness reimbursement, Best Doctors program, and an RRSP Match.

With Associates spread out across Canada, Boardwalk strives to ensure that each Associate has access to the same information in a timely manner. As a result of the challenge presented by having a diverse and spread out team of Associates, Boardwalk has tailored our internal communications program to assist us in uniting our team. This program includes Boardwalk's intranet, a secure website where Associates can visit at any time, from any place, to obtain pertinent Boardwalk information. Throughout the upcoming year, Boardwalk will continue to review this website and add new features to ensure it meets the needs of our Associates. In addition to our intranet, Boardwalk also distributes a quarterly magazine to Associates that includes stories about events across Canada, Health and Safety and Human Resources information and financial information. Finally, Boardwalk also continued to hold annual luncheons for Associates and Senior Executives across Canada. The goal of these events is to unite Associates with Senior Management and to solidify Boardwalk's sense of team and community.

Boardwalk aims to provide Associates with the best work environment possible. In 2013, Boardwalk continued to provide our Associates with a Profit Share Program as well as continued to conduct market surveys to ensure we are providing our Associates with competitive compensation. Boardwalk also continued the High Potential Program that recognizes Associates who go above and beyond in their day to day work.

Boardwalk believes that one of the best investments we can make is in our Associates. As such, each of Boardwalk's operating regions has an internal committee dedicated to raising money to help Associates in need. All funds raised by these committees are matched by Boardwalk. Associates also receive extensive benefits while working at Boardwalk. Some of the benefits include: fitness reimbursement, Best Doctors program, and an RRSP Match. Throughout 2013, Boardwalk invested over $2,395,300 in comprehensive benefits, as well as over $2,263,100 in our Group RRSP Employer Match program.

To ensure that our Associates are provided with ample opportunities to grow and develop, and to help them meet their career goals, Boardwalk was pleased to invest over $118,900 in Associate training and development. In 2013, we continued our Mentorship Program which provides site Associates in each position with a Mentor to help them through their training process. Our Mentor guides are updated on a quarterly basis. In addition to offering Associates the opportunity to further their training and education, Boardwalk provides our Associates with a work environment where they can continue to grow and excel in their careers. For this reason, we continue to develop and improve our succession

“Working for Boardwalk gives me the chance to explore my skills in many ways. I started working as a Customer Service Representative and later joined the Marketing team as a Graphic Designer. To be able to work for Boardwalk is to get a great chance to become a part of one huge family that is full of friendly people and provides a respectful environment.”

– Sisay, Boardwalk Associate

planning, which requires all Boardwalk Leaders to identify an individual who will be the successor to their role, and specify the time frame in which this individual will be ready.

To recognize those individuals who go above and beyond Boardwalk's Mission, Vision and Values, Boardwalk presents Foundation of Excellence Awards to those who have been recognized by their peers as exceptional Associates. In 2013, we were proud to present seven of these awards to our Associates, along with one Leader of Excellence Award. As a result of compliments received from Resident Members, we awarded over 350 Associates with Bravos for going above and beyond in Customer Service. Boardwalk's Chairman's Scholarship also continued in 2013, and we were proud to provide 17 children of Boardwalk Associates with scholarships totaling over $150,000.

Boardwalk currently has over 1,500 Associates who continue to commit daily to our goal of Building Better Communities. Of these dedicated Associates, 12% have been with Boardwalk for over 5 years and 6% have been with us for over ten years. Boardwalk saw a decrease in Associate turnover in 2013 to 17.6%, a decrease from 20.9% 2012.

CHAIRMAN'S SCHOLARSHIP RECIPIENTS

Student	Associate	City	Province
George Herbut	Oxana Herbut	London	Ontario
Dawn Hasson	Denise Hasson	Belle River	Ontario
Nicole Torres	Ronalda Torres	Regina	Saskatchewan
Steven Taaffe	Michael Taaffe	Calgary	Alberta
Lindsay Rainbow	Charles Rainbow	Edmonton	Alberta
Natalia Gutierrez	Juan Gutierrez	Vancouver	British Columbia
Ioana Petriman	Claudiu Petriman	Airdrie	Alberta
Geneva Neuman	Perry Neuman	Mill Bay	British Columbia
Shaanvir Sadiura	Kelly Mahajan	DeWinton	Alberta
Sara Taaffe	Michael Taaffe	Calgary	Alberta
Mackenzie Duwyn	Patricia Duwyn	St.Thomas	Ontario
Karina McSween	Daniel McSween	Montreal	Quebec
Samuel Blain	Gaetan Labonte	Verdun	Quebec
Sebastien Casella	Emilio Casella	Longueuil	Quebec
Francois St. Jean	Sylvain St. Jean	Sainte Catherine	Quebec
Christopher Servitillo	Leo Servitillo	Edmonton	Alberta
Jeremiah Leulseged	Dereje Leulseged	Calgary	Alberta

As a result of compliments received from Resident Members, we awarded over 350 Associates with Bravos for going above and beyond in Customer Service.

Health and Safety

The dedication and commitment Boardwalk shows towards Health and Safety continued through 2013, and will continue throughout 2014. At the beginning of 2011, Boardwalk launched a Zero Injury Campaign, a goal to eliminate all workplace injuries and illnesses. This campaign remained in place in 2013 with a Health and Safety section being added to each Associates performance review. In addition, sites that remain injury free for a period of one year will be recognized at Boardwalk's annual luncheons with the Executive team, on our Intranet and in our internal magazine. In 2013, Boardwalk was pleased to have 205 sites remain injury free for the entire year.

In 2013, Boardwalk conducted an internal Health and Safety audit. At the end of this audit, we were pleased to receive a final score of 98%. Stemming from this audit, we have created an action plan of items that we intend to improve upon and accomplish in 2014 to ensure that we continue our commitment to making Boardwalk a healthy and safe place to work. In addition, Boardwalk is pleased to see our efforts in Health and Safety are working. Over the past three years we have seen a considerable decrease in Claims Costs through WCB in Alberta.

Part of having a great Health and Safety program in place is communicating the program to Associates. To ensure each individual has access to the information they need, Boardwalk communicates all Health and Safety initiatives and information to Associates in various ways. Health and Safety communication vehicles include: a monthly Health and Safety bulletin delivered to each Associate, a page dedicated to Health and Safety on our intranet, a quarterly Health and Safety update in our internal magazine as well as a discussion of Health and Safety practices at our annual luncheons. In addition to these vehicles, our dedicated Health and Safety team is available via email, phone, or in person.

Extensive planning during 2013 continued towards generating a comprehensive mechanical, electrical, and structural building systems data repository, known as Boardwalk Building Systems Management. Development of this system is intended to streamline and optimize operational and capital building system expenditure and maintenance activities.

Boardwalk continues to have the following programs in place to ensure our Associates receive the appropriate training and education, thus allowing them to do their work in a safe manner.

HEALTH AND SAFETY PROGRAMS

Asbestos Management Plan
Associate Training
Bed Bugs
Bodily Fluids & Dead Animal Cleanup
Chainsaw Safety
Communication
Company Vehicle Safety
Confined Spaces
Electrical Safety
Emergency Response
Environmental Policy
Fall Protection
Firearms / Weapons Found on Site
First Aid
Forklift Safety
Hazard Detection Program
Hazardous Materials, Storage and Disposal
Housekeeping
Incident Reporting
Indoor Air Quality
Job Hazard Analysis
Joint Health & Safety Committee
Ladder Safety
Lockout and Tagging
Material Safety Data Sheets (MSDS)
Modified Duties
Monthly Site Safety Inspections
Mould Remediation
Needle / Syringe Safety
Noise Exposure & Hearing Conservation
Office Ergonomics
Pandemic Response
Personal Protective Equipment
Pesticides
Pool Safety
Power Tool Safety
Respirator Code of Practice
Right to Refuse Unsafe Work
Safety Infractions
Site Safety Meetings
Slip, Trip & Fall
Snow Shoveling
Sun & Heat Protection
Transportation of Dangerous Goods
Visitor Policy
Workplace Hazardous Materials Information Systems (WHMIS)
Working Alone
Workplace Violence
Zero Injury Campaign

Community

Throughout 2013, Boardwalk continued its focus on providing and fostering Community. Over the past few years our dedication to Community has created positive results for all of our Stakeholders, including Residents, Associates, and Unitholders. These continued results solidify the value of Community.

Photos: (near right) The Boardwalk family is thrilled to be the title sponsor for Walk for Wellspring in London, ON.
(far right): Homes of Hope, Tijuana, Mexico.
(below) Hocky Helps the Homeless 2013, Calgary, AB.

Boardwalk offers Associates the opportunity to participate in our Company Matched Payroll Charitable Deduction program. Associates who take part in this program select a charity from our list of registered charities to which they wish to donate and their donation is automatically deducted from their pay each month. In addition, Boardwalk will match these donations up to $1,000 per Associate, per year. In 2013, Boardwalk was proud to match over $31,000 of Associate contributions.

The Boardwalk Angels program continued throughout 2013 and saw a lot of success with both Associates and Resident Members. Boardwalk now has over 100 buildings that have earned a Heart Plaque in acknowledgment of their participation in the program. In addition, in 2013, the program expanded to recognize random acts of kindness completed by our Residents and Associates. Resident Members and Associates who are observed in random acts of kindness receive a letter from Boardwalk, thanking them for their commitment to community, as well as an Angel's pin. Boardwalk looks forward to further expanding this program in 2014.

Once again, Boardwalk held its National Week of Caring in December of 2013. Throughout this week, Associates are encouraged to volunteer in their communities and are offered the opportunity to volunteer for up to four hours of paid work time. There were 400 Associates who took advantage of this opportunity and

> *I have to say that this experience [YWAM, Homes of Hope trip] has changed my perception of Boardwalk as a company. I discovered behind this company (from which I've rented for many years), there are dedicated, dynamic and enthusiastic Associates, led by a leadership team which takes its role in social responsibility very seriously.*
>
> *– Chantal,*
> *Boardwalk Resident*

volunteered for a collective total of over 1,400 work hours. During the Holiday Season, Boardwalk Associates and Residents once again participated in Samaritan's Purse Operation Christmas Child. In 2013 Associates and Resident Members packed over 2,600 shoeboxes for children in need around the world.

With our Internal Subsidy Program, Boardwalk aims to help our immediate community by assisting our Residents who are in financial need. In 2013, we had approximately 33 suites on Boardwalk's internal subsidy. The number of suites in this program fluctuates throughout the year as new families are added or removed.

Boardwalk's goal is not only to build and foster our local communities, but our global ones as well. We see value in each and every community. As a result, in 2013, we continued our trips to Tijuana, Mexico, with YWAM and Homes of Hope, to build homes for families in need. Boardwalk participated in 3 trips in 2013, and built a total of eight homes. Over the course of the three trips, 120 Associates and 18 Residents attended.

In 2013, Boardwalk once again partnered with Free the Children and sponsored We Day Alberta as a Platinum Sponsor; we dedicated $75,000 to the We Day event in Calgary. These events focus on empowering the youth in our communities through motivating speakers and performances. Boardwalk was pleased to be able to offer the children of Associates and Resident Members tickets for the events in Calgary, as well as Montreal, Toronto, Vancouver and Saskatoon.

In 2013, Boardwalk once again ran its Home for the Holiday's promotion through local radio stations in Edmonton and Calgary, AB. This promotion runs over the Holiday Season and asks for the radio station's listeners to submit stories of individuals who they know are going through a tough financial time and are in need of assistance. Once all of the submissions are collected, a winner is selected from each city. This winner receives rent free living for one year in a Boardwalk Community in their city.

We continue to see the value in Community, and strive to nourish and strengthen the communities in which we live and work.

Environment and Sustainability

Boardwalk makes every effort to ensure we not only provide value to Residents, Associates, our Communities and Unitholders, but we do so while remaining conscience of our effects on the environment. As always, we believe that being a sustainable company does not simply mean conducting our organization in a way that provides environmental stability. Being sustainable extends past environmental issues to include both social and financial issues as well.

Environment

Part of this is encouraging Residents to remain conscious of the effect they have on the environment. Boardwalk currently has over 5,500 units which are electrically metered. All of these meters meet Canada Measurement Certification Requirements. In addition, Boardwalk purchases and installs low flow shower heads and toilets, as well as energy efficient fixtures. We also purchase energy star appliances and use paint low in VOC. Boardwalk uses timers and photocells for outdoor lighting to ensure lights do not stay on all of the time, and we also use LED lights in our emergency fixtures. Boardwalk is also well underway with the replacements of lights in Ontario buildings to CFL fixtures. We also participate in ongoing projects in our buildings across Canada, including attic insulation and ventilation upgrades, roof replacements, building envelope upgrades, siding upgrades, window replacements, and energy efficient parking garage lighting installations.

In all Boardwalk offices across Canada, Associates are encouraged to ensure their lights and computers are shut off at the end of each day over weekends (as well as vacation time). In addition, Boardwalk also has recycling programs at all of our offices for cardboard, paper, plastic and computer and printer parts.

As always, Boardwalk continues to look for ways in which to cut our paper usage. All Associate communication material is made available via Boardwalk's intranet and investor material is available on Boardwalk's investor website. In addition, Boardwalk offers Residents the opportunity to receive communications almost exclusively online through our secure Resident website.

Sustainability

Boardwalk's social sustainability is led by our Associates. We aim to empower our Associates and provide them with opportunities to get involved and give back to their local and global communities. Our Associates have embraced this role and are now encouraging our Residents to do the same. Boardwalk is proud of these initiatives to better communities and continues to support both Residents and Associates in their endeavours.

Boardwalk's financial stability is driven by the Trust's Board of Directors, Management Team and most importantly, our Stakeholders. The Trust maintains a strong balance sheet and employs conservative fiscal management. Through these and other measures, the Trust remains able to provide our Unitholders with sustainable cash distributions.

Through Boardwalk's continued commitment to recognizing the value in Community, our organization remains environmentally, socially and financially sustainable.

Portfolio Summary

Spruce Ridge Gardens, Calgary AB

Boardwalk Centre, Edmonton AB

Cambrian Place, Edmonton AB

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
CALGARY, AB				
Beltline Towers	Highrise	115	80,424	699
Boardwalk Heights	Highrise	202	160,894	797
Brentview Towers	Highrise	239	151,440	634
Centre Pointe West	Highrise	123	110,611	899
Chateau	Highrise	145	110,545	762
Elbow Tower	Highrise	158	108,280	685
Flintridge Place	Highrise	68	55,023	809
Glamorgan Manor	Garden	86	63,510	738
Hillside Estates	Garden	76	58,900	775
Lakeside Estates	Garden	89	77,732	873
Lakeview	Walkup	120	107,680	897
McKinnon Court	Garden	48	36,540	761
McKinnon Manor	Garden	60	43,740	729
Northwest Pointe	Garden	150	102,750	685
Oak Hill Estates	Townhouse	240	236,040	984
O'Neil Tower	Highrise	187	131,281	702
Patrician Village	Garden	392	295,600	754
Pineridge	Garden	76	52,275	688
Prominence Place Apts.	Garden	75	55,920	746
Radisson Village I	Townhouse	124	108,269	873
Radisson Village II	Townhouse	124	108,015	871
Radisson Village III	Townhouse	118	124,379	1,054
Ridgeview Gardens	Townhouse	160	151,080	944
Royal Park Plaza	Highrise	86	66,137	769
Russet Court	Townhouse	206	213,264	1,035
Sarcee Trail Place	Highrise/ Midrise	376	301,720	802
Skygate Tower	Highrise	142	113,350	798
Spruce Ridge Estates	Garden	284	196,464	692
Spruce Ridge Gardens	Garden	109	86,351	792
Travois	Garden	89	61,350	689
Varsity Place	Walk-up	70	47,090	673
Varsity Square	Midrise/ Lowrise	297	241,128	812
Vista Gardens	Garden	100	121,040	1,210
Westwinds Village	Garden	180	137,815	766
Willow Park Gardens	Garden	66	44,563	675
		5,180	4,161,200	803
EDMONTON, AB				
Alexander Plaza	Garden	252	203,740	808
Aspen Court	Garden	80	68,680	859
Boardwalk Arms A & B	Garden	78	64,340	825
Boardwalk Centre	Highrise	597	471,871	790
Boardwalk Village I II & III	Townhouse	255	258,150	1,012
Breton Manor	Garden	66	57,760	875
Briarwynd Court	Townhouse	172	144,896	842
Brookside Terrace	Garden	131	196,779	1,502
Cambrian Place	Garden	105	105,008	1,000

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
EDMONTON, AB *(continued)*				
Camelot	Garden	64	54,625	854
Capital View Tower	Highrise	115	71,281	620
Carmen	Garden	64	54,625	854
Castle Court	Garden	89	93,950	1,056
Castleridge Estates	Townhouse	108	124,524	1,153
Cedarville	Garden	144	122,120	848
Christopher Arms	Garden	45	29,900	664
Corian	Garden	153	167,400	1,094
Deville	Highrise	66	47,700	723
Ermineskin Place	Highrise	226	181,788	804
Fairmont Village	Garden	424	362,184	854
Fontana Place	Highrise	62	40,820	658
Fort Garry House	Highrise	93	70,950	763
Galbraith House	Highrise	163	110,400	677
Garden Oaks	Garden	56	47,250	844
Granville Square	Townhouse	48	53,376	1,112
Greentree Village	Garden	192	156,000	813
Habitat Village	Townhouse	151	129,256	856
Imperial Tower	Highrise	138	112,050	812
Kew Place	Townhouse	108	105,776	979
Lansdowne Park	Highrise	62	48,473	782
Leewood Village	Garden	142	129,375	911
Lord Byron I II & III	Highrise	158	133,994	848
Lord Byron Townhouses	Townhouse	147	172,369	1,173
Lorelei House	Garden	78	65,870	844
Maple Gardens	Garden	181	163,840	905
Marlborough Manor	Garden	56	49,582	885
Maureen Manor	Highrise	91	64,918	713
Meadowside Estates	Garden	148	104,036	703
Meadowview Manor	Garden	348	284,490	818
Monterey Pointe	Garden	104	83,548	803
Morningside Estates	Garden	221	166,315	753
Northridge Estates	Garden	180	103,270	574
Oak Tower	Highrise	70	51,852	741
Parkside Tower	Highrise	179	162,049	905
Parkview Estates	Townhouse	104	88,432	850
Pembroke Estates	Garden	198	198,360	1,002
Pinetree Village	Garden	142	106,740	752
Point West Townhouses	Townhouse	69	72,810	1,055
Primrose Lane	Garden	153	151,310	989
Prominence Place	Highrise	91	73,310	806
Redwood Court	Garden	116	107,680	928
Riverview Manor	Garden	81	62,092	767
Royal Heights	Highrise	74	41,550	561
Sandstone Pointe	Garden	81	83,800	1,035
Sir William Place	Garden	220	126,940	577
Solano House	Highrise	91	79,325	872

Nuns' Island, Montreal QC

Complexe Laudance, Sainte-Foy, QC

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
EDMONTON, AB *(continued)*				
Southgate Tower	Highrise	170	153,385	902
Summerlea Place	Garden	39	43,297	1,110
Suncourt Place	Garden	62	55,144	889
Tamarack East & West	Townhouse	132	212,486	1,610
Terrace Garden Estates	Garden	114	101,980	895
Terrace Tower	Highrise	84	66,000	786
The Palisades	Highrise	94	77,200	821
The Westmount	Highrise	133	124,825	939
Tower Hill	Highrise	82	46,360	565
Tower On The Hill	Highrise	100	85,008	850
Valley Ridge Tower	Highrise	49	30,546	623
Victorian Arms	Garden	96	91,524	953
Viking Arms	Highrise	240	257,410	1,073
Village Plaza	Townhouse	68	65,280	960
Warwick	Garden	60	49,092	818
West Edmonton Court	Garden	82	73,209	893
West Edmonton Village	Various	1,176	1,138,368	968
Westborough Court	Garden	60	50,250	838
Westbrook Estates	Garden	172	148,616	864
Westmoreland	Garden	56	45,865	819
Westpark Ridge	Garden	102	99,280	973
Westridge Estates B	Garden	91	56,950	626
Westridge Estates C	Garden	90	56,950	633
Westridge Manor	Townhouse	64	69,038	1,079
Westwinds of Summerlea	Garden	48	53,872	1,122
Whitehall Square	Highrise/ Walkup	598	545,934	913
Wimbledon	Highrise	165	117,216	710
		12,057	10,598,614	879
FORT MCMURRAY, AB				
Birchwood Manor	Garden	24	18,120	755
Chanteclair	Garden	79	68,138	863
Edelweiss Terrace	Garden	32	27,226	851
Heatherton	Garden	23	16,750	728
Hillside Manor	Garden	30	21,248	708
Mallard Arms	Garden	36	30,497	847
McMurray Manor	Garden	44	30,350	690
The Granada	Garden	44	35,775	813
The Valencia	Garden	40	33,850	846
		352	281,954	801
LONDON, ON				
Abbey Estates	Townhouse	53	59,794	1,128
Castlegrove Estates	Highrise	144	126,420	878
Forest City Estates	Highrise	272	221,000	813
Heritage Square	Garden/ Highrise	359	270,828	754

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
LONDON, ON *(continued)*				
Landmark Towers	Highrise	213	173,400	814
Maple Ridge On The Parc	Highrise	257	247,166	962
Meadowcrest	Garden	162	110,835	684
Noel Meadows	Garden	105	72,600	691
Ridgewood Estates	Townhouse	29	31,020	1,070
Sandford	Highrise	96	77,594	808
The Bristol	Highrise	138	109,059	790
Topping Lane Terrace	Highrise	189	177,880	941
Villages of Hyde Park	Townhouse	60	57,850	964
Westmount Ridge	Highrise	179	131,700	736
		2,256	1,867,146	828
MONTREAL, QC				
Domaine d'Iberville Apartments (Longueuil, QC)	Highrise	720	560,880	779
Le Bienville (Brossard, QC)	Walk-up	168	115,600	688
Les Jardins Viva (Longueuil, QC)	Walk-up	112	91,000	813
Nuns' Island Portfolio	Garden/ Highrise/ Townhouse	3,100	3,075,140	992
Complexe Deguire (St. Laurent, QC)	Highrise	322	276,324	858
Residence le Quatre Cent (Laval, QC)	Highrise	259	153,500	593
		4,681	4,272,444	913
QUEBEC CITY, QC				
Complexe Laudance (Sainte-Foy, QC)	Midrise	183	134,480	735
Les Appartements Du Verdier (Sainte-Foy, QC)	Garden	195	152,645	783
Les Jardins de Merici	Highrise	346	300,000	867
Place Charlesbourg	Midrise	108	82,624	765
Place du Parc	Highrise	111	81,746	736
Place Samuel de Champlain	Highrise	130	104,153	801
Place Chamonix	Townhouse	246	236,630	962
		1,319	1,092,278	828
RED DEER, AB				
Canyon Pointe	Garden	163	114,039	700
Cloverhill Terrace	Highrise	120	102,225	852
Inglewood Terrace	Garden	68	42,407	624
Parke Avenue Square	Walk-up	88	87,268	992
Riverdale Manor	Garden	150	114,750	765
Saratoga Tower	Highrise	48	53,762	1,120
Taylor Heights	Garden	140	103,512	739
Watson Tower	Highrise	50	43,988	880
Westridge Estates	Townhouse	112	113,664	1,015
		939	775,615	826

Dorchester Tower, Saskatoon, SK

Riverdale Manor, Windsor ON

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
REGINA, SK				
Ashok Portfolio	Garden	140	81,098	579
Boardwalk Estates	Garden	687	467,696	681
Boardwalk Manor	Garden	72	60,360	838
Centennial South	Townhouse	170	129,080	759
Centennial West	Garden	60	46,032	767
Eastside Estates	Townhouse	150	167,550	1,117
Evergreen Estates	Garden	150	125,660	838
Grace Manors	Townhouse	72	69,120	960
Greenbriar	Garden	72	57,600	800
Lockwood Arms	Garden	96	69,000	719
Pines of Normanview	Townhouse	133	115,973	872
Qu'appelle Village I & II	Garden	154	133,200	865
Qu'appelle Village III	Garden	180	144,160	801
Southpointe Plaza	Highrise	140	117,560	840
The Meadows	Townhouse	52	57,824	1,112
Wascana Park Estates	Townhouse	320	307,200	960
		2,648	2,149,113	812
SASKATOON, SK				
Carlton Tower	Highrise	158	155,138	982
Chancellor Gate	Garden	138	126,396	916
Dorchester Tower	Highrise	52	48,608	935
Heritage Townhomes	Townhouse	104	99,840	960
Lawson Village	Garden	96	75,441	786
Meadow Park Estates	Townhouse	200	192,000	960
Palace Gates	Garden	206	142,525	692
Penthouse	Highrise	82	61,550	751
Regal Tower I & II	Highrise	161	122,384	760
Reid Park Estates	Garden	179	128,700	719
St. Charles Place	Garden	156	123,000	788
St. James Place	Garden	140	105,750	755
Stonebridge	Garden	162	131,864	814
Stonebridge Townhomes I & II	Townhouse	100	135,486	1,355
Wildwood Ways B	Garden	54	43,961	814
		1,988	1,692,643	851
VANCOUVER, BC				
Horizon Towers (Burnaby, BC)	Highrise	206	139,160	676
Surrey Village (Surrey, BC)	Highrise	266	162,371	610
		472	301,531	639

Property Name	Building Type	Number of Units	Net Rentable Square Footage	Average Unit Size
WINDSOR, ON				
Anchorage	Highrise	135	110,245	817
Anchorage on the Park	Townhouse	31	38,750	1,250
Askin Tower	Highrise	60	39,675	661
Buckingham Tower	Highrise	34	30,805	906
Caron Tower	Highrise	47	36,947	786
Empress Court	Garden	40	28,250	706
Frances Tower	Highrise	53	43,906	828
Glenwood	Highrise	33	25,619	776
Janisse Tower	Highrise	75	45,000	600
Karita Tower	Highrise	41	28,950	706
Lauzon Tower	Highrise	178	137,784	774
Marine Court	Highrise	68	49,206	724
Randal Court	Garden	47	38,775	825
Regency Colonade	Highrise	133	113,205	851
Riverdale Manor	Townhouse	97	77,850	803
Rivershore Tower	Highrise	96	63,300	659
Sandilands Tower	Highrise	47	38,775	825
Sandwich Tower	Highrise	66	40,650	616
Seaway Tower	Highrise	152	112,037	737
Sun Crest Tower	Highrise	58	43,100	743
Sun Ray Manor	Highrise	41	29,950	730
Tecumseh Terrace	Highrise	98	71,606	731
University Tower	Highrise	50	36,100	722
		1,680	1,280,485	762
OTHER				
Boardwalk Park Estates 2 (Grande Prairie, AB)	Townhouse	32	30,210	944
Parkview Portfolio (Grande Prairie, AB)	Garden	369	306,850	832
Prairie Sunrise Portfolio (Grande Prairie, AB) - see Note 1	Walk-up/ Highrise	244	201,992	828
Elk Valley Estates (Banff, AB)	Garden	76	53,340	702
Tower Lane I & II (Airdrie, AB)	Garden	163	130,920	803
Springwood Place Apartments (Spruce Grove, AB)	Low Rise	160	122,640	767
Sturgeon Point Villas (St. Albert, AB)	Walk-up	280	284,953	1,018
Christie Point Apartments (Victoria, BC)	Townhouse/ Walk-up	161	155,405	965
Kings Tower (Kitchener, ON)	Highrise	226	171,100	757
Westheights Place (Kitchener, ON)	Highrise	103	91,920	892
		1,814	1,549,330	854
Total - As at Dec 31, 2013		**35,386**	**30,022,352**	**848**
Total - As at Dec 31, 2012		35,277	29,936,001	849

Good Corporate Governance

One of Boardwalk's corporate values is integrity. Accordingly, we pride ourselves on striving to be honest, accountable and transparent in all of our corporate reporting. As a result of our commitment to integrity, good corporate governance has been the foundation of all of Boardwalk's successes over the past 29 years. We were proud to be recognized by The Journal of the Institute of Corporate Directors for effective communication regarding our transition to International Financial Reporting Standards (IFRS). We aim to provide our stakeholders with important information in a timely manner, and encourage open and honest dialogue between, and with, our stakeholders in an effort to ensure Boardwalk's continued success. Our Board of Trustees follows a mandate described in their Statement of Corporate Governance Practices that explicitly defines the expectations and limits of both the Board and management. This comprehensive statement of our governance principles gives authority and autonomy to the Board through the articulation of key issues, including: specific functions of the Board, Board independence and integrity, selection and composition of the Board, and Board committees.

As a publicly traded Trust listed on the Toronto Stock Exchange (TSX), Boardwalk either meets or exceeds the guidelines set out by the TSX and Canadian Securities Administrators regarding effective corporate governance. The governance of our Trust is based on the mandate of our Board of Trustees, our Code of Business Conduct, as well as the guiding Mission, Vision and Values that all Associates and management are expected to uphold. These guiding principles, derived from the Golden Rule of "treating others as we would like to be treated," provide a framework for our Trustees and Associates as they deal with the often complex and sensitive issues that arise over the normal course of our business.

As per the mandate, a majority of Trustees must be independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Trustee's ability to act with a view to the best interests of the Trust and its Unitholders. Currently, five (5) of the seven (7) Board members are independent. In addition to assuming responsibility for the stewardship of the Trust, Boardwalk's Board is specifically charged with:

- Reviewing, discussing and approving the Trust's strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Identifying the principal risks of the Trust's business, and ensuring implementation of appropriate systems to manage those risks. (Among other things, the Board reviews risk management policies and processes, including those concerning credit risk, market risk, liquidity risk and operational risk.)
- Reviewing the performance of the CEO and other senior executives of the Trust.
- Creating and maintaining the communication policy of the Trust, including
  - Approving the contents of major disclosure documents of the Trust.
  - Reviewing policies and programs related to the image of the Trust and ensuring appropriate processes are in place for communicating with all stakeholders.
  - Reviewing how the Trust communicates and interacts with analysts and the public to avoid selective disclosure.
- Managing the integrity of internal controls and management information systems.

In addition to its other accountabilities, the Board is responsible for two committees, the Compensation, Governance and Nominations Committee, as well as the Audit and Risk Management Committee, each of which is composed solely of outside and independent Trustees. The Compensation, Governance and Nominations Committee is charged with the responsibilities of identifying and evaluating candidates to fill Board vacancies, and assessing Board and committee effectiveness. The Audit and Risk Management Committee assists the Board in overseeing the integrity of the Board's financial statements, the performance of the Trust's external auditors, the adequacy and effectiveness of internal controls and compliance with legal and regulatory matters.

Financial Review

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS

SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis

For the Year Ended December 31, 2013

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, its consolidated financial position, and results of operations for the years ended December 31, 2013 and 2012. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and as required by all Publicly Accountable Enterprises to be adopted effective January 1, 2011. This MD&A is current as of February 13, 2014 unless otherwise stated, and should be read in conjunction with Boardwalk's audited annual consolidated financial statements for the years ended December 31, 2013 and 2012, which have been prepared in accordance with IFRS, together with the MD&A related thereto, copies of which have been filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR web site at www.sedar.com. Historical results and percentage relationships contained in the annual consolidated financial statements and MD&A related thereto, including trends, which might appear, should not be taken as indicative of future operations.

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

Forward-Looking Statement Advisory:

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws. These statements include, but are not limited to, statements made concerning Boardwalk's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, 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 2012 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 rental rate concessions, occupancy levels, access to debt and equity capital, changes to Canada Mortgage and Housing Corporation riles regarding mortgage insurance, interest rates, joint ventures/partnerships, the relative illiquidity of real property, unexpected costs or liabilities related to acquisitions, construction, environmental matters, uninsured perils, legal matters, reliance on key personnel, Unitholder liability, income taxes, and changes to income tax rules that impair 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, the 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 IFRS. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance 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 taxable income each year is paid, or made payable to, its Unitholders. Boardwalk qualified for the REIT Exemption commencing January 1, 2011, and will continue to qualify for the REIT Exemption provided all of its taxable income continue to be distributed to its Unitholders. Further discussion of this is 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.

EXECUTIVE SUMMARY

BUSINESS OVERVIEW

Boardwalk Real Estate Investment Trust ("Boardwalk REIT", "Boardwalk" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to a Declaration of Trust, dated January 9, 2004, and as amended and restated on May 3, 2004 and most recently on May 15, 2013 (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 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 'BEI.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 Investment Properties and the acquisition of additional, accretive properties. At the end of 2013, Boardwalk REIT owned and operated in excess of 226 properties, comprised of 35,386 residential units and totaling approximately 30 million net rentable square feet. As of December 31, 2013, Boardwalk REIT's property portfolio was concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec.

At December 31, 2013 and 2012, the fair value of Boardwalk's Investment Property assets was approximately $5.7 billion and $5.5 billion, respectively, which generated a profit of $155.2 million and $138.2 million for the years ended December 31, 2013 and 2012 (before fair value gains and income tax (expense) recovery). Each of these figures was calculated based on the application of IFRS, which the Trust was required to adopt, along with all Publicly Accountable Enterprises, effective January 1, 2011. During the years ended December 31, 2013 and 2012, the Trust earned $168.2 million and $150.3 million, respectively, of Funds From Operations ("FFO"), or $3.21 and $2.87 per Unit on a diluted basis. Adjusted Funds From Operations ("AFFO") for the years ended December 31, 2013 and 2012 were $151.4 million and $134.5 million, respectively, or $2.89 and $2.57 per Unit on a diluted basis.

MD&A OVERVIEW

This MD&A focuses on key areas from the audited consolidated financial statements and pertains to major known risks and uncertainties relating to the real estate industry, in general, and the Trust's business, in particular. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with material contained in other parts of the Annual Report, the audited consolidated financial statements for the years ended December 31, 2013 and 2012 and the Annual Information Form ("AIF") dated February 13, 2014, along with all other publicly posted information on the Corporation and Boardwalk REIT. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

OUTLOOK

The 2013 year proved to be a successful year for Boardwalk REIT and the multi-family real estate rental market business in Canada. Throughout the year, Boardwalk continued to see strong demand for rental apartments across its major markets. The economic outlook for natural resource-intensive provinces, like Alberta and Saskatchewan, remains positive. Economic growth in our major markets continued at a faster rate than the national average in 2013. Boardwalk continues to maintain a healthy liquidity position and has begun to allocate a portion of this to new development opportunities, yet is still well positioned to take advantage of future acquisitions or value-added opportunities. Despite the uncertainty surrounding the U.S. decision to taper its bond purchases, and the resultant volatility on long-term Government of Canada benchmark yields, recent property transactions demonstrate that there continues to be demand to own apartment assets in major Canadian markets, to the extent that Capitalization Rates remain low, resulting in higher prices for properties in this asset class. Although Boardwalk did not acquire any new apartment units during 2013, we remain active in the bidding process; however, Boardwalk has not been able to conclude that acquiring these assets at the offered selling 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 National Housing Act ("NHA") program, which is administered by Canada Mortgage and Housing Corporation ("CMHC"). With the continued turmoil in the world markets, Canada continues to be a country of high regard and, as a result, is experiencing historical low interest rates in the bond markets. This has translated into historically low interest rates for those who choose to use the NHA vehicle.

Boardwalk REIT believes 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 or Resident Members, 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 better than the maturing interest rates. The Trust continues to be well positioned, with a regular distribution payout ratio of approximately 61.5% of FFO for the year ended December 31, 2013. This is below the 65.4% for the year ended December 31, 2012. This improvement can be attributed to stronger operating performance in 2013 as well the ability to refinance maturing mortgages at significantly lower interest rates. The Trust continues to have access to low-rate Government of Canada-backed debt in the form of NHA insurance.

As the Trust moves forward, Boardwalk continues to look for ways to further enhance the returns provided to our stakeholders. The Trust continues to focus inward on our operations, continuously looking for ways to reduce costs while simultaneously focusing on our Resident Members. In addition, we continue to maintain a conservative balance sheet with a Debt-to-Enterprise Value at approximately 42%.

On November 7, 2013, Boardwalk substantially completed its development of a 109-unit project in Southwest Calgary, Alberta, and received the Occupancy Permit for the project from the City of Calgary. The project, called Spruce Ridge Gardens, was completed both on time and on budget, and is over 65% rented as at February 13th, 2014. Boardwalk will continue to investigate and research other development potential of new multi-family rental projects on excess land density that exists on other properties the Trust owns.

At the start of 2014, Boardwalk continues to witness good demand for rentals in all rental markets in which it operates. The Trust believes that focus on its Net Operating Income Optimization Strategy will continue to deliver solid results for fiscal 2014.

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 40 of the AIF. Some of the main financial guidelines and operating policies 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. Interest Coverage Ratio of at least 1.5 to 1;
2. No guaranteeing of third-party debt unless related to direct or indirect ownership or acquisition of real property, including potential joint venture partner structures;
3. Third-party surveys of structural and environmental conditions are required prior to the acquisition of a multi-family asset; and,
4. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by CMHC on on-site maintenance compensation to Associates, repairs and maintenance, as well as capital upgrades.

Distribution Policy

Boardwalk REIT may distribute to holders of REIT Units on or about each Distribution Date[(1)], respectively, such percentage of Funds From Operations for the calendar month then ended as the Trustees determine in their discretion. Distributions will not be less than Boardwalk REIT's taxable income, unless the Trustees, in their absolute discretion, determine another amount.

Compliance with DOT

At December 31, 2013, the Trust was in material compliance with all investment guidelines and operating policies as stipulated in the DOT as amended. More details will be provided later in this document with respect to certain detailed calculations.

At Boardwalk REIT's May 15, 2012 Annual and Special Meeting, certain amendments to the organization's DOT were proposed and received Unitholder approval. One such amendment replaced the operating policy (with regards to the maximum debt capacity not to exceed 70% of Gross Book Value) with an interest coverage ratio limit of 1.5 times. This is more operationally focused and a more direct test of the Trust's cash flow, including the ability to service its cost of debt at least 1.5 times. It is a test widely used and understood in the unsecured and secured debt markets, and is a test that would not discriminate between secured and unsecured debt. Further details and discussion on this topic are available in our 2012 Management Information Circular available at www.sedar.com.

For the year ended December 31, 2013, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense, excluding distributions on LP B Units and fair value gains and losses, was 3.15 (December 31, 2012 – 2.76).

VALUES, VISION AND OBJECTIVES

Boardwalk REIT is a fully integrated, Customer-oriented, multi-family residential real estate owner and property management organization. The Trust was built by focusing on its values and vision.

A Commitment to Value

Boardwalk REIT's Vision and business strategy are targeted on effectively meeting the needs of our Customers, or Resident Members. It is our belief that this focus will result in long-term value creation for all our stakeholders. Our key stakeholders include our Associates, major financial and mortgage partners, including CMHC, strategic operational partners and Unitholders.

Our Vision

Boardwalk REIT's Vision is to be Canada's leading provider of multi-family residential housing. Boardwalk believes it will be able to accomplish this through the continued careful cultivation of internal growth, selective development on excess land density it owns and a targeted and disciplined external acquisition program.

(1) "Distribution Date" means with respect to a distribution by Boardwalk REIT, a business day determined by the Trustees for any calendar month to be on or about the 15th day of the following month.

Our Associates are expected to adhere to the following guiding principles:

We will:

- Work together in a team environment of mutual respect, trust and honesty between all Associates and Resident Members;
- Serve our Resident Members' need for an affordable, quality, well-kept home;
- Maintain building exteriors and landscaping, thereby increasing "curb appeal", have well-kept common areas and ensure our homes are clean and well maintained;
- Maintain a balance between the needs of our Resident Members, Associates, Unitholders, communities and families;
- Nurture and promote a learning environment where our Associates' skills and capabilities grow with the needs of both the Trust and our Resident Members, and accept that these needs will be consistently evolving and improving the definition of "Rental Communities";
- Provide access to the latest tools and technology and utilize the latest tools and technology designed to increase the operating efficiency of the Trust as a whole.

We value:

- *Integrity*
  We will be honest, accountable, transparent, respectful, and trusting in our dealings with others, appreciating their views and differences.
- *Teamwork*
  We will effectively work as a team, appreciating and benefiting from each other's unique talents and skills in an open environment while recognizing that the team's successes are our successes.
- *Resident Member Service*
  We will promptly respond to Resident Member concerns and needs with thoughtfulness, compassion and innovation. We will strive to develop proactive solutions through a support network and a positive service attitude.
- *Social Responsibility*
  We will contribute to our communities and encourage our Associates to contribute in ways that reflect our Golden Rule of 'treating others in a way we would wish to be treated', balancing our needs with those of others, our Golden Goal is to 'be good', our Golden Mission Is 'have fun', and our Golden Vision is to 'love community'.
- *Our Associates*
  We will provide a safe and respectful work environment that attracts, supports, develops, and recognizes high-performing and innovative team members.

Boardwalk believes that by adhering to the above Vision and Values, and implementing strategies consistent with these principles, Boardwalk REIT will produce higher sustainable operating cash flows and a continued appreciation of its property values. The result will be enhanced value for all our stakeholders.

Achieving this goal requires the full integration of our core strategies of focused investing, superior property management and the implementation and effective use of new technologies. Boardwalk REIT can best achieve this goal by strategically:

- Maximizing Resident Member satisfaction by providing an above-average level of service and accommodation;
- Acquiring selected multi-family residential properties;
- Selling properties ("Non-Core") with lower future growth prospects or, on a limited basis, the conversion of properties into condominium units for sale, and the reinvesting of these funds back into other accretive opportunities;
- Purchasing Trust Units on the open market;
- Enhancing property values, operating returns and cash flows through pro-active management, property stabilization and capital improvements;
- Reviewing and considering the development of new selective multi-family projects if the economics support such projects;
- Managing capital prudently while maintaining a conservative financial structure;
- Pursuing opportunities to form selective partnership, joint ventures or an exchange of assets; and
- Reinvesting the released equity from asset sales back into the Trust's portfolio to create additional value-added opportunities.

To support our overall operating strategy, it is necessary to:

- Ensure ample capital is available at all times for acquisitions and value-added enhancements;
- Appropriately allocate available capital to existing project enhancement and on-going new acquisitions;
- Utilize appropriate levels of debt leverage;
- Determine and utilize sources with the lowest cost of capital;
- Actively manage our exposure to interest rate and debt renewal risk;
- Optimize the use of NHA insurance, which is administered by CMHC, to access more cost-effective debt capital.

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. 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.

INVESTMENT PHILOSOPHY

Throughout Boardwalk REIT's history, the Trust has constantly looked for opportunities to create value for the Trust Unitholders. This is achieved by investing managerial resources and capital in activities that increase FFO per unit and AFFO per unit on a sustaining basis and/or increase Net Asset Value ("NAV") per unit. Prior to 2008, a large part of this opportunity was focused on investment opportunities, both in capital improvements of our existing portfolio and in acquisition of additional properties. However, our investment strategy is not simply one by which we are constantly looking to expand our existing footprint, but rather one by which we are constantly looking to create value. Starting in 2008, but more pronounced during 2009 and 2010, it was evident to us that the Trust's investment opportunities were not in the acquisition of additional apartment units, but rather in the sale of Non-Core properties and the deployment of capital to acquire additional Boardwalk REIT Trust Units in the public markets through our published Normal Course Issuer Bids ("NCIBs").

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.

The Trust has an on-going program of selling Non-Core properties in its portfolio and re-deploying the released capital to acquiring or developing additional properties, potentially paying a special distribution to its Unitholders, reinvesting in its existing properties to achieve superior returns and/or purchasing its Trust Units for cancellation. The Trust continues to review all available options that management believes will provide the greatest return to our Unitholders.

Cost of Capital

In understanding Boardwalk REIT's investment strategy, it is also necessary to review its cost of capital. The Trust's cost of capital is generally defined as its weighted average cost of raising incremental capital and, thus, its hurdle rate for evaluating incremental investment opportunities. In other words, it can be thought of as the rate of return that the Trust would otherwise be able to earn given the same level of risk. As with most real estate entities, the cost of capital is the combination of the cost of debt and the cost of equity. As will be discussed in a later section, the Trust currently has access to a lower cost of debt through its access to the NHA insured market. However, even this market has different levels of risk that are mainly priced through the term selected on the related mortgage. That is, the longer the mortgage finance term, the longer the borrower is removing the interest rate risk from the investment. It is our view that on those investments where you do not have the benefit of hindsight, for example with the actual purchase, ownership and management of a particular building, there is an increased level of performance risk. To moderate this risk, it is necessary to hedge the interest rate risk, by taking a longer-term mortgage to allow you time to better understand the performance risk of the specific property investment. The other major component in the cost of capital relates to the cost of equity required for the investment. The determination of this cost has a number of different models and definitions. However, for simplicity purposes, Boardwalk determines its current cost of equity as the amount of AFFO reported compared to its current market capitalization. For 2013, the Trust reported AFFO per Unit of $2.89 on a fully diluted basis. When compared to the Trust Unit's market price of $59.85 as at December 31, 2013, this equates to approximately 4.83% as its cost of equity.

Once we have determined the cost of capital, management then analyzes and evaluates the opportunities available to the Trust against a base case scenario. The base case will be determined on two distinct criteria:

(i) whether the investment is accretive to the Trust's implied Capitalization Rate ("Cap Rate") after adjusting for related risk, and

(ii) given the existing leverage of the Trust, whether the investment is accretive on a FFO and AFFO basis given its existing portfolio's internal growth profile. The investment is also evaluated on a stabilized basis, that is, after considering the impact of funding deferred capital expenditures and leasing up the property. The base case of the Cap Rate test focuses on the implied Cap Rate of the Trust's existing property portfolio because the Trust best understands the operations and risk profile of its own apartment units, and its ability to purchase its own real estate through the use of NCIBs. In general, for an investment to be accretive, not only does it have to generate a return above this level, it must also be of equivalent (or better) quality and location. The amount of expectation above this base rate is the anticipated risk premium adjustment. Each investment is looked at in isolation and evaluated accordingly. In response to the second question, it is necessary to understand that

multi-family rental real estate has historically been an investment based on leverage. As such, it is necessary for us to analyze the underlying ability to obtain debt and the cost of that debt. Boardwalk currently does have access to NHA insurance from the Government of Canada, the details of which are discussed later in this document. As with other debt in most instances, the longer the proposed term maturity, the higher the price typically paid for this debt. This difference is the adjustment the market puts on the risk that the interest rates will be higher during the term of the loan. Accordingly, the investment consideration for the Trust also adjusts for this risk by building into its current cost of debt a balanced strategy of mortgage maturities, with upcoming renewals and refinancings targeted for terms ranging from five to ten years.

HEDGING ACTIVITIES

There were no new hedging activities in the fiscal year ended December 31, 2013.

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 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 December 31, 2013, the unamortized amount of this effective hedge was approximately $95 thousand.

Interest Rate Swap

In 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 International Accounting Standard ("IAS") – 39: Financial Instruments: Recognition and Measurement ("IAS 39").

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 consolidated 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 December 31, 2013, 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. For the year ended December 31, 2013, a gain of $2.1 million was recognized in OCI (December 31, 2012 – gain of $2.8 million).

Unsecured Debentures

The unsecured debentures, with a coupon interest rate of 5.61% and a principal balance of $112.4 million, matured on January 23, 2012, and were repaid with cash on hand at maturity.

PERFORMANCE REVIEW OF 2013

Boardwalk REIT generates revenues, cash flows, and earnings from two separate sources: rental operations and 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 (whom we refer to as "Resident Members") 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 and or development 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, will only proceed with the sale of Non-Core real estate properties if market conditions justify the dispositions and Boardwalk has an alternative use for the net proceeds generated.

Performance Measures

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 Board of Trustees, in its absolute discretion, determines a different amount. In 2013, the Trust distributed $1.98 per outstanding Trust and LP B Unit on an annualized basis (or $0.165 per Trust and LP B Unit on a monthly basis).

For the year ended December 31, 2013, the Trust declared regular distributions of $103.4 million (inclusive of distributions paid to the LP Class B Unitholders), representing approximately 61.5% of FFO. The reader should note 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 quarterly 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 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.

In February 2014, the Board of Trustees approved an increase to Boardwalk's regular distributions to $2.04 per Trust Unit on an annualized basis (or $0.17 per Trust Unit on a monthly basis), an increase of 3.0% from the previous distribution of $1.98 per Trust Unit on an annualized basis (or $0.165 per Trust Unit on a monthly basis), effective with the commencement of the February 28, 2014 record date. This represents approximately 63.6% of 2013 FFO and 70.6% of 2013 AFFO.

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.

How Did We Do?

At the beginning of the 2013 fiscal year, certain selective performance targets were set out for fiscal 2013. The assumptions used in these performance targets were reviewed on a quarterly basis and the full-year guidance was adjusted if such assumptions changed. The following table compares our forecasted performance to our actual results in fiscal 2013.

	2013 Actual	2013 Objectives Revised in Q3 2013	2013 Objectives Revised in Q2 2013	2013 Original Objectives
FFO per Trust Unit	$3.21	$3.10 to $3.20	$3.05 to $3.20	$2.95 to $3.15
AFFO per Trust Unit	$2.89	$2.78 to $2.88	$2.73 to $2.88	$2.63 to $2.83
Acquisitions	Completed a 109-unit development in November 2013	No new apartment acquisitions	No new apartment acquisitions	No new apartment acquisitions
Stabilized Building NOI Growth	5.1%	3% to 5%	2% to 5%	1% to 4%

The reader is cautioned the financial objectives, when generated, were considered forward-looking information and that actual results may vary materially from these objectives reported.

Both actual FFO and AFFO for fiscal 2013 were within the revised guidance reported as part of the Trust's disclosure for the third quarter of 2013.

FFO Reconciliation from 2012 to 2013

The following table shows a reconciliation of changes in FFO from December 31, 2012 to December 31, 2013. It should be noted that FFO, as disclosed in the table below, reflects FFO derived from the Trust's consolidated financial statements prepared in accordance with IFRS. 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	12 Months
FFO Opening – Dec 31, 2012	$ 2.87
NOI from Stabilized Properties	$ 0.27
Financing Costs [(1)]	$ 0.15
Administration and other	$ (0.08)
FFO Closing – Dec 31, 2013	**$ 3.21**

(1) 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.

Liquidity

The access to liquidity is an important element of the Trust as it allows the Trust to implement its overall strategy. The current low interest rate environment has allowed Boardwalk to renew its existing maturing mortgages at more favorable interest rates than the maturing interest rates. In addition, Boardwalk has been able to access additional capital from its properties through the continued use of the current NHA insurance program, which is being offered at attractive rates. Further interest savings, however, will become more limited as Interest rates start to reverse their declining trends seen over the past several years.

The Trust's cash position was $131.1 million at December 31, 2013, compared to $138.7 million reported on December 31, 2012.

FFO Reconciliations

In the following table, Boardwalk REIT provides a reconciliation of FFO (a non-IFRS measure) to profit for the period, its closely related financial statement measurement for the years ended December 31, 2013 and December 31, 2012. Adjustments are explained in the notes below, as appropriate.

FFO Reconciliation *In $000's, except per unit amounts*	**12 months 2013**	12 months 2012	% Change
Profit for the period	**$ 337,730**	$ 688,514	
Adjustments			
Fair value gains [1]	**(183,118)**	(549,986)	
Add back distributions to LP Class B Units recorded as financing charges [2]	**8,838**	8,413	
Deferred income tax expense (recovery)	**533**	(223)	
Other income	**–**	(135)	
Depreciation expense on PP&E	**4,201**	3,760	
Funds from operations	**$ 168,184**	$ 150,343	11.9%
Funds from operations – per unit	**$ 3.21**	$ 2.87	11.8%

(1) Under IFRS, the Trust has a number of Statement of Financial Position items, which are measured using a fair value model with fluctuations related to these fair value amounts from period to period flowing through the Statement of Comprehensive Income. These fair value adjustments are considered "non-cash items" and are added back in the calculation of FFO.

(2) Under IFRS, the LP Class B Units are considered financial instruments in accordance with IAS 32 – Financial Instruments: Presentation ("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 Trustees 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.

Overall, Boardwalk REIT earned FFO of $168.2 million for fiscal 2013 compared to $150.3 million for the same period in 2012. FFO on a per unit fully diluted basis for the current year ended December 31, 2013, increased approximately 11.8%, compared to the prior year, from $2.87 to $3.21. The increase was primarily driven by higher rental revenue, high occupancy levels and lower financing costs.

New Property Acquisitions

For the 2012 and 2013 years, there were no new property acquisitions.

Development

On November 7, 2013, Boardwalk received the Occupancy Permit from the City of Calgary for the 109-unit development (Spruce Ridge Gardens) it started in July of 2012. Boardwalk is currently in the "Lease-Up Phase" of this project, which began in December of 2013. The Trust defines "Stabilized Properties" as properties that have been owned by Boardwalk for a 24-month period or greater. As such, Spruce Ridge Gardens is not a stabilized property, and any reference to stabilized properties or same store properties does not include Spruce Ridge Gardens.

Dispositions

For the 2012 and 2013 years, there were no dispositions of the Trust's investment properties.

Financial Performance Summary

At a Glance *In $000's, except per unit amounts*	**2013**	2012	% Change
Total Assets	**$ 5,925,683**	$ 5,675,302	4.4%
Total Rental Revenue	**$ 462,022**	$ 439,901	5.0%
Profit	**$ 337,730**	$ 688,514	(50.9) %
Total Funds From Operations	**$ 168,184**	$ 150,343	11.9%
Profit Per Unit	**$ 7.05**	$ 14.40	(51.0)%
Funds From Operations Per Unit	**$ 3.21**	$ 2.87	11.8%

Total Assets increased from the amounts reported in the prior year, mainly due to an increase in the reported amount for investment properties, which are now carried at fair value. Total Rental Revenue increased by 5.0%, the result of the improving occupancy and rental rates. Profit decreased by 50.9% compared to the prior year, due primarily to a decrease in the fair value gain recognized on its investment properties in 2013 compared to 2012.

CONSOLIDATED OPERATIONS AND EARNINGS REVIEW

OVERALL REVIEW

Consolidated Statements of Comprehensive Income

Rental Operations

Boardwalk REIT's Net Operating Income Strategy includes a rental revenue strategy that focuses on enhancing overall rental revenues through the balance between market rents, rental incentives, turnovers, and occupancy losses. The application of this rental revenue strategy is ongoing, on a market-by-market analysis, again with the focus on obtaining the optimal balance of these variables given existing market conditions.

In $000's, except number of suites	**12 Months 2013**	12 Months 2012	% Change
Total rental revenue	**$ 462,022**	$ 439,901	5.0%
Expenses			
Operating expenses	**$ 90,290**	$ 87,143	3.6%
Utilities	**$ 42,928**	$ 39,921	7.5%
Property taxes	**$ 38,768**	$ 36,773	5.4%
	$ 171,986	$ 163,837	5.0%
Net operating income	**$ 290,036**	$ 276,064	5.1%
Operating margins	**62.8%**	62.8%	
Number of suites at December 31	**35,386**	35,277	

Overall, Boardwalk REIT's rental operations for the year ended December 31, 2013 reported higher results compared to the same period in the prior year, with total rental revenue increasing 5.0% for the year ended December 31, 2013 compared to the prior year. The increase in rental revenue is the combined effect of increases to market rents combined with decreases in both suite-specific rental incentives and occupancy losses, as compared to the same period in 2012. Total rental expenses increased 5.0% for the year ended December 31, 2013, compared to 2012, mainly due to higher onsite salary and wage expense, utilities and property taxes.

The Trust also continues to track in detail the actual work performed by our onsite Associates to assist in the operating effectiveness of its overall operations. This additional detail increased the accuracy of the amount allocated to its internal capital improvement program. Boardwalk continues to be committed to its internal capital program. This program results in overall lower costs while allowing the Trust greater control over the timing of its capital improvement projects, compared to contracting these same projects out to third parties. As with other estimates used by the Trust, key assumptions used in estimating the amount of salaries and wages to be capitalized are reviewed on a regular basis and, based on this review, Management will adjust the amount allocated to more accurately reflect how much internal resources were directed towards specific capital improvements. The Trust continues to work on improving the gathering of data in this area to further improve its operating efficiency and make the reported estimate even more accurate.

Utility costs increased by 7.5% for the year ended December 31, 2013 due primarily to an increase in natural gas expense and higher water and sewer costs. The reported increase in property taxes is mainly attributed to higher overall property tax assessments. 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 and adjustments; however, due to the uncertainty of the amount and timing of the refunds and adjustments, these amounts are only reported when they are received.

Overall, the operating margin for the year remain unchanged from the same period in 2012 at 62.8%.

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

SEGMENTED OPERATIONAL REVIEW

British Columbia Rental Operations

In $000's, except number of suites	**12 Months 2013**	12 Months 2012	% Change
Total rental revenue	**$ 8,438**	$ 8,272	2.0%
Expenses			
Operating expenses	**$ 1,307**	$ 1,491	(12.3)%
Utilities	**$ 807**	$ 778	3.7%
Property taxes	**$ 496**	$ 476	4.2%
	$ 2,610	$ 2,745	(4.9)%
Net operating income	**$ 5,828**	$ 5,527	5.4%
Operating margins	**69.1%**	66.8%	
Number of suites at December 31	**633**	633	

Boardwalk REIT's British Columbia portfolio continued to report good, stable results. Total rental revenue increased by 2.0% and expenses decreased by 4.9% for the year ended December 31, 2013, compared to the prior year. The decrease in operating expenses is largely due to lower repairs and maintenance expenses incurred. Property taxes for the current year were higher due higher assessment amounts for 2013 compared to 2012. Utilities increased due to increased electricity costs and higher water and sewer expense. Operating margins for the year ended December 31, 2013 increased to 69.1%, compared to the 66.8% in 2012.

Alberta Rental Operations

In $000's, except number of suites	**12 Months 2013**	12 Months 2012	% Change
Total rental revenue	**$ 280,489**	$ 263,138	6.6%
Expenses			
Operating expenses	**$ 51,072**	$ 50,018	2.1%
Utilities	**$ 23,303**	$ 21,086	10.5%
Property taxes	**$ 21,659**	$ 19,735	9.7%
	$ 96,034	$ 90,839	5.7%
Net operating income	**$ 184,455**	$ 172,299	7.1%
Operating margins	**65.8%**	65.5%	
Number of suites at December 31	**19,852**	19,743	

Alberta is Boardwalk's largest operating segment, representing approximately 63.6% of total reported net operating income and 56.1% of total apartment units. Boardwalk REIT's Alberta operations for the year ended December 31, 2013, reported a 6.6% increase in total rental revenue, when compared to the same period reported in 2012. The reported rental revenue change is the combined effect of changes to in-place occupied rents and a slight increase in overall occupancy levels, compared to the prior year. Total rental expenses have increased 5.7% for the year ended December 31, 2013, compared to the prior year due primarily to increases in utilities and property taxes.

Operating expenses increased 2.1% from the prior year due to an increase in wages and salaries, which were partially offset by a decrease in repairs and maintenance and bad debt expenses. Property taxes increased 9.7% for the year ended December 31, 2013, compared to the prior year mainly as a result of higher property tax assessments as many municipalities look to increase their property tax revenue base.

Reported utilities for the year ended December 31, 2013 were up 10.5%. The reported increase is mainly the result of higher reported natural gas expense as well as increases in water and sewer costs.

In 2010, the Trust entered into two contracts, one for Southern Alberta for 3 years and the other for Northern Alberta for 5 years, with two utility companies to supply the Trust with its electrical power needs commencing October 1, 2010 and ending September 30, 2013 for the former and September 30, 2015 for the latter. The blended rate of these electricity contracts is $0.06/kWh. On March 13, 2013, the contract for Southern Alberta that ended September 30, 2013 was extended for another 4 years to September 30, 2017 at a blended rate of approximately $0.06/kWh (see NOTE 26).

Alberta's operating margins for the year ended December 31, 2013 increased to 65.8%, compared to the 65.5% for the same period in 2012.

Flood Disaster and Recovery

In June 2013, Boardwalk was impacted by the unprecedented flooding disaster that occurred in Southern Alberta, including the City of Calgary. Calgary experienced extensive flooding along riverbanks and low-lying areas. Throughout this event, the City of Calgary issued mandatory and voluntary evacuation notices for selective communities. Two properties, totaling 271 units, were affected by the mandatory evacuation order and four properties, totaling 539 units, plus Boardwalk's head office building and data centre, were affected by the voluntary evacuation notice. During this time, Boardwalk's disaster and contingency plan was deployed to ensure continuous and uninterrupted operations.

As a result of the evacuation and the loss of power, fridges were required to be emptied in the two buildings under mandatory evacuation. Boardwalk provided its Resident Members in these buildings with grocery gift cards to ensure they had some financial resources to meet day-to-day living needs. Resident Members displaced by the flood in these buildings were also given rent abatements for the number of days their apartment suites were evacuated.

No tenants or employees were injured during this flooding event. At the end of June, all of Boardwalk's Resident Members had returned safely home to their buildings, with the exception of one building, a 158-unit situated along the Elbow River. The building, Elbow Tower, sustained water damage on its ground and parkade levels during the flood. At the beginning of August, all of the Resident Members of Elbow Tower were able to return to their units. The restoration and rebuild of the parkade was completed by the end of October however we continue to work on restoring the five first floor units that were damaged during the flood.

Based on discussions with the Trust's insurers and insurance broker, the damage caused to its buildings and equipment and any resulting rental income loss as a result of the flood event will be covered by its existing insurance policy, less a $100 thousand deductible. This includes clean up, assessment, restoration, replacement and any business interruption rental loss for a 24-month period, and any costs to mitigate these losses. Boardwalk does not anticipate any material impact on its business arising from this flood event.

Saskatchewan Rental Operations

In $000's, except number of suites	**12 Months 2013**	12 Months 2012	% Change
Total rental revenue	**$ 60,837**	$ 58,679	3.7%
Expenses			
Operating expenses	**$ 9,839**	$ 9,571	2.8%
Utilities	**$ 5,292**	$ 4,914	7.7%
Property taxes	**$ 4,204**	$ 3,978	5.7%
	$ 19,335	$ 18,463	4.7%
Net operating income	**$ 41,502**	$ 40,216	3.2%
Operating margins	**68.2%**	68.5%	
Number of suites at December 31	**4,636**	4,636	

For year ended December 31, 2013, Boardwalk's Saskatchewan total rental revenue increased by 3.7%. The revenue increase is mainly the result of continuing strong rental market fundamentals in both Regina and Saskatoon. Rental expenses increased by 4.7% for the year ended December 31, 2013, compared to the prior year, primarily due to higher utilities and property taxes.

Utility costs for the current year increased from the previous year due to higher electricity and gas expense as well as higher water and sewer charges during the current period. The Trust had a fixed price natural gas supply contract for its Saskatchewan natural gas consumption, which covered the period from November 1, 2011 to October 31, 2012, at a price of $4.17/GJ. This physical supply contract was renewed for a further two-year term, commencing November 1, 2012 and fixing the commodity at a price of $3.74/GJ. More details of this commitment are reported in Note 26 of the Trust's consolidated financial statements for the year ended December 31, 2013. Although natural gas prices were lower in the province as a result of the fixed price contract, consumption was higher due to the colder weather in December for the current year.

Property taxes increased by 5.7% for the year ended December 31, 2013, due to higher property tax assessments in both Saskatoon and Regina.

Reported operating margins for the year ended December 31, 2013 decreased slightly to 68.2%, compared to 68.5% reported for the prior year.

Ontario Rental Operations

In $000's, except number of suites	**12 Months 2013**	12 Months 2012	% Change
Total rental revenue	**$ 41,402**	$ 40,090	3.3%
Expenses			
Operating expenses	**$ 7,340**	$ 6,926	6.0%
Utilities	**$ 6,978**	$ 6,849	1.9%
Property taxes	**$ 5,250**	$ 5,383	(2.5)%
	$ 19,568	$ 19,158	2.1%
Net operating income	**$ 21,834**	$ 20,932	4.3%
Operating margins	**52.7%**	52.2%	
Number of suites at December 31	**4,265**	4,265	

Boardwalk REIT's Ontario operations reported an increase in total rental revenue of 3.3% for the year ended December 31, 2013, compared to the previous year, due to an increase in occupied rents and increased occupancy levels. Total rental expenses increased by 2.1%, primarily as a result of increases in repairs and maintenance and wages and salaries.

The reported increase in utilities was the result of higher electricity costs and higher water and sewer charges, offset by a slight decrease in natural gas expense. In 2012, the Trust had one physical supply contract covering 50% of Ontario's natural gas usage at a fixed price of $4.11/GJ that ended on October 31, 2012. The balance of Ontario's natural gas usage was on floating prices, which on average was lower than the Trust's fixed price for the commodity. In 2013, all of Ontario's natural gas usage was on floating prices. The details of the natural gas contracts are reported in Note 26 of the Trust's consolidated financial statements for the year ended December 31, 2013.

Property taxes decreased due to lower assessments overall in Ontario for 2013 as compared to 2012. Also, reassessments were performed for many of the properties in London related to 2013 property taxes for which refunds were received.

Reported operating margins for the year ended December 31, 2013 increased slightly to 52.7%, compared to 52.2% reported for the prior year.

Quebec Rental Operations

In $000's, except number of suites	**12 Months 2013**	12 Months 2012	% Change
Total rental revenue	**$ 70,644**	$ 69,567	1.5%
Expenses			
Operating expenses	**$ 15,950**	$ 14,744	8.2%
Utilities	**$ 6,126**	$ 5,906	3.7%
Property taxes	**$ 7,034**	$ 7,104	(1.0)%
	$ 29,110	$ 27,754	4.9%
Net operating income	**$ 41,534**	$ 41,813	(0.7)%
Operating margins	**58.8%**	60.1%	
Number of suites at December 31	**6,000**	6,000	

Boardwalk REIT's Quebec operations reported a marginal total rental revenue increase of 1.5% for the year ended December 31, 2013, compared to the previous year.

Total rental expenses for the year increased slightly by 4.9% compared to the prior year, mainly due to higher wages and salaries.

The reported 3.7% increase in utilities was the result of a gas refund received in 2012 that was not received in 2013 and slight increases in electricity and water costs. These were offset by decreases in gas costs as compared to 2012. In 2012, the Trust had one contract covering 50% of Quebec's natural gas usage at a fixed price of $4.11/GJ that ended on October 31, 2012. The balance of Quebec's natural gas usage was on floating prices, which on average was lower than the Trust's fixed price for the commodity. In 2013, all of Quebec's natural gas usage was on floating prices. The details of the natural gas contracts are reported in Note 26 of the Trust's consolidated financial statements for the year ended December 31, 2013.

Property taxes for the year decreased 1.0% compared to the prior year due to slightly lower property tax assessments received in 2013.

Reported operating margins for the year ended December 31, 2013 decreased slightly to 58.8%, compared to 60.1% reported for the prior year.

OPERATIONAL SENSITIVITIES

Boardwalk's Net Operating Income Optimization Strategy

Boardwalk's current strategy is to focus on optimizing net operating income. This focus requires us to manage not only revenues but also related operating costs and take these both into consideration when determining a service and pricing model. Lowering overall turnover while maintaining reasonable increase in lease rates while continuing to focus on a high quality level of service continues to be the model that to date has delivered the most stable and growing income source. This strategy is very much regional specific and these variables are in constant flux. In a more competitive market, the Trust locks in rentals on selective suites for future months, but does not collect revenues for certain months in the immediate future. This means the Trust may decide to rent a suite in December with the Customer not moving in until the following year. Although the suite is rented, it will not generate revenue until the Customer actually moves in, for example, in January, which corresponds to the next fiscal period. The percentages reported as occupancy levels (see table below) represent those occupied units 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 relevant indication of future potential revenue.

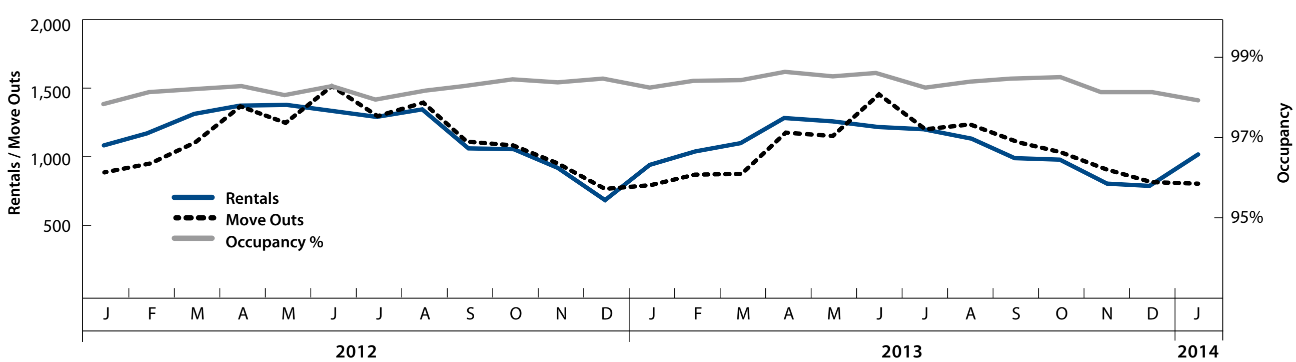
Boardwalk REIT's Portfolio Occupancy

City	2013	2012
Calgary [(1)]	**99.44%**	99.26%
Edmonton	**98.51%**	98.06%
Fort McMurray	**97.38%**	95.64%
Grande Prairie	**97.84%**	98.00%
Kitchener	**98.51%**	98.28%
London	**97.83%**	97.69%
Montreal	**97.08%**	95.67%
Quebec City	**97.65%**	97.69%
Red Deer	**99.18%**	99.20%
Regina	**97.93%**	98.32%
Saskatoon	**98.09%**	97.97%
Vancouver	**98.89%**	98.23%
Victoria	**98.24%**	97.36%
Verdun	**98.74%**	99.17%
Windsor	**98.01%**	97.58%
Total	**98.44%**	98.19%

(1) Excludes Spruce Ridge Gardens, Boardwalk's development project which began rental lease-up in December 2013.

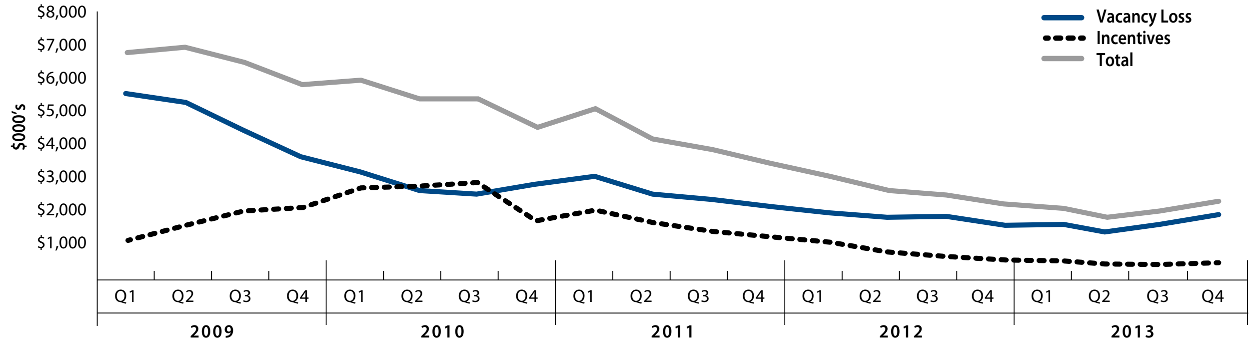
In fiscal 2013, the Trust reported an increase in overall occupancy rate to 98.44% from 98.19% for the prior year on its same store properties. Boardwalk's overall rental revenue strategy focuses on the Trust balancing the key inputs, including occupancy levels and existing rental market rates. As a 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 recent years, Boardwalk focused on maintaining high occupancy levels by cautiously adjusting market rents upward only when warranted. As the chart shows, Boardwalk was successful with this strategy as overall occupancy rate was 98.44% for the year ended 2013, compared to the year ended 2012 when the occupancy rate was 98.19%. Boardwalk REIT will continue with this strategy; however, the Trust is now in the position where we may see some further upward rental adjustments in certain selective markets. The reader is cautioned that adjusting market rental rates is an ongoing process for the Trust and is consistent with its overall strategy of optimizing 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. On a quarterly basis, the chart details rental incentives versus vacancy loss. The reported overall decrease in vacancy loss for the 2013 year as compared to the same period in prior years (and corresponding increase in occupancy levels), coupled with a continuing decline in incentives, was mainly the result of Boardwalk REIT's continued strategy of managing overall revenues through three key revenue variables, notably, market rents, occupancy levels, and suite-selective incentives. All three key variables show continued strength in the rental market. We continue to focus on maximizing overall revenues through the management of these key revenue variables.

Occupancy Sensitivity

As with all real estate rental operators, Boardwalk REIT's financial performance is sensitive to occupancy rates. Based on the current reported market rents, a 1% annualized change in reported occupancy is estimated to impact overall rental revenue by approximately $4.7 million, or $0.09 per Trust Unit on a diluted basis.

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 99.7% of its total rental unit portfolio as at December 31, 2013, or a total of 35,277 units. The table below provides a regional breakdown on these properties for fiscal 2013, as compared to fiscal 2012.

Dec 31 2013 - 12 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,310	6.6%	7.6%	6.2%	18.8%
Edmonton	12,497	6.5%	5.3%	7.2%	37.9%
Fort McMurray	352	3.7%	9.0%	1.7%	1.9%
Grande Prairie	645	8.7%	(0.5)%	14.9%	1.6%
Red Deer	939	8.0%	2.3%	12.1%	2.2%
British Columbia	633	2.0%	(4.9)%	5.4%	2.0%
Ontario	4,265	3.3%	2.1%	4.3%	7.4%
Quebec	6,000	1.5%	4.9%	(0.7)%	14.1%
Saskatchewan	4,636	3.7%	4.7%	3.2%	14.1%
	35,277	5.0%	4.8%	5.1%	100.0%

Stabilized revenue increased by 5.0% for the year ended December 31, 2013, compared to the prior year. Operating expenses reported for the year increased by 4.8% from 2012, resulting in a NOI increase of 5.1% compared to the prior year. The increase in reported stabilized revenue was driven by an increase in occupancy levels and higher in-place occupied rents, particularly in Alberta, which accounts for approximately 63% of the Trust's reported stabilized Net Operating Income. Operating expenses increased primarily as a result of increases in utilities and property taxes. 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 rather than quarterly or monthly basis.

Stabilized Revenue Growth	# of Units	Q4 2013 vs. Q3 2013	Q4 2013 vs. Q2 2013	Q4 2013 vs. Q1 2013	Q4 2013 vs. Q4 2012
Calgary	5,310	0.9%	2.2%	4.3%	6.1%
Edmonton	12,497	1.8%	3.3%	5.2%	6.5%
Fort McMurray	352	1.8%	1.7%	4.7%	6.1%
Grande Prairie	645	2.3%	3.3%	4.6%	6.4%
Red Deer	939	2.1%	4.5%	5.9%	8.5%
British Columbia	633	0.7%	1.1%	1.1%	2.1%
Ontario	4,265	1.1%	(1.6)%	2.3%	2.2%
Quebec	6,000	0.8%	1.2%	2.2%	2.6%
Saskatchewan	4,636	0.9%	1.9%	3.0%	3.1%
	35,277	1.3%	2.1%	3.9%	5.0%

On a sequential basis, stabilized revenues reported in the fourth quarter of 2013 increased slightly by 1.3% over Q3 2013, increased by 2.1% compared to Q2 2013, increased 3.9% compared to Q1 2013 and increased by 5.0% compared to Q4 2012. The Trust strives toward balancing the optimum level of rental incentives and occupancy rates in order to achieve its revenue strategy while controlling operating expenses at the same time.

Estimated Loss-to-Lease Calculation

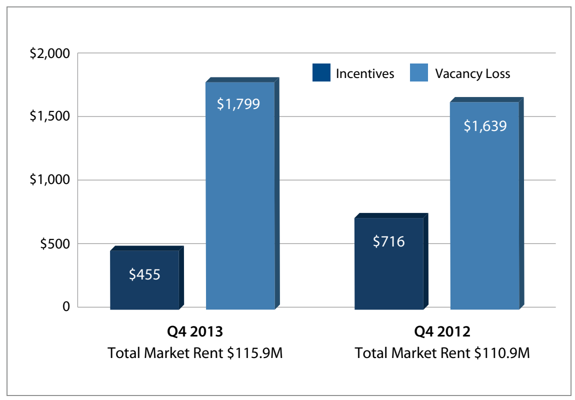
Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents in December 2013 (excluding Spruce Ridge Gardens, the Trust's unstabilized project completed in November 2013), adjusted for current occupancy levels, totaled approximately $14.8 million on an annualized basis, representing $0.28 per Unit (Trust & LP B Units). For the most part, Boardwalk REIT's rental lease agreements last no longer than twelve months. On physical turnover, the rental units are then re-leased directly at current market rent. If market rents are increasing and a Boardwalk Resident Member wishes to renew and is able to demonstrate real financial hardship at the end of the lease agreement, the Trust's self-imposed rent control and Rental Increase Forgiveness program will reduce rental increases as appropriate, recognizing the long term benefits of such goodwill. By providing sustainable rental increases to our Resident Members, the Trust and all its Stakeholders have historically benefited from lower turnover, reduced expenses, and higher occupancy. The reader should note 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 continuing economic conditions and trends. The reader should also note that it would take significant 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.

Same Store	December 2013 Occupied Rent [1]	December 2013 Market Rent [1]	Mark to Market Per Month	Annualized Mark to Market Adjusted for Current Occupancy levels ($000's)	Weighted Average Apartment Units	% of Portfolio
Calgary [2]	$ 1,243	$ 1,371	$ 128	$ 8,094	5,310	15%
Edmonton	$ 1,209	$ 1,242	$ 33	$ 4,870	12,497	35%
Fort McMurray	$ 1,966	$ 2,050	$ 84	$ 353	352	1%
Grande Prairie	$ 1,002	$ 1,041	$ 39	$ 298	645	2%
Red Deer	$ 1,003	$ 1,038	$ 35	$ 399	939	3%
Alberta Portfolio	$ 1,215	$ 1,275	$ 60	$ 14,014	19,743	56%
Saskatchewan	$ 1,136	$ 1,145	$ 9	$ 409	4,636	13%
Ontario	$ 834	$ 838	$ 4	$ 177	4,265	12%
Quebec	$ 1,013	$ 1,014	$ 1	$ 12	6,000	17%
British Columbia	$ 1,071	$ 1,097	$ 26	$ 186	633	2%
Total Portfolio	$ 1,122	$ 1,157	$ 35	$ 14,798	35,277	100%

(1) Ancillary rental revenue is included in the calculation of market and occupied rent

(2) Spruce Ridge Gardens is excluded.

The amount reports as mark to market of $35 represents 3.1% of December 2013 occupied rent, an amount which is reasonably attainable at lease maturity. The increase in the loss-to-lease for our portfolio, from $10.0 million at December 2012 to $14.8 million at December 2013, was due primarily to increases in market rents, particularly in Calgary and Edmonton, thus increasing the spread between occupied and market rents.



In fiscal 2013, the Trust was able to increase market rents on specific properties by reducing incentives while maintaining, and in some cases increasing, occupancy levels. As with prior periods, Boardwalk REIT continues to focus on the optimization of all rental revenue, with attention to appropriate levels of market rents and certain occupancy level targets, as well as suite-selective incentives, when warranted.

As was previously mentioned, the opportunity still exists to focus on reducing vacancy loss in the short term while minimizing the amount of suite-specific incentives. However, in recent periods, Boardwalk has also been able to increase market rents in certain selective markets and on certain specific properties while maintaining occupancy levels.

Investing In Our Properties

Boardwalk is continually re-investing in its properties. A detailed analysis of this investment can be found later in the MD&A under the section titled, "Capital Improvements". The purpose of the "Capital Improvements" section is to provide the reader with a consolidated view of what the Trust spent on its real estate asset base.

FINANCING COSTS

Financing costs for the year ended December 31, 2013 decreased from the same period in the prior year, from $98.1 million to $90.7 million, the combined effect of the Trust being able to renew maturing mortgages at interest rates substantially below the noted maturing rates and the retirement of its unsecured debenture. In January of 2012, the Trust retired its publicly traded unsecured debenture, which carried an in-place interest rate of 5.61%. At December 31, 2013, the reported weighted average interest rate of 3.46% was down from the weighted average interest rate of 3.69% at December 31, 2012. Boardwalk REIT has continued to take advantage of historically low interest rates to refinance and renew certain mortgages, resulting in a lower overall weighted average interest rate. The average term to maturity of the Trust's mortgage portfolio is approximately 3.9 years. This average term is expected to increase in subsequent periods as the Trust continues to renew maturing mortgages for significantly longer terms, ranging from 5 to 10 years with an emphasis in the longer end of this range.

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

The first benefit of using CMHC insurance is 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 lowering 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 past 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 December 31, 2013, approximately 99% of Boardwalk REIT's mortgages were backed by this NHA insurance, with a weighted average amortization period of approximately 31 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 Consolidated 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 Trustees as outlined in the DOT. The total amount of distributions paid to the LP Class B Unitholders for the year ended December 31, 2013, which have been recorded as financing charges, was $8.8 million ($8.4 million – December 31, 2012). Based on this rational, 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 for the year. The total amount of interest income earned for the current year was $2.0 million, compared to $2.1 million in the prior year.

Interest Rate Sensitivity

Although Boardwalk REIT manages its financing risk in a variety of ways, as discussed later in the MD&A, it is important the reader understands how significant interest rate changes could impact the Trust as a whole. Due to the size of Boardwalk's overall mortgage portfolio, it has been prudent to spread out the maturity of these mortgages over a number of years. In fiscal 2014, the Trust anticipates having approximately $432 million of secured mortgages maturing with a weighted average rate of 3.4%. If we were to renew these mortgages today with a new 5-year term, we estimate, based upon interactions with possible lenders, the new rate would be approximately 2.30% (as of February 13, 2014), resulting in an estimated $4.75 million potential annualized reduction in interest expense in our soon-to-mature mortgages.

ADMINISTRATION

Included in administration expenses are costs associated with Boardwalk REIT's centralized administrative functions. The amount reported for the year ended December 31, 2013, which relates to corporate administration, was $32.2 million, compared to $28.9 million for the same period in the prior year, an increase of approximately 11.4%.

For the year ended December 31, 2013 and prior comparative periods, Boardwalk REIT allocated certain administration costs between corporate and rental operating expenses. The administration costs allocated to rental operating expenses consist primarily of specific amounts associated with operation-specific staff and related support initiatives. Total administration costs, combining rental operating and corporate, were $55.4 million for the year ended December 31, 2013, compared to $52.3 million for the same period in the prior year. The increase in total administration costs of approximately $3.1 million was primarily the result of higher wages and salaries, retirement benefits accruing to an executive, the Vice President of Quebec Acquisitions, soon to be retiring in early 2014, as well as an increase in profit sharing and bonus accruals recorded. The higher amount of profit sharing and bonus accruals recorded in the current year is consistent with Boardwalk's better-than-expected operating results. 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

Depreciation and amortization recorded on the Consolidated Statements 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 – Property, Plant and Equipment ("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 costs relates primarily to 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 supplementing, rather than extinguishing, the original mortgage to increase its leverage.

For the year ended December 31, 2013, approximately $0.2 million of deferred financing costs were written off due to the term maturity and payout of mortgages in Boardwalk's secured debt 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 total amount reported as depreciation and amortization for the year ended December 31, 2013, was $12.0 million, which was consistent with the $10.9 million recorded for the same period in the prior year.

OTHER INCOME AND EXPENSES

Income Tax Expense

Boardwalk REIT qualifies as a 'mutual fund trust' as defined in the Income Tax Act (Canada) (the "Tax Act"). The Tax Act also contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation") and the criteria for qualifying for the real estate investment trust exemption (the "REIT Exemption"), which would exempt Boardwalk REIT from income tax under the SIFT Legislation. For 2012 and 2013, the Trust qualified for the REIT Exemption.

On December 16, 2010, the Department of Finance announced technical amendments to the REIT Exemption criteria and, on October 24, 2012, released legislation to implement such amendments. One such amendment clarifies that the gains on disposition of real property will retain their characteristics when it is distributed from a subsidiary to a parent entity. On June 26, 2013, this legislation received Royal Assent and is now law.

Although Boardwalk REIT is exempted from income taxes, provided it distributes all of its taxable income to its Unitholders, this exemption does not apply to its corporate subsidiaries, which are subject to income taxes.

LP Class B Units and the Deferred Unit Compensation Plan

The LP Class B 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. The LP Class B Units and the deferred unit-based 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 December 31, 2013, the Trust used a closing price of $59.85 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 Consolidated Statements of Financial Position at December 31, 2013, was $267.8 million, and a corresponding fair value gain of $20.9 million (year ended December 31, 2012 – fair value loss of $63.1 million) was recorded on the Consolidated Statements of Comprehensive Income for the year ended December 31, 2013.

The deferred unit-based compensation plan had a fair value of $8.3 million, and a corresponding fair value loss of $0.3 million (year ended December 31, 2012 – fair value loss of $3.4 million) was recorded on the Consolidated Statements of Comprehensive Income for the year ended December 31, 2013.

FINANCIAL CONDITION

REVIEW OF CONSOLIDATED STATEMENTS OF CASH FLOWS

Operating Activities

Cash Flow from Operations

Boardwalk REIT prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") and with the recommendations of the Real Property Association of Canada ("REALpac"). REALpac has adopted a measurement called Funds From Operations ("FFO") to supplement profits or earnings as a measure of operating performance. This is considered to be a meaningful and useful measure of real estate operating performance. Boardwalk REIT's presentation of FFO is materially consistent with the definition provided by REALpac. This measurement is not necessarily indicative of cash that is available to fund cash needs and should not be considered an alternative to cash flow as a measure of liquidity. FFO does not represent cash flow from operations as defined by IFRS. Boardwalk REIT considers FFO to be an appropriate measure of the performance of a publicly listed multi-family residential entity. In order to facilitate a clear understanding of the combined historical operating results of Boardwalk REIT, management feels FFO should be considered in conjunction with profit as presented in the audited consolidated financial statements. Boardwalk REIT's computation of FFO is highlighted above in the section titled, "FFO Reconciliations".

The reader is cautioned that Boardwalk REIT's calculation of FFO may be different from other real estate corporations or REITs and, as such, a straight comparison may not be warranted. For the fiscal year ended December 31, 2013, Boardwalk REIT reported total FFO of $168.2 million, or $3.21 per fully diluted Trust Unit. This represented an increase of approximately 11.9% and 11.8%, respectively, compared to the $150.3 million, or $2.87 per fully diluted Trust Unit, reported for fiscal 2012. The increase is primarily due to rental revenue growth and interest expense savings.

Financing Activities

Distributions

Boardwalk distributes payments on a monthly basis to its Unitholders. These payments are referred to as distributions. The distinct nature and classification of these payments are unique to each trust and the components of these distributions may have differing tax treatments. For fiscal 2013, the Trust declared regular distributions of $103.4 million to its Unitholders compared to $98.3 million for fiscal 2012.

Financing of Revenue Producing Properties

During the year ended December 31, 2013, the refinancing of existing properties totaled approximately $68.4 million versus $73.9 million for the year ended December 31, 2012. During the financing and refinancing process, Boardwalk REIT was able to decrease the weighted average interest rate on its mortgage and debt portfolio from 3.69% at December 31, 2012 to 3.46% at December 31, 2013.

Acquisitions

There were no new property acquisitions in 2013 and 2012.

Due to the nature of multi-family residential real estate, the amount paid for apartment units may vary dramatically based on a number of parameters, including location, type of ownership (that is, free hold versus land lease) and type of construction. As required under IFRS, on acquisition, an analysis is performed on the mortgage debt assumed. The analysis focuses on the interest rates of the debt assumed. If it is determined that the in-place rates are materially below or above market rates, an adjustment is made to the book cost of the recorded asset. No mortgages were assumed in 2013 and 2012. Therefore, the adjustment for fiscal 2013 and 2012 was nil.

Capital Improvements

Boardwalk has a continuous internal capital program with respect to its investment properties. The program is designed to extend their useful lives, improve operating efficiency, enhance appeal, maintain their earnings capacity and meet Resident Members' expectations, as well as meet health and safety regulations.

In 2013, Boardwalk REIT invested approximately $96.5 million (comprised of $73.8 million on its stabilized investment properties, $15.5 million on development properties and $7.2 million on property, plant and equipment) back into its properties in the form of equipment and project enhancements to upgrade existing suites, common areas, building exteriors, and systems, compared to the $89.3 million ($79.7 million on its stabilized investment properties, $3.4 million on development properties and $6.2 million property, plant and equipment) invested in 2012. The amount of this investment will vary from year-to-year.

A significant part of Boardwalk's capital improvement program relates to projects that are carried out by Boardwalk's Associates. This internal capital program was initiated in 1996 as a way to create more value for the Trust. The Trust recognizes that there are certain efficiencies and economies of scale available from having Boardwalk Associates performing certain capital projects ourselves, or "in-house". This results in the faster execution and greater control of these projects while at the same time eliminating the profit charged by third-party contractors. The Trust focuses on specific projects where there is the largest opportunity for value creation, like flooring and painting. Over the last few years, the Trust has intensified this focus of performing capital projects "in-house" rather than contracting such services. Included in capital improvements is approximately $17.8 million of on-site wages and salaries that have been incurred towards these projects for 2013, compared to $19.4 million for 2012.

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 betterments, 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 designed to maintain the operating capacity of our assets.

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

in $000's, except for per suite amounts	**12 Months Dec 31, 2013**	**Per Suite**	12 Months Dec 31, 2012	Per Suite
Maintenance Capital Expenditures	**$ 16,757**	**$ 475**	$ 15,875	$ 450
Stabilizing & Value Enhancing Capital (excluding Property, Plant & Equipment)	**$ 57,068**	**$ 1,618**	$ 63,858	$ 1,810
	$ 73,825	**$ 2,093**	$ 79,733	$ 2,260

Items reported as capital are determined as investments in assets that have a useful life longer than the current reporting period. Management has estimated that for fiscals 2013 and 2012, the amount allocated to maintenance capital was approximately $16.8 million, or $475 per apartment unit, and $15.9 million, or $450 per apartment unit, respectively, with investment in value-enhancing expenditures to its stabilized investment properties totaling $57.1 million and $63.9 million, respectively, or $1,618 and $1,810 per apartment unit.

The amount allocated to maintenance capital in 2013 was approximately $16.8 million, or $475 per apartment unit. The increase from $450 per apartment unit in 2012 to $475 per apartment unit in 2013 was primarily driven by price inflation.

If we compare the funds generated by the Trust after adjusting for the required maintenance capital expenditures, we note the Trust is currently paying out an estimated 61.5% of reported FFO and 68.3% of AFFO for the year ended December 31, 2013, compared to 65.4% and 73.1%, respectively, for the previous year.

(000's)	**12 months Dec 31, 2013**	12 months Dec 31, 2012
Funds From Operations (FFO)	**$ 168,184**	$ 150,343
Maintenance Capital Expenditures	**$ 16,757**	$ 15,875
Adjusted Funds From Operations (AFFO)	**$ 151,427**	$ 134,468
AFFO per unit (Trust and LP B Units)	**$ 2.89**	$ 2.57
Unitholder Distributions – Regular (Trust Units and LP B Units)	**$ 103,409**	$ 98,312
Distribution as a % of FFO	**61.5%**	65.4%
Distribution as a % of AFFO	**68.3%**	73.1%

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, resulting in safe and desirable apartments for its Resident Members and Associates.

REVIEW OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Investment Properties

The Trust has elected to use the fair value model in accordance with IAS 40, Investment Properties to report the value of its investment properties at each reporting date.

External valuations were obtained from third-party appraisers (the "Appraisers") based on a cross section of properties from different geographical locations and markets across the Trust's rental portfolio, as determined by management, to corroborate the Trust's internal fair value calculation for its entire investment property portfolio. External appraisals were obtained as follow:

Date	Number of properties	Aggregate fair value	Percentage of portfolio as of that date
December 31, 2013	7	$ 779,487	13.6%
September 30, 2013	7	$ 217,022	3.8%
June 30, 2013	6	$ 211,895	3.8%
March 31, 2013	7	$ 178,609	3.2%

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. In addition to performing a valuation on a selection of Trust's properties (and not performing a valuation on all of the Trust properties) to compare to 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.

The key valuation metrics for the Trust's investment properties are set out in the following tables:

As at	**December 31, 2013**			December 31, 2012		
	Capitalization rate		**Forecasted total standardized net operating income**	Capitalization rate		Forecasted total standardized net operating income
	Minimum	**Maximum**		Minimum	Maximum	
Calgary	**4.75%**	**6.00%**	**$ 60,110**	4.75%	5.50%	$ 56,819
Edmonton	**5.00%**	**5.50%**	**121,623**	5.00%	5.50%	114,527
Other Alberta	**5.75%**	**7.25%**	**20,497**	5.75%	7.25%	19,101
Vancouver	**4.75%**	**5.25%**	**6,195**	4.75%	6.25%	6,096
Kitchener	**5.50%**	**5.50%**	**1,754**	5.75%	5.75%	1,769
London	**5.75%**	**6.00%**	**11,145**	5.75%	6.00%	10,819
Windsor	**6.50%**	**7.00%**	**7,068**	6.50%	7.00%	6,372
Montreal	**5.50%**	**6.25%**	**5,348**	5.50%	6.25%	5,523
Quebec City	**5.75%**	**6.25%**	**9,980**	5.75%	6.25%	10,152
Regina	**5.75%**	**6.00%**	**23,156**	5.75%	6.00%	22,340
Saskatoon	**5.75%**	**6.00%**	**19,569**	5.75%	6.00%	18,855
	4.75%	**7.25%**	**286,445**	4.75%	7.25%	272,373
Land Lease	**5.25%**	**13.49%**	**$ 28,337**	5.25%	12.69%	$ 27,886

Overall portfolio weighted average capitalization rates were 5.48% and 5.47% as at December 31, 2013 and 2012, respectively.

The "Overall Capitalization Rate" method requires a forecasted stabilized net operating income ("NOI") be divided by a capitalization rate ("cap rate") to determine a fair value. NOI is calculated as a one-year income forecast based on rental income from current leases and key assumptions about rental income, vacancies and inflation rates, among other factors, less property operating costs. As such, fluctuations in both NOI and cap rates could significantly alter the fair value. Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase In capitalization rate will result in a decrease to the fair value of an investment property. When the capitalization rate is applied to NOI to calculate fair value, there is a significant impact whereby the lower the capitalization rate, the larger the impact. Below are tables that summarize the sensitivity impact of changes in both cap rates and NOI on the Trust's fair value of its investment properties (excluding development) as at December 31, 2013 and December 31, 2012:

As at December 31, 2013 *(in 000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 305,339	$ 311,635	$ 314,782	$ 317,930	$ 324,226
Capitalization Rate						
-0.25%	5.23%	$ 94,016	$ 214,392	$ 274,580	$ 334,767	$ 455,143
Cap Rate As Reported	5.48%	(172,326)	(57,442)	5,744,205	57,442	172,326
+0.25%	5.73%	(415,427)	(305,556)	(250,620)	(195,684)	(85,812)

As at December 31, 2012 *(in 000's)*

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 291,251	$ 297,256	$ 300,259	$ 303,261	$ 309,267
Capitalization Rate						
-0.25%	5.22%	$ 90,330	$ 205,371	$ 262,892	$ 320,413	$ 435,455
Cap Rate As Reported	5.47%	(164,676)	(54,892)	5,489,191	54,892	164,676
+0.25%	5.72%	(397,391)	(292,405)	(239,912)	(187,419)	(82,434)

Investment properties with a fair value of $488.4 million as at December 31, 2013 ($482.5 million – December 31, 2012) are situated on land held under ground (or land) leases.

Investment properties with a fair value of $654.8 million as at December 31, 2013 (December 31, 2012 – $638.8 million) are pledged as security against the Trust's committed revolving credit facility. In addition, investment properties with a fair value of $5.3 billion as at December 31, 2013 (December 31, 2012 – $5.1 billion) are pledged as security against the Trust's mortgages payable.

For the year ended December 31, 2013, the Trust capitalized $73.8 million in building improvements (and $15.5 million in development expenditures) and recorded a fair value gain of $162.5 million on its financial statements as a result of changes in the fair value of investment properties. Capitalized building improvements represent expenditures that provide future benefits to the Trust for a period greater than twelve months, some of which may not be immediately reflected in the fair value of the investment properties, under IFRS, for the current reporting period.

Investment Property Development

In the past, the development of multi-family apartment units by the Trust was not a significant part of its overall strategy. The main reason was due to management's opinion that the anticipated return on development was far below other available risk adjusted capital allocation alternatives, such as the acquisition of existing apartment units in the Trust's target markets and/or the buyback of Trust Units for cancellation. Over the last number of years there has been a change in the multi family apartment environment in Canada. Over this period we have witnessed a significant increase in the market value of rental apartments. This increase, although somewhat helped by a steady increase in reported market rental rates, has been mainly driven by a significant compression in market capitalization rates, which in turn has been the result of a prolonged low interest rate environment in Canada.

With this increase in the market value of apartments, there has been a significant decrease in the expected returns from the above noted allocation alternatives to a level that warrants a measured allocation of capital to the area of new apartment development, particularly on excess land the Trust currently owns. Accordingly, the Trust pursued new apartment development on some of its excess density. In 2012, the Trust received development approval from the City of Calgary in Alberta, Canada, and commenced construction of a 109-unit four storey, elevatored, wood frame building in the Southwest part of the city. The development was substantially completed on November 7, 2013 and an Occupancy Permit allowing Boardwalk to commence the lease-up of the units was issued by the City of Calgary for the project. The project was completed on time and within budget totaling approximately $19 million. To assist in the development cost of this property, the Trust had applied for, and received, approval of a grant from the Province of Alberta in the amount of $7.5 million. As at December 31, 2013, approximately $6.8 million of the $7.5 million was received by the Trust. In return for this grant, the Trust has agreed to classify 54 of the 109 units as 'affordable', with market rents set at 10% below average market rates for Calgary for a term of 20 years. The remainder of the approximate $11.5 million development funds required came from Boardwalk's cash on hand. We estimated the stabilized capitalization rate on this project to be approximately 6.10%, including an estimated allocation of $4.25 million, or $39 thousand per apartment unit, for the excess land allocated to this project. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance under IFRS, this grant will be recognized in profit or loss on a systematic basis over the periods in which the Trust recognizes revenue from the 54 units classified as affordable units, resulting in achievable rents being much closer to market rents. For the year ended December 31, 2013, $32 thousand was recognized in profit under rental revenue for this grant.

It is our intention to continue to investigate further development opportunities, particularity in Alberta and Saskatchewan; however, each future opportunity will require a separate analysis and, depending on the analysis and economic conditions, Boardwalk REIT will determine if additional development projects are warranted. Historically, one of the biggest risks to real estate evaluations is the building of oversupply in a particular market, which results in significant corrections of property values market wide. The Trust currently mitigates this risk by avoiding leverage and using cash on hand for new development and undertaking development as a small part of Boardwalk's overall strategy.

For the year ended December 31, 2013, the Trust expended $15.5 million on total development costs compared to $3.4 million for the prior year.

CAPITAL STRUCTURE AND LIQUIDITY

Liquidity refers to the Trust's ability to generate, and have available, sufficient cash to fund our ongoing operations and capital commitments as well as its 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 repayment of maturing debt. Over the past number of years, Boardwalk has observed a significant increase in borrowing standards of many of our key lending partners as a result of heightened sensitivity to possible weaknesses in the economy. Although it appears we are beginning to see an improvement in the overall economy, Boardwalk has yet to witness a significant change in these more stringent standards.

To mitigate the risk of renewal, the Trust utilizes NHA mortgage insurance, the benefits of which we discussed in detail above. In 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:

($000)	
Cash position December 31, 2013	$ 131,079
Committed Revolving Credit Facility Available	$ 195,836
Total Available Liquidity	$ 326,915

In addition to this, the Trust currently has 3,160 rental apartment 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 $278.5 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 already have commitments at interest rates lower than their existing (maturing) interest rates.

The reader should also be aware that of the $432 million of secured mortgages coming due in 2014 (as shown in the table below), all have NHA insurance, and represent in aggregate approximately 48% of current estimated "underwriting" values on those individual secured assets. Currently, interest rates on NHA insured mortgages are slightly below the weighted average interest rate of the $432 million maturing mortgages of 3.4%. The reader, however, is cautioned 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. Even with the NHA insurance program attached to its secured mortgages, the Trust is still susceptible to changes in market interest rates.

Mortgages and Debt Schedule

Boardwalk REIT's long-term debt consists entirely of low-rate, fixed-term secured mortgage financing. The maturity dates on the secured mortgages have been staggered to lower the overall interest rate risk on renewal.

Total mortgages and debt payable (net of unamortized transaction costs) on December 31, 2013, were $2.26 billion, compared to $2.25 billion reported on December 31, 2012.

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 December 31, 2013, was 3.46% compared to 3.69% on December 31, 2012. 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 to reduce interest rate renewal risk.

Year of Maturity	Principal Outstanding as at Dec 31, 2013	Weighted Average Interest Rate By Maturity	% of Total
2014	$ 432,279	3.40%	18.4%
2015	437,849	3.70%	18.7%
2016	269,794	3.87%	11.5%
2017	315,536	2.94%	13.5%
2018	181,596	3.45%	7.7%
2019	149,943	3.83%	6.4%
2020	85,682	4.20%	3.7%
2021	32,530	4.24%	1.4%
2022	249,612	3.30%	10.7%
2023	188,502	2.99%	8.0%
Total Principal Outstanding	$ 2,343,323	3.46%	100.0%
Unamortized Deferred Financing Costs	$ (81,911)		
Per Financial Statements	$ 2,261,412		

Unsecured Debentures

Boardwalk had a principal repayment of $112.4 million of unsecured debentures that carried a coupon rate of 5.61% and matured on January 23, 2012. The balance of these were repaid with cash on hand on maturity.

Interest Coverage

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 credit facility. Prior to May 15, 2012, the most constraining test was what was referred to as its Debt-to-Gross Book Value. At the May 15, 2012 Annual and Special Meeting of Unitholders, the Debt-to-Gross Book Value test was replaced by an interest coverage ratio limit of 1.5 to 1. For the purpose of the interest coverage ratio calculation, distributions on the LP Class B Units are excluded from interest expense, despite the LP Class B Units being classified as a financial liability under IFRS.

The following table sets out the Trust's interest coverage ratio calculation as at December 31, 2013 and December 31, 2012, based on the most recently four completed fiscal quarters.

As at	**December 31, 2013**	December 31, 2012
Consolidated EBITDA	**$ 257,827**	$ 247,155
Consolidated Interest Expense	**81,813**	89,649
Interest Coverage Ratio	**3.15**	2.76
Minimum Threshold	**1.50**	1.50

For the year ended December 31, 2013, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense, excluding distributions on LP B Units and fair value gains and losses, was 3.15, compared to 2.76 for the previous year. The reader should note upon the adoption of IFRS standards, the distributions made to the LP Class B Unitholders are now considered financing charges and is the result of the reclassification of these units as financial liabilities. The calculation of the interest coverage ratio above does not include these distribution payments in the calculation of interest expense.

Unitholders' Equity

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

Summary of Unitholders' Capital Contributions	Units
December 31, 2011	47,789,492
Units issued for vested deferred units	62,175
December 31, 2012	47,851,667
Units issued for vested deferred units	68,297
December 31, 2013	**47,919,964**

Boardwalk REIT has one class of publicly traded voting securities known as "REIT Units". As at December 31, 2013, there were 47,919,964 REIT Units issued and outstanding. In addition, there were 4,475,000 special voting units issued to holders of "Class B 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 52,394,964. These LP Class B Units are classified as "FVTPL" financial liabilities under IFRS and are recorded at their fair value as liabilities on the Consolidated Statements of Financial Position.

On June 28, 2013, the Trust received regulatory approval for a Normal Course Issuer Bid (the "Bid") to purchase and cancel up to 3,894,712 Trust Units, representing 10% of the public float at the time of the TSX approval. The Bid commences July 3, 2013 and terminates July 2, 2014 or when the Bid is completed. The Trust's daily purchase limit pursuant to the Bid will be 22,289 Trust Units. To date, no Trust Units have been purchased and cancelled under this Bid.

Equity

Boardwalk has an equity market capitalization of approximately $3.1 billion based on the Trust Unit closing price of $59.85 on the Toronto Stock Exchange on December 31, 2013.

Enterprise Value

With a total enterprise value of approximately $5.4 billion (consisting of total debt of $2.3 billion and market capitalization of $3.1 billion) as at December 31, 2013, Boardwalk's total debt is approximately 42% of total enterprise value at the end of the year.

RISKS AND RISK MANAGEMENT

Boardwalk REIT, like most real estate rental entities, is exposed to a variety of risk areas. These areas are categorized between general and specific risks. General risks are the risks associated with general conditions in the real estate sector, and consist mainly of commonly exposed risks that affect the real estate industry. Specific risks focus more on risks uniquely identified with the Trust, such as credit, market, liquidity and operational risks. The following will address each of these risks. In addition, this section should be read in conjunction with the Trust's AIF dated February 13, 2014, where additional risks and their related management are also noted.

GENERAL RISKS

Real Estate Industry Risk: Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential tenant legislation), the attractiveness of the properties to tenants, competition from others with available space, and the ability of the owner to provide adequate maintenance at an economic cost. Currently, we operate in Canada, in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec. Neither of Alberta and Saskatchewan is subject to rent control legislation; however, under Alberta legislation, a landlord is only entitled to increase rents once every twelve months. A more detailed discussion on rent controls will follow in a later section.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Boardwalk REIT's properties are subject to mortgages, which require significant debt service payments. If the Trust were unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. Real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which the Trust operates.

Multi-Family Residential Sector Risk: Income producing properties generate income through rent payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to us than the existing lease. To mitigate this risk, the Trust does not have any one or small group of significant tenants. Each operating lease signed is for a period of twelve months or less. The Trust is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. While it is not expected that markets will significantly change in the near future, a disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by our properties as a result of downward pressure on rents.

Environmental Risks: As an owner and manager of real property, Boardwalk REIT is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could encumber us with liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect Boardwalk's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against Boardwalk REIT. Boardwalk REIT is not aware of any material non-compliance with environmental laws at any of its properties. The Trust is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. Boardwalk REIT has formal policies and procedures to review and monitor environmental exposure. The Trust has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and may become more stringent in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation.

Ground Lease Risk: Five of our properties, located in Banff, Calgary, Edmonton, and two in Montreal, are subject to long-term ground (or land) leases and similar arrangements; in each instance, the underlying land is owned by a third party and leased to the Trust. Under the terms of a typical ground lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements, including taxes, utilities, insurance, maintenance, repairs and replacements. Unless the lease term is extended, the land together with all improvements made will revert to the owner of the land upon the expiration of the lease term. These leases are set to expire between 2028 and 2096. Approximately 10% of the Trust's FFO derives from the properties in its portfolio which are held as long-term ground leases. The Trust is and will actively seek to either renew the terms of such leases or purchase the freehold interest in the lands forming the subject matter of such leases prior to the expiry of their terms.

However, if the Trust cannot or chooses not to renew such leases, or buy the land of which they form the subject matter, as the case may be, the net operating income and cash flow associated with such properties would no longer contribute to Boardwalk's results of operations and could adversely impact its ability to make distributions to Unitholders. The ground lease for the largest Montreal property, known as the Nuns' Island portfolio, is also subjected to a rent revision clause, which commenced on December 1, 2008 (based on a valuation date of March 16, 2008). It is phased in on a property-by-property basis through to 2015, and is based on 75% of the land value in its current use. After that revision, the land rent will remain constant thereafter through to 2064. An event of default by us, under the terms of a ground lease, could also result in a loss of the property, subject to such ground lease, should the default not be rectified in a reasonable period of time. The Trust is not aware of any default under the terms of the ground leases.

Competition Risk: Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners, compete in seeking tenants. Although it is our strategy to own multi-family properties in premier locations in each market in which it operates, some of the apartments of our competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on our ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect Boardwalk REIT's revenues and its ability to meet its obligations.

General Uninsured Losses: Boardwalk REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as war or environmental contamination), which are either uninsurable or not economically insurable. Boardwalk REIT currently has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Boardwalk REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Fluctuations of Cash Distributions: Although Boardwalk REIT intends to continue to make distributions, the actual amount of distributions in respect of the REIT Units will depend upon numerous factors, including, but not limited to, the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and REIT Unit redemptions and other factors that may be beyond the control of Boardwalk REIT. The distribution policy of Boardwalk REIT is established by the Trustees and is subject to change at the discretion of the Trustees. The recourse of Unitholders who disagree with any change in policy is limited and could require such Unitholders to seek to replace the Trustees. Distributions may exceed actual cash available to Boardwalk REIT from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures, and redemption of REIT Units, if any. Boardwalk REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Boardwalk REIT may temporarily fund such items, if necessary, through an operating line of credit in expectation of refinancing long-term debt on its maturity.

Workforce Availability

Boardwalk's ability to provide services to its existing Customers is somewhat dependent on the availability of well-trained Associates and contractors to service our Customers as well as complete required maintenance and capital upgrades on our buildings. The Trust must also balance requirements to maintain adequate staffing levels while balancing the overall cost to the Trust.

Within Boardwalk, our most experienced Associates are employed full-time; this full-time force is supplemented by additional part-time Associates as well as specific contract services needed by the Trust. We are constantly reviewing existing overall market factors to ensure that our existing compensation program is in-line with existing levels of responsibility and, if warranted, we adjust the program accordingly. We also encourage Associate feedback in these areas to ensure the existing programs are meeting their personal needs.

SPECIFIC RISKS

***Credit Risk** is the risk of loss due to failure of a contracted Customer to fulfill the obligation of required payments.*

For us, one of the key credit risks involves the possibility that our Resident Members will be unable or unwilling to fulfill their lease term commitments. Due to the very nature of the multi–family business, credit risk is not deemed to be very high. The Trust currently has 35,386 rental apartment units. The result of this is that we are not unduly reliant on any one Resident Member or lease. To further mitigate this risk, Boardwalk REIT continues to diversify its portfolio to various major centers across Canada. Further, each of our rental units has its own individual lease agreement, thus Boardwalk REIT has no material financial exposure to any particular Resident Member or group of Resident Members. The Trust continues to utilize extensive screening processes for all potential Resident Members including, but not limited to, detailed credit checks.

***Market Risk** is the risk that the Trust could be adversely affected due to market changes in product supply, interest rates and regional rent controls.*

Our principal exposures to market risk are in the areas of new multi-family housing supply, changes to rent controls, utility price increases, property tax increases, higher interest rates and mortgage renewal risk.

***Supply Risk** is the risk that the Trust would be negatively affected by the new supply of, and demand for, multi-family residential units in its major market areas.*

Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. Any significant amount of new construction will typically result in an imbalance in supply and cause downward price pressure on rents. No signs of significant new rental construction are currently evident in any of our existing markets. Past studies have shown that in order to economically justify new rental construction in Boardwalk REIT's major markets, an increase in existing rental rates of hundreds of dollars will be necessary. In recent years, however, there has been a change in the multi family apartment environment in Canada. During this period, we have witnessed a significant increase in the market value of rental apartments. This increase, although somewhat helped by a steady increase in reported market rental rates, has been mainly driven by a significant compression in market capitalization rates, which in turn has been the result of a prolonged low interest rate environment here in Canada. With this increase in the market value of apartments, there has been a significant decrease in the expected returns from the acquisition of existing multi-family rental properties to a level that warrants a measured allocation of capital to the area of new apartment development, particularly on excess land Boardwalk REIT currently owns. Accordingly, the Trust has pursued new apartment development on some of its excess density.

Risk Management for Supply

Our performance will always be affected by the supply and demand for multi-family rental real estate in Canada. The potential for reduced rental revenue exists in the event that Boardwalk REIT is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy, which could result in lower rents or higher vacancy rates. Boardwalk REIT has minimized these risks by:

- Increasing Resident Member satisfaction;
- Diversifying its portfolio across Canada, thus lowering its exposure to regional economic swings;
- Acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- Holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walkups, each with its own market niche;
- Maintaining a wide variety of suite mix, including bachelor suites, one, two, three and four-bedroom units;
- Building a broad and varied Resident Member base, thereby avoiding economic dependence on larger-scale tenants;

- Focusing on affordable multi-family housing, which is considered a stable commodity;
- Developing a specific rental program characterized by rental adjustments that are the result of enhanced service and superior product; and,
- Developing regional management teams with significant experience in the local marketplace, and combining this experience with our existing operations and management expertise.

Interest Risk *is the combined risk that the Trust would experience a loss as a result of its exposure to a higher interest rate environment (Interest Rate Risk) and the possibility that at the term end of a mortgage the Trust would be unable to renew the maturing debt with either the existing or an additional lender (Renewal Risk).*

With the current world economic and financial situation, there is a heightened risk that not only will existing maturing mortgages be subject to increased interest rate changes but also the distinct possibility that maturing mortgages will themselves not be able to be renewed, or, if they are, they will be at significantly lower loan to value ratios. The Trust continues to manage this risk by maintaining a balanced maturing portfolio with no significant amount coming due in any one particular period. In addition, the majority of Boardwalk REIT's debt is insured with NHA insurance. This insurance allows us to increase the overall credit quality of the mortgage and, as such, enable the Trust to obtain preferential interest rates as well as facilitating easier renewal on its due dates.

The use of NHA insurance also assists Boardwalk REIT in managing its renewal risk. Given the increased credit quality of such debt, the probability of the Trust being unable to renew the maturing debt or transfer this debt to another accredited lending institution is significantly reduced.

To date, the Trust has had no problem obtaining mortgage renewals on term maturing loans, and additional funds, if needed, continue to be available on its investment properties. Although we have seen fluctuations in the quoted interest spread over the corresponding benchmark bonds, the all-in quoted rates, due to a general decline in interest rates, continue to be at levels well below the term maturing interest rate and, as such, are accretive to the Trust as a whole.

In 2013, the Canadian government announced it would be capping the total amount of insurance that CMHC can have in force at $600 billion. This decision has primarily affected the amount of portfolio or bulk insurance CMHC offers to banks, and, to date, has had a minimal impact on the renewal of Boardwalk's mortgages, or the cost of secured debt capital. However, there is no assurance that the decision to cap the amount of CMHC insurance will not affect mortgages for multi-family residential properties in future periods.

We continue to monitor this situation. Depending on the changes, if any, the Government of Canada places on the NHA insurance product, the impact on the Trust could vary. It is our understanding that this cap would not affect any pre-existing insurance agreements. Over 99% of Boardwalk's secured debt have this insurance on it with an average of 31 years of amortization remaining. The larger risk may be the ability to issue new secured debt under this program at a much lower cost due to the use of this insurance, the proceeds of which the Trust uses to assist in the execution of its overall strategy.

Structural Subordination

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the Trust, holders of indebtedness of the Trust may become subordinate to lenders to the subsidiaries of the Trust.

Certain subsidiaries of the Trust will provide a form of guarantee pursuant to which the Indenture Trustee will, subject to the Trust Indenture, be entitled to seek redress from such subsidiaries for the guaranteed indebtedness. These guarantees are intended to eliminate structural subordination, which arises as a consequence of the Trust's assets being held in various subsidiaries. Although all subsidiaries, which own material assets, will provide a guarantee, not all subsidiaries of the Trust will provide such a guarantee. In addition, there can be no assurance that the Indenture Trustee will, or will be able to, effectively enforce the guarantee.

***Rent Control Risk** is the risk of the implementation or amendment of new or existing legislative rent controls in the markets Boardwalk REIT operates, which may have an adverse impact on the Trust's operations.*

Under Ontario's rent control legislation, commonly known as "rent de-control", a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulation. For the calendar years 2012 and 2013, the guideline amounts have been established at 3.1% and 2.5%, respectively, and for 2014 the guideline amount has been set at 0.8%. Further details on Ontario's Annual Rental Increase Guidelines can be found at http://www.landlordselfhelp.com/RentIncreaseGuideline.htm. This adjustment is meant to take into account the income of the building, the municipal and school taxes, the insurance bills, the energy costs, maintenance, and service costs. Landlords may apply to the Ontario Rental Housing Tribunal for an increase above the guideline amounts if annual costs for heat, hydro, water, or municipal taxes have increased significantly, or if building security costs have increased. When a unit is vacated, however, the landlord is entitled to lease the unit to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

British Columbia has a similar rent control regime to Ontario's, with the guideline amounts there being two percent (2%) over annual inflation. For 2012 and 2013, this guideline amount has been set at 4.3% and 3.8%, respectively, and for 2014 the guideline amount is 2.2%. Further details on British Columbia's Annual Rental Increase Guidelines can be found at http://www.rto.gov.bc.ca/content/news/default.aspx.

Under Quebec's rent control legislation, a landlord is entitled to increase the rent for existing tenants once a year for the rent period starting after April 1st of the current year but before April 1st of the following year. There is no fixed rate increase specified by the regulation. Rent increases also take into account a return on capital expenditures (for 2014 this return is 2.6% compared to 2.6% for 2013, 2.9% for 2012 and 3.0% for 2011), if such expenditures were incurred, and an indexing of the net income of the building. Average rent increase estimates for the period starting after April 1st, 2014 and before April 2nd, 2015, before any consideration for increases to municipal and school taxes as well as capital expenditures, are: 1.1% for electricity heated dwellings, 1.1% for gas heated dwellings, 0.6% for oil heated dwellings and 0.8% for non-heated dwellings.

Presently, rent control legislation does not exist in, and is not planned for, Alberta or Saskatchewan, although in April of 2007, the province of Alberta amended its existing rental legislation the details of which will be discussed in more detail later in this document.

To manage this risk prior to entering a market where rent controls are in place, an extensive amount of time is spent researching the existing rules, and, where possible, the Trust will ensure it employs Associates who are experienced in working in these controlled environments. In addition, the Trust adjusts forecast assumptions on new acquisitions to ensure they are reasonable given the rent control environment.

***Utility and Property Tax Risk** relates to the potential loss the Trust may experience as a result of higher resource prices and well as its exposure to significant increases in property taxes.*

Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For us, these re-valuations have resulted in significant increases in some property assessments due to enhancements, which are not represented on our balance sheet (as such representations are contrary to existing GAAP reporting standards). To address this risk, Boardwalk REIT has compiled a specialized team of property reviewers who, with the assistance of outside authorities, constantly review property tax assessments and, where warranted, appeal them.

Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that Boardwalk REIT cannot pass on to the Customer may have a negative material impact on the Trust. To mitigate this risk, the Trust (and its predecessor) has begun to play a more active role in controlling the fluctuation and predictability of this risk. Through the combined use of financial instruments and resource contracts with varying maturity dates, exposure to these fluctuations has been reduced. In addition to this, the following steps have been implemented:

- Where possible, economical electrical sub-metering devices are being installed, passing on the responsibility for electricity charges to the end Customer.
- In other cases, rents have been, or will be, adjusted upward to cover these increased costs.

Operational Risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process, or from external events. The impact of this loss may be financial loss, loss of reputation, or legal and regulatory proceedings.

The Trust endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and improvements are implemented, if deemed necessary.

CERTAIN TAX RISKS

Mutual Fund Trust Status

Boardwalk qualified as a mutual fund trust for Canadian income tax purposes. It is the current policy of Boardwalk to annually distribute all of its taxable income to Unitholders and is therefore generally not subject to tax on such amount. In order to maintain its current mutual fund trust status, Boardwalk is required to comply with specific restrictions regarding its activities and the investments held by it. If Boardwalk was to cease to qualify as a mutual fund trust, the consequences could be adverse.

In accordance with the Income Tax Act (Canada) (the "Tax Act"), for fiscal 2012 and 2013, the Trust qualified as a real estate investment trust ("REIT") for income tax purposes and, as such, was exempted from the specified investment flow-through rules (the SIFT Rules").

A REIT is defined under the SIFT Rules as a trust that is resident in Canada throughout the taxation year and that satisfies all of the following criteria:

(a) at each time in the taxation year the total fair market value at that time of all non-portfolio properties that are qualified REIT properties held by the trust is at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;

(b) not less than 90% of the trust's gross REIT revenue for the taxation year is from one or more of the following: rent from real or Immovable properties, interest, dispositions of real or immovable properties that are capital properties, dividends, royalties, and dispositions of eligible resale properties;

(c) not less than 75% of the trust's gross REIT revenue for the taxation year is from one or more of the following: rent from real or immovable properties, interest from mortgages, or hypothecs, on real or Immovable properties, and dispositions of real or immovable properties that are capital properties,

(d) at each time in the taxation year an amount, that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is a real or immovable property that is a capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers' acceptance, a property described by either paragraph (a) or (b) of the definition "qualified investment" In section 204, or a deposit with a credit union; and,

(e) investments in the trust are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

For this purpose, "real or immovable property" includes a security of any trust, corporation or partnership that itself satisfies the above criteria, but does not include any depreciable property of a prescribed class for which the rate of capital cost allowance exceeds 5%.

If Boardwalk REIT, or any other trust, does not qualify as a real estate investment trust, it will no longer be able to deduct for tax purposes its taxable distributions, and, as such, will be required to pay tax on this amount prior to distribution. Any amount distributed that is determined to be a return of capital would not be subject to this tax.

Existing Tax Filing Positions

Although Boardwalk REIT is of the view that all expenses to be claimed by Boardwalk REIT, the Operating Trust and the Partnership will be reasonable and deductible, that the cost amount and capital cost allowance claims of entities indirectly owned by Boardwalk REIT will have been correctly determined and that the allocation of the Partnership's income for purposes of the Tax Act among its partners is reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada Revenue Agency ("CRA") will agree. If the CRA successfully challenges the deductibility of such expenses or the allocation of such income, the Partnership's allocation of income to the Operating Trust, and indirectly the taxable income of Boardwalk REIT and the Unitholders, may be adversely affected. The extent to which distributions will be tax-deferred in the future will depend in part on the extent to which entities indirectly owned by Boardwalk REIT are able to deduct capital cost allowance relating to the Contributed Assets held by them, which was acquired by Boardwalk REIT on May 3, 2004 pursuant to a Plan of Arrangement under section 193 of the Business Corporations Act (Alberta).

Since the Partnership acquired the relevant properties on a tax-deferred basis, its tax cost in certain properties may be less than their fair market value. Accordingly, if one or more properties are disposed of, the gain recognized by the Partnership may be in excess of that which it would have realized if it had acquired the properties at their fair market values. Immediately prior to the Plan of Arrangement becoming effective, the Corporation transferred the Contributed Assets to the Partnership and received, as consideration therefore, (i) an assumption of all of the indebtedness of the Corporation associated with the Contributed Assets (other than the Retained Debt), (ii) the LP Note, and (iii) a credit to the capital accounts in respect of each of the LP Class B Units and the LP Class C Units, all of which were owned at that time by the Corporation. See "Overview of the Acquisition and the Arrangement Replacing the Corporation as a Public Entity with Boardwalk REIT – Pre-Arrangement Reorganization" in the AIF dated February 13, 2014. The transfer and contribution were effected as a "rollover" under subsection 97(2) of the Tax Act, and the Corporation, based on the advice of legal counsel, is of the view that there is no income tax payable in connection therewith. There can be no assurance that the CRA will not take a contrary view; however, the Corporation has been advised by counsel that, in such event, the CRA would not be successful. If, contrary to this, the CRA successfully challenges the rollover, income tax may be payable by the Corporation in connection with the transfer and contribution of the Contributed Assets at the applicable tax rate on the value of the capital contribution in respect of the LP Class C Units. The Partnership has agreed to indemnify the Corporation for all liabilities incurred by it in connection with the Acquisition and the Arrangement, including the transfer and contribution of the Contributed Assets to the Partnership and any associated tax that might be payable by the Corporation in respect thereof. See "Overview of the Acquisition and the Arrangement replacing the Corporation as a Public Entity with Boardwalk REIT – Ancillary Agreements in Connection with the Arrangement" in the AIF dated February 13, 2014. The amount of such indemnification would be significant and have a material adverse effect on the amount of distributable cash of the Partnership and, consequently, on the distributions of Boardwalk REIT.

RISKS ASSOCIATED WITH DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management continues to review the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting, we cannot assure you that our disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time.

Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our trust unit price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

ACCOUNTING AND CONTROL MATTERS

CRITICAL ACCOUNTING POLICIES

The Trust adopted IFRS as its basis of financial reporting, effective January 1, 2011. The significant accounting policies adopted by the Trust are included in Note 2 of the notes to the audited Consolidated Financial Statements for the year ended December 31, 2013.

These statements were prepared in accordance with International Financial Reporting Standards ("IFRS") 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 consist of multi-family residential properties held to earn rental income, properties being constructed or developed for future use to earn rental income, and include interests held under long-term operating land leases. 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 to investment property. Included in these costs are amounts that are internal amounts, 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 in accordance with International Accounting Standard ("IAS") 40 – Investment Property ("IAS 40"). Fair value is determined based on a combination of internal and external processes and valuation techniques. 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 are capitalized. Such costs include direct development costs, property taxes and other costs directly attributable to the development. These costs are directly related to the construction of a qualifying asset and will be incurred and capitalized until such time when substantially all of the activities required to prepare the qualifying asset for its intended use are complete.

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 of the investment property is adjusted to reflect its fair value as outlined in the purchase and sale agreement (as 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 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 and is, therefore, treated as Investment Property and recorded in accordance with IAS 40 as outlined above. When determining the fair value of a project with excess land, the capitalization rate used in determining the value is adjusted accordingly.

(b) Property, plant and equipment

Tangible assets 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 assets 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 asset 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 tangible asset are expected to be consumed and realized by the Trust. The amount of depreciation will be charged systematically to the consolidated statement of comprehensive income and is the cost less residual value of the tangible asset over its useful economic life. IAS 16 also requires that the cost and useful economic life of each significant component of a depreciable tangible asset be determined based on the circumstances of each tangible asset. The method of depreciation, residual values and estimates of the useful economic life of a depreciable tangible asset, 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").

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	PP&E Category (NOTE 5)	Useful Life / Depreciation Rate	Depreciation method used
Administrative building	Administrative building	40 years	Straight-line
Site equipment	Site equipment and other assets	15%	Declining balance
Automobile	Site equipment and other assets	20%	Declining balance
Warehouse assets	Site equipment and other assets	10% to 20%	Declining balance
Corporate assets	Site equipment and other assets	10% to 20%	Declining balance
Computer hardware	Corporate technology assets	35%	Declining balance
Computer software*	Corporate technology assets	35%	Declining balance

(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 of a business, 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 (which is typically the date on which control changes), 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 the assessment, 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 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 classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration 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 in the consolidated statement of comprehensive income.

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 in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date, and that have previously been recognized in other comprehensive income, are reclassified to profit or loss where such treatment would be appropriate if that interest was 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. These 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 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: (a) if management is committed to a plan to achieve the sale, (b) there is an active program to find a buyer, (c) the non-current asset (or disposal group) is being actively marketed at a reasonable price, (d) the sale is anticipated to be completed within one year from the date of classification, and (e) 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 meets the definition of discontinued operations will be reported as part of discontinued operations in the consolidated statement of comprehensive income.

(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 being 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, 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 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 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. The costs of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and third-party transport, handling and other costs directly attributable to the acquisition of goods and materials, less any trade discounts, rebates and other similar items, using the first-in, first-out method of cost assignment. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(g) Taxation

For fiscal 2012 and 2013, Boardwalk REIT was a "mutual fund trust" and qualified as a real estate investment trust ("REIT") as defined under the Income Tax Act (Canada) (the "Tax Act"). Accordingly, the Trust is not taxable on its income to the extent that its taxable income is distributed to its Unitholders. This exemption, however, does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income 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 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 of corporate subsidiaries included in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income 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 assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in 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. In addition deferred income tax assets and liabilities are measured using the rate that is consistent with the expected manner of recovery (i.e. using the asset versus selling the asset). Where applicable, current and deferred income taxes 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 prospectively such that the cumulative expense reflects the revised estimate. In accordance with IAS 32 – Financial Instruments: Presentation ("IAS 32"), the deferred units are presented as a liability on the statement of financial position as the Trust is obliged to provide the holder with REIT Units once the deferred units vest. Under IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), 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 Boardwalk REIT's Trust Units.

(j) Government assistance and grants

The Trust receives government assistance in order to complement and partially assist the Trust's initiatives in providing 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.

(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 when the tenant occupies their leased space. 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 an investment property is recognized when title passes to the purchaser (control is transferred) 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 when earned, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in financing costs in the consolidated statement of comprehensive income.

(iv) Ancillary rental income

Ancillary rental income comprises revenue from coin laundry 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 and 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 either is 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. (1) (2)
Available-for-sale	Non-derivative financial assets that either are 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. (1) (2)

(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 either as 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. (1)

(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
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 13 and 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 case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives embedded in 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 years ended December 31, 2013 and December 31, 2012, 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 consolidated 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 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 consolidated financial statements:

(i) Income taxes

The Trust applies judgment in determining the tax rates applicable to its corporate subsidiaries, and in identifying the temporary differences in each such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes related to temporary differences arising 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.

(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, and 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 internal capital program

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. Additionally, judgment is applied in determining the appropriate classes of investment properties in order to measure fair value. 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 and related to applying the criteria set out in IAS 39 to designate financial instruments into categories (i.e. 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 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 IFRS 10 – Consolidated Financial Statements ("IFRS 10"). Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standard

(vi) Deferred unit-based compensation

The Trust applied judgment in determining the best available estimate of the number of deferred units that are expected to vest at each reporting period.

(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 4 of the consolidated financial statements. Significant estimates used in determining the fair value of the Trust's investment properties includes capitalization rates and net operating income (which is influenced by inflation rates, vacancy rates, and standard costs) used in the overall capitalization rate valuation method as well as discount rates and forecasted cash flows used in the discounted cash flow valuation method. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to NOTE 4 for sensitivity analysis.

(ii) Property, plant and equipment

The useful economic life of property, plant and equipment for the purposes of calculating depreciation and amortization, as disclosed in NOTE 5, and forecast of economic factors to determine recoverable amounts for the purpose of determining any impairment of assets, are based on data and information from various sources including industry practice and entity specific history.

(iii) Internal Capital Program

The Trust's internal capital program is based on internal allocations including parts, supplies and on-site wages identified as part of the specific upgrade.

(iv) Utility accrual

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 providers.

(v) Deferred unit-based compensation plan

The compensation costs relating to the deferred unit plan are based on estimates of 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 and liabilities versus the tax basis of those assets and liabilities held in various corporate subsidiaries, and the tax rates at which the differences will be realized, are outlined in NOTE 16.

APPLICATION OF NEW AND REVISED IFRSS AND FUTURE 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.

(a) Application of new and revised IFRSs

In the current year, the Trust has applied a number of new and revised IFRSs issue by the IASB. The following highlights these changes and the effect, if any, on the Trust's consolidated financial statements.

Financial Instruments

IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), has been amended to include information regarding all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendment also requires disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements, even if they are not set off under IAS 32. The amendment was applicable for periods beginning on, or after, January 1, 2013, and must be applied retrospectively to all comparative periods. The Trust does not have any offsetting arrangements in place, the application of the amendments to IFRS 7 had no material impact on the disclosure or the amounts recognized in the 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"). IFRS 10 eliminates the 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 the holding of potential voting rights. This standard is effective for accounting periods beginning on, or after, January 1, 2013.

IAS 27 was revised in May 2011 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 adoption of IFRS 10 and revisions to IAS 27 did not have an impact on the Trust's 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 – Interests 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 effective for accounting periods beginning on, or after, January 1, 2013.

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 effective for accounting periods beginning on, or after, January 1, 2013.

The adoption of IFRS 11 and revisions to IAS 28 did not have an impact on the Trust's 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 effective for accounting periods beginning on, or after, January 1, 2013.

The adoption of IFRS 12 did not have an impact on the Trust's consolidated financial statements.

Fair Value Measurements

IFRS 13 – Fair Value Measurements ("IFRS 13") establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

The adoption of IFRS 13 has resulted in additional disclosures in NOTE 4, NOTE 13 and NOTE 29 to the Trust's consolidated financial statements.

Employee Benefits

IAS 19 – Employee Benefits ("IAS 19") amendments, issued in June 2011, 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 to be applied for accounting periods beginning on, or after, January 1, 2013.

The adoption of the amendments to IAS 19 did not have an impact on the Trust's 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 that are not recycled. Retrospective application is required and the standard is effective for annual periods beginning on, or after, July 1, 2012.

The adoption of the amendments to IAS 1 did not have an impact on the Trust's consolidated financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle

The Annual Improvements included amendments to five IFRS accounting standards. However, those improvements related to IFRS 1 – First-time adoption of IFRS have been excluded as the Trust did not adopt IFRS in the current year and improvements related to IAS 34 – Interim Financial Reporting have been excluded as the Trust is currently not reporting an interim period.

Standard	Subject of amendment	Details of amendment	Impact
IAS 1 – Presentation of financial statements	Clarification of the requirements for comparative information	The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position.	The Trust did not have any accounting policy changes that required retrospective application, therefore there is no impact from this amendment.
IAS 16 – Property, Plant and Equipment	Classification of servicing equipment	The amendments clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.	The Trust's spare parts are classified as inventory.
IAS 32 – Financial Instruments Presentation	Tax effect of distribution to holders of equity instruments	The amendments clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 – Income Taxes.	As the Trust distributes to its Unitholders all of its taxable income, this amendment did not impact the Trust.

(b) Future accounting policies

The following accounting standards under IFRS have been issued or revised; however, they 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 in November 2009, and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The amendment is applicable for annual periods beginning on, or after, January 1, 2015, with earlier application permitted. The Trust does not expect these amendments to have a significant impact on its consolidated financial statements.

In addition, amendments were made to IAS 32 which clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement". These amendments are applicable for annual periods beginning on, or after, January 1, 2014.

The Trust does not anticipate that the applications of these amendments will have a significant impact on the Trust's consolidated financial statements, as the Trust does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments are applicable for annual periods beginning on, or after, January 1, 2014.

The Trust does not have any investment entities, and as such does not expect these amendments to have an impact on its consolidated financial statements.

International Financial Reporting Interpretation Committee 21 – Levies ("IFRIC 21")

In May 2013, the IASB issued IFRIC 21, which is effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. Within IFRIC 21, a levy is defined as an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

(a) those outflows of resources that are within the scope of other standards (such as income taxes that are within the scope of IAS 12); and

(b) fines or other penalties that are imposed for breaches of the legislation.

'Government' refers to government, government agencies and similar bodies whether local, national or international. IFRIC 21 provides an interpretation of the requirements in IAS 37 for the recognition of liabilities for obligations to pay levies that are within the scope of IFRIC 21.

The Trust is evaluating whether IFRIC 21 will have a significant impact on the Trust's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

The IASB has released the final amendments for the 2010-2012 and 2011-2013 annual improvement project with the majority of these amendments applying for annual periods beginning on or after July 1, 2014.

Standard	Details of amendment	Expected impact
2010-2012 Cycle		
IFRS 3 – Business Combinations	An obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a financial liability or equity on the basis of the definitions in IAS 32. Non-equity consideration is measured at fair value at each reporting date, with changes recognized in the income statement.	The Trust will determine the impact of this amendment should a business combination occur.
2011-2013 Cycle		
IFRS 3 – Business combinations	The amendment clarifies that IFRS 3 does not apply to the formation of any joint arrangement and that the scope exemption only applies in the financial statements of the joint arrangement itself.	The Trust will determine the impact of this amendment should a business combination occur.
IAS 40 – Investment property	The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists preparers to distinguish between investment property and owner-occupied property. IFRS 3 determines whether the acquisition of an investment property is a business combination.	The Trust will determine the impact of this amendment should the acquisition of an investment property occur.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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 appropriate decisions can be made regarding public disclosure.

The preparation of this information is supported by a set of disclosure controls and procedures ("DC&P") implemented by management. In fiscal 2013, 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, 2013. 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.

There were no changes made to our disclosure controls and procedures during the year ended December 31, 2013. Boardwalk REIT continues to review the design of disclosure controls and procedures to provide reasonable assurance that material information relating to Boardwalk REIT is properly communicated to certifying officers responsible for establishing and maintaining disclosure controls and procedures, as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

As at December 31, 2013, Boardwalk REIT 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, 2013, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

2014 FINANCIAL OUTLOOK AND MARKET GUIDANCE

At the end of the third quarter of 2013, the Trust announced its financial outlook for the upcoming 2014 year. The following table highlights the key financial objectives for the 2014 fiscal year as well as our performance for the 2013 year.

Description	2014 Objectives	2013 Actual
Investment Properties	No new apartment acquisitions, dispositions or developments	Completed a 109-unit development in November 2013
Stabilized Building NOI growth	1% to 4%	5.1%
FFO Per Unit	$3.25 to $3.45	$3.21
AFFO Per Unit	$2.93 to $3.13	$2.89

In deriving these forecasts, we have adjusted for the treatment of the LP B Units to be treated as equity (versus debt under IFRS) and their related treatment of the distributions paid (which are classified as financing charges under IFRS). In addition, we are assuming no additional acquisition or disposition of properties.

The reader is cautioned that this information is forward-looking and actual results may vary materially from those reported. One of the key estimates is the performance of the Trust's stabilized properties. Any significant change in assumptions deriving 'Stabilized Building NOI performance' would have a material effect on the final reported amount. The trust reviews these key assumptions quarterly and based on this review may change its outlook.

In addition to the above financial guidance for 2014, the Trust has assumed the following capital will be reinvested in its existing portfolio for the 2014 fiscal year.

Capital Budget	**2014 Budget**	**Per Suite**	2013 Actual	Per Suite
Total Operational Capital Approved	**$ 94,400**	**$ 2,675**	$ 80,974	$ 2,295
Maintenance Capital	**$ 16,800**	**$ 475**	$ 16,757	$ 475
Stabilizing & Value Added Capital (including Property, Plant & Equipment)	**$ 77,600**	**$ 2,200**	$ 64,217	$ 1,820
	$ 94,400	**$ 2,675**	$ 80,974	$ 2,295
Development Capital Approved	**$ 1,000**		$ 15,479	

In total, we expect to invest $94.4 million (or $2,675 per apartment unit) on operational capital in 2014 as compared to $81.0 million (or $2,295 per apartment unit) actually spent in 2013. Approximately $16.8 million, or $475 per apartment unit, will be in the form of maintenance capital and the balance of $77.6 million will be in stabilizing and value-added capital.

For 2014, the Trust has included a budget of $1 million allocated towards development, which in addition to determining the viability of development on various excess land the Trust currently owns, will be directed towards the completion of municipal zoning and construction drawings of a potential development at the Trust's Pines of Normanview project in Regina, Saskatchewan. The Trust will provide updates to its development budget as construction costs and timing become available, subject to the economics of the development at that time.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis", the audited consolidated financial statements and accompanying notes for the years ended December 31, 2013 and 2012, and the unaudited interim consolidated financial statements of Boardwalk REIT and accompanying notes, both incorporated herein by reference.

The statements of comprehensive income and financial position information set forth in the following tables has been derived from the audited consolidated financial statements referred to above and the unaudited consolidated financial statements of the Trust for various quarterly interim periods.

Annual Comparative	Twelve Months Ended	
Cdn$ Thousands, except per unit amount	**Dec 31, 2013**	Dec 31, 2012
Total rental revenue	**462,022**	439,901
Profit	**337,730**	688,514
Funds from operations	**168,184**	150,343
Profit per unit		
– Basic	**7.05**	14.40
– Diluted	**6.22**	14.40
Funds from operations per unit		
– Basic	**3.51**	3.14
– Diluted	**3.21**	2.87
Mortgages and debentures	**2,261,412**	2,248,176
Total assets	**5,925,683**	5,675,302
Number of apartment units	**35,386**	35,277
Rentable square feet (000's)	**30,022**	29,936

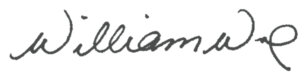
Quarterly Comparative *Cdn$ Thousands, except per unit amounts*	Three Months Ended **Dec 31, 2013**	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
Total rental revenue	**117,636**	116,097	115,144	113,145	112,049	110,595	109,269	107,988
Profit	**(27,511)**	159,244	112,633	93,364	15,565	293,977	161,628	217,344
Funds from operations	**41,442**	44,969	42,564	39,209	38,395	39,401	38,274	34,273
Profit per unit								
– Basic	**(0.57)**	3.32	2.35	1.95	0.32	6.15	3.38	4.55
– Diluted	**(0.28)**	3.02	1.83	1.65	0.32	6.15	3.38	4.55
Funds from operations per unit								
– Basic	**0.86**	0.94	0.89	0.82	0.80	0.82	0.80	0.72
– Diluted	**0.79**	0.86	0.81	0.75	0.73	0.75	0.73	0.66

Additional Information

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

Respectfully,

Roberto A. Geremia
President



William Wong
Chief Financial Officer

February 13, 2014

Management's Report

To the Unitholders of Boardwalk Real Estate Investment Trust

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Trustees and by its Audit and Risk Management Committee which meets regularly with the auditors and management to review the activities of each. The Audit and Risk Management Committee, which comprises of three independent trustees, reports to the Board of Trustees.

Deloitte LLP, an independent firm of chartered accountants, has been engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditors' opinion.

Sam Kolias
Chief Executive Officer

Roberto A. Geremia
President

William Wong
Chief Financial Officer

February 13, 2014

Independent Auditors’ Report

To the Unitholders of Boardwalk Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Boardwalk Real Estate Investment Trust, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in unitholders’ equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Boardwalk Real Estate Investment Trust as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

February 13, 2014
Calgary, Alberta

Consolidated Statements of Financial Position

(CDN $ THOUSANDS)

As at	Note	Dec 31, 2013	Dec 31, 2012
Assets			
Non-current assets			
Investment properties	4	**$ 5,745,207**	$ 5,493,448
Property, plant and equipment	5	**23,625**	20,677
Deferred tax assets	16	**455**	945
		5,769,287	5,515,070
Current assets			
Inventories	6	**3,585**	3,233
Prepaid assets	7	**4,209**	3,792
Trade and other receivables	8	**4,819**	2,461
Segregated tenants' security deposits	9	**12,704**	12,090
Cash		**131,079**	138,656
		156,396	160,232
Total Assets		**$ 5,925,683**	$ 5,675,302
Liabilities			
Non-current liabilities			
Mortgages payable	10	**$ 1,790,625**	$ 1,922,166
LP Class B Units	12	**267,829**	288,772
Other non-current liabilities	13	**3,364**	5,452
Deferred unit-based compensation	14	**4,872**	5,306
Deferred tax liabilities	16	**50**	7
Deferred government grant	17	**6,436**	2,251
		2,073,176	2,223,954
Current liabilities			
Mortgages payable	10	**470,787**	326,010
Deferred unit-based compensation	14	**3,453**	3,765
Deferred government grant	17	**380**	32
Refundable tenants' security deposits		**16,375**	15,718
Trade and other payables	15	**61,990**	55,722
		552,985	401,247
Total Liabilities		**2,626,161**	2,625,201
Equity			
Unitholders' equity	18	**3,299,522**	3,050,101
Total Equity		**3,299,522**	3,050,101
Total Liabilities and Equity		**$ 5,925,683**	$ 5,675,302

See accompanying notes to these consolidated financial statements

Guarantees, contingencies, commitments and other (NOTE 26)

On behalf of the Trust:

Sam Kolias
Trustee

Gary Goodman
Trustee

Consolidated Statements of Comprehensive Income

(CDN $ THOUSANDS)	Note	**Year ended Dec 31, 2013**	Year ended Dec 31, 2012
Rental revenue	19	**$ 454,915**	$ 433,205
Ancillary rental income	20	**7,107**	6,696
Total rental revenue		**462,022**	439,901
Rental expenses			
Operating expenses		**90,290**	87,143
Utilities		**42,928**	39,921
Property taxes		**38,768**	36,773
Net operating income		**290,036**	276,064
Financing costs	21	**90,651**	98,062
Administration		**32,209**	28,909
Depreciation and amortization	22	**12,026**	10,922
Profit from continuing operations before the undernoted		**155,150**	138,171
Gain on sale of assets	23	**–**	135
Fair value gains	24	**183,118**	549,986
Profit before income tax (expense) recovery		**338,268**	688,292
Income tax (expense) recovery	16	**(538)**	222
Profit for the year		**337,730**	688,514
Other comprehensive income		**2,149**	2,850
Total comprehensive income		**$ 339,879**	$ 691,364

See accompanying notes to these consolidated financial statements

Consolidated Statements of Changes in Unitholders' Equity

(CDN $ THOUSANDS)	Trust Units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings	Accumulated other comprehensive income (loss) (NOTE 18(c))	Total Unitholders' equity
Balance, December 31, 2011	$ 187,264	$ 2,908,793	$ (642,809)	$ 2,265,984	$ (8,458)	$ 2,444,790
Units issued	3,846	–	–	–	–	3,846
Profit for the year	–	688,514	–	688,514	–	688,514
Other comprehensive income	–	–	–	–	2,850	2,850
Total comprehensive income for the year	–	688,514	–	688,514	2,850	691,364
Distributions declared to Unitholders	–	–	(89,899)	(89,899)	–	(89,899)
Balance, December 31, 2012	$ 191,110	$ 3,597,307	$ (732,708)	$ 2,864,599	$ (5,608)	$ 3,050,101
Units issued	4,113	–	–	–	–	4,113
Profit for the year	–	337,730	–	337,730	–	337,730
Other comprehensive income	–	–	–	–	2,149	2,149
Total comprehensive income for the year	–	337,730	–	337,730	2,149	339,879
Distributions declared to Unitholders	–	–	(94,571)	(94,571)	–	(94,571)
Balance, December 31, 2013	**$ 195,223**	**$ 3,935,037**	**$ (827,279)**	**$ 3,107,758**	**$ (3,459)**	**$ 3,299,522**

See accompanying notes to these consolidated financial statements

Consolidated Statements of Cash Flows

(CDN $ THOUSANDS)	Note	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Operating activities			
Profit for the year		**$ 337,730**	$ 688,514
Financing costs	21	**90,651**	98,062
Interest paid		**(91,044)**	(101,472)
Fair value gains		**(183,118)**	(549,986)
Income tax expense (recovery)	16	**538**	(222)
Income tax paid	16	**(5)**	(1)
Government grant amortization	17	**(32)**	–
Depreciation and amortization	22	**12,026**	10,922
		166,746	145,817
Net change in operating working capital	33	**3,361**	1,395
		170,107	147,212
Investing activities			
Improvements to investment properties	4	**(73,825)**	(79,733)
Development of investment properties	4	**(15,479)**	(3,387)
Cash proceeds from sale of assets	23	**–**	–
Additions to property, plant and equipment	5	**(7,149)**	(6,177)
Net change in investing working capital	33	**2,911**	(860)
		(93,542)	(90,157)
Financing activities			
Distributions paid		**(94,320)**	(89,411)
Debenture repayment	11	**–**	(112,405)
Proceeds from mortgage financings		**68,411**	73,869
Mortgages repayments on maturity		**(13,663)**	(6,400)
Scheduled mortgage principal repayments		**(45,260)**	(41,303)
Deferred financing costs incurred		**(4,041)**	(3,831)
Bond forward settlement, net of amortization		**61**	20
Government grant proceeds	17	**4,565**	2,283
Net change in financing working capital	33	**105**	2,885
		(84,142)	(174,293)
Net decrease in cash		**(7,577)**	(117,238)
Cash, beginning of year		**138,656**	255,894
Cash, end of year		**$ 131,079**	$ 138,656

See accompanying notes to these consolidated financial statements

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

(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" or the "Entity") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust ("DOT"), dated January 9, 2004, and as amended and restated on various dates between May 3, 2004 and May 15, 2013, 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

The Trust's 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. These consolidated financial statements were 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 3.

Certain comparative figures have been reclassified to conform to the presentation of the current period. Within the statement of financial position, a current and non-current portion has been disclosed for the deferred government grant. Within the cash flow statement, disclosure was made of interest paid and income tax paid. Additionally, amounts were reclassified from net change in operating working capital to net change in investing working capital and net change in financing working capital. Under financing activities, the line previously named "Financing, repayment and maturity of debt on investment properties" has been reclassified into three separate lines; "Proceeds from mortgage financings", "Mortgages repayments on maturity" and "Scheduled mortgage principal repayments".

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Trust and its consolidated subsidiaries (see NOTE 31), which are the entities over which Boardwalk REIT has control. Control is achieved when the entity has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Trust reassesses whether or not it controls an investee if facts, circumstances and events indicate that there are changes to one or more of the three elements of control listed above.

In accordance with IFRS 10 – Consolidated Financial Statements ("IFRS 10"), an entity can exercise control on a basis other than ownership of voting interests. When the Trust has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Trust considers all relevant facts and circumstances in assessing whether or not the Trust's voting rights in an investee are sufficient to give it power. These facts and circumstances can include: the size of the Trust's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Trust, other vote holders or other parties; rights arising from contractual arrangements; and any other additional facts or circumstances.

Currently, the Trust has control over all of the subsidiaries reported in the consolidated financial statements (either directly or indirectly) and non-controlling interests do not exist for the Trust at this time. All intra-group transactions, balances, revenues and expenses eliminate on consolidation.

(d) Investment properties

Investment properties consist of multi-family residential properties held to earn rental income, properties being constructed or developed for future use to earn rental income and include interests held under long-term operating land leases. Investment properties are measured initially at cost. Cost includes all amounts relating to the acquisition (excluding transaction costs related to a business combination as outlined in NOTE 2(f)) 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 to investment property. Included in these costs are internal amounts that are directly attributable, 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, in accordance with International Accounting Standard ("IAS") 40 – Investment Property ("IAS 40"). Fair value is determined based on a combination of internal and external processes and valuation techniques. 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 are capitalized. Such costs include direct development costs, property taxes and other costs directly attributable to the development. These costs are directly related to the construction of a qualifying asset and will be incurred and capitalized until such time when substantially all of the activities required to prepare the qualifying asset for its intended use are complete.

Properties owned by the Trust where a significant portion of the property is used for administrative purposes by the Trust 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 (see NOTE 2(g)).

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 of the investment property is adjusted to reflect its fair value as outlined in the purchase and sale agreement (as 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 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 and, therefore, is treated as Investment Property and recorded in accordance with IAS 40 as outlined above. When determining the fair value of a project with excess land, the capitalization rate used in determining the value is adjusted accordingly.

(e) Property, plant and equipment

Tangible assets 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 assets 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 asset 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 tangible asset are expected to be consumed and realized by the Trust. The amount of depreciation will be charged systematically to the consolidated 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 tangible asset be determined based on the circumstances of each tangible asset. The method of depreciation, residual values and estimates of the useful economic life of a tangible asset, 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").

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	PP&E Category (NOTE 5)	Useful Life / Depreciation Rate	Depreciation method used
Administrative building	Administrative building	40 years	Straight-line
Site equipment	Site equipment and other assets	15%	Declining balance
Automobiles	Site equipment and other assets	20%	Declining balance
Warehouse assets	Site equipment and other assets	10% to 20%	Declining balance
Corporate assets	Site equipment and other assets	10% to 20%	Declining balance
Computer hardware	Corporate technology assets	35%	Declining balance
Computer software*	Corporate technology assets	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 used in the normal course of operations of Boardwalk REIT. The programmers' work is directly attributable to software development.

(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 of a business, 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 of a business, are recorded as an asset addition.

The acquisition method requires that an acquirer be identified, a specific acquisition date be determined (which is typically the date on which control changes), 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 the assessment, 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 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 in the consolidated statement of comprehensive income.

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 in the consolidated statement of comprehensive income. 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 was 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. These 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: (a) if management is committed to a plan to achieve the sale, (b) there is an active program to find a buyer, (c) the non-current asset (or disposal group) is being actively marketed at a reasonable price, (d) the sale is anticipated to be completed within one year from the date of classification, and (e) 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 meets the definition of discontinued operations will be reported as part of discontinued operations in the consolidated statement of comprehensive income.

(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 consolidated 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 being 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 (see below) 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 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 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, 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. The costs of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and third-party transport, handling and other costs directly attributable to the acquisition of goods and materials, less any trade discounts, rebates and other similar items, using the first-in, first-out method of cost assignment. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(j) Taxation

For fiscal 2012 and 2013, Boardwalk REIT qualified as a "mutual fund trust" as defined under the Income Tax Act (Canada) (the "Tax Act") and as a Real Estate Investment Trust ("REIT") eligible for the 'REIT Exemption' in accordance with the rules affecting the tax treatment of publicly traded trusts. Accordingly, the Trust is not taxable on its income provided that all of its taxable income is distributed to its Unitholders. This exemption, however, does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax (NOTE 31 summarizes the Trust's subsidiaries, including its corporate subsidiaries).

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 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 consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income 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 assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in 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. In addition, deferred income tax assets and liabilities are measured using the rate that is consistent with the expected manner of recovery (i.e. using the asset versus selling the asset). Where applicable, current and deferred income taxes 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 and when 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 prospectively such that the cumulative expense reflects the revised estimate. In accordance with IAS 32 – Financial Instruments: Presentation ("IAS 32"), the deferred units are presented as a liability on the consolidated statement of financial position as the Trust is obliged to provide the holder with REIT Units once the deferred units vest. Under IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), 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 Boardwalk REIT's Trust Units.

(m) Government assistance and grants

The Trust receives government assistance in order to complement and partially assist the Trust's initiatives in providing 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.

(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 when the tenant occupies their leased space. 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 an investment property is recognized when title passes to the purchaser (control is transferred) 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 when earned, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in financing costs in the consolidated statement of comprehensive income.

(iv) Ancillary rental income

Ancillary rental income comprises revenue from coin laundry 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 for, presented, and disclosed in accordance with IFRS 7 – Financial Instruments: Disclosures ("IFRS 7"), IAS 32 and 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 either is 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. 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. 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. (1) (2)
Available-for-sale	Non-derivative financial assets that either are 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. (1) (2)

(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 either as 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. (1)

(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
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 13 and 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 case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives embedded in 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 years ended December 31, 2013 and 2012, 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 consolidated 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 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 consolidated financial statements:

(i) Income taxes

The Trust applies judgment in determining the tax rates applicable to its corporate 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 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.

(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 land 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 internal capital program

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. Additionally, judgment is applied in determining the appropriate classes of investment properties in order to measure fair value. The Trust also undertakes internal capital improvements and upgrades. Such work is specifically identified, and the Trust applies judgment in the estimated amount of directly attributable on-site wages to be capitalized relating to capital improvements and upgrades of its real estate assets.

(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. 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 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 IFRS 10. Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standard.

(vi) Deferred unit-based compensation

The Trust applies judgment in determining the best available estimate of the number of deferred units that are expected to vest at each reporting period.

(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 4. Significant estimates used in determining the fair value of the Trust's investment properties includes capitalization rates and net operating income (which is influenced by inflation rates, vacancy rates and standard costs) used in the overall capitalization rate valuation method as well as discount rates and forecasted cash flows used in the discounted cash flow valuation method. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to NOTE 4 for sensitivity analysis.

(ii) Property, plant and equipment

The useful economic life of property, plant and equipment for the purposes of calculating depreciation and amortization, as disclosed in NOTE 5 and forecast of economic factors to determine recoverable amounts for the purpose of determining any impairment of assets, are based on data and information from various sources including industry practice and entity specific history.

(iii) Internal Capital Program

The Trust's internal capital program is based on internal allocations, including parts, supplies and on-site wages identified as part of the specific upgrade.

(iv) Utility accrual

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 providers.

(v) Deferred unit-based compensation plan

The compensation costs relating to the deferred unit plan are based on estimates of 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 and liabilities held in various corporate subsidiaries versus the tax bases of those assets and liabilities and the tax rates at which the differences will be realized are outlined in NOTE 16.

NOTE 3: APPLICATION OF NEW AND REVISED IFRSS AND FUTURE ACCOUNTING POLICIES

(a) Application of new and revised IFRSs

In the current year, the Trust has applied a number of new and revised IFRSs issue by the IASB. The following highlights these changes and the effect, if any, on the Trust's consolidated financial statements.

Financial Instruments

IFRS 7, Financial Instruments: Disclosures, has been amended to include information regarding all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendment also requires disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The amendment was applicable for periods beginning on, or after, January 1, 2013 and must be applied retrospectively to all comparative periods. As the Trust does not have any offsetting arrangements in place, the application of the amendments to IFRS 7 had no material impact on the disclosure or the amounts recognized in the 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"). IFRS 10 eliminates the 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 the holding of potential voting rights. This standard is effective for accounting periods beginning on, or after, January 1, 2013.

IAS 27 was revised in May 2011 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 adoption of IFRS 10 and revisions to IAS 27 did not have an impact on the Trust's 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 – Interests in Joint Ventures ("IAS 31"). The new standard redefines joint operations and joint ventures, requiring 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 effective for accounting periods beginning on, or after, January 1, 2013.

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 effective for accounting periods beginning on, or after, January 1, 2013.

The adoption of IFRS 11 and revisions to IAS 28 did not have an impact on the Trust's 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 effective for accounting periods beginning on, or after, January 1, 2013.

The adoption of IFRS 12 did not have an impact on the Trust's consolidated financial statements.

Fair Value Measurements

IFRS 13 – Fair Value Measurements ("IFRS 13") establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 – Financial Instruments: Disclosures ("IFRS 7") will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 was effective for annual periods beginning on or after January 1, 2013.

The adoption of IFRS 13 has resulted in additional disclosures in NOTE 4, NOTE 13 and NOTE 29 to the Trust's consolidated financial statements.

Employee Benefits

IAS 19 – Employee Benefits ("IAS 19") amendments was issued in June 2011 and 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 to be applied for accounting periods beginning on, or after, January 1, 2013.

The adoption of the amendments to IAS 19 did not have an impact on the Trust's 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 an entity to distinguish between those items that are recycled to profit and loss versus those items that are not recycled. Retrospective application is required and the standard is effective for annual periods beginning on, or after, July 1, 2012.

The adoption of the amendments to IAS 1 did not have an impact on the Trust's consolidated financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle

The Annual Improvements included amendments to five IFRS accounting standards. However, improvements related to IFRS 1 – First-time adoption of IFRS have been excluded as the Trust did not adopt IFRS in the current year and improvements related to IAS 34 – Interim Financial Reporting have been excluded as the Trust is currently not reporting an interim period. All of these amendments were effective for periods beginning on or after January 1, 2013.

Standard	Subject of amendment	Details of amendment	Impact
IAS 1 – Presentation of financial statements	Clarification of the requirements for comparative information	The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position.	The Trust did not have any accounting policy changes that required retrospective application; therefore, there is no impact from this amendment.
IAS 16 – Property, Plant and Equipment	Classification of servicing equipment	The amendments clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.	The Trust's spare parts are classified as inventory.
IAS 32 – Financial Instruments Presentation	Tax effect of distribution to holders of equity instruments	The amendments clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 – Income Taxes.	As the Trust distributes to its Unitholders all of its taxable income, this amendment did not impact the Trust.

(b) Future accounting polices

The following accounting standards under IFRS have been issued or revised; however, they are not yet effective, and, as such, have not been applied to these consolidated financial statements:

Financial Instruments

IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments, remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. The amendment is applicable for annual periods beginning on, or after, January 1, 2015, with earlier application permitted. The Trust does not expect these amendments to have a significant impact on its consolidated financial statements.

In addition, amendments were made to IAS 32 which clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement". These amendments are applicable for annual periods beginning on, or after, January 1, 2014.

The Trust does not anticipate that the applications of these amendments will have a significant impact on the Trust's consolidated financial statements, as the Trust does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments are applicable for annual periods beginning on, or after, January 1, 2014.

The Trust does not have any investment entities, and as such does not expect these amendments to have an impact on its consolidated financial statements.

International Financial Reporting Interpretation Committee 21 – Levies ("IFRIC 21")

In May 2013, the IASB issued IFRIC 21, which is effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. Within IFRIC 21, a levy is defined as an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

(a) those outflows of resources that are within the scope of other standards (such as income taxes that are within the scope of IAS 12); and

(b) fines or other penalties that are imposed for breaches of the legislation.

'Government' refers to government, government agencies and similar bodies whether local, national or international. IFRIC 21 provides an interpretation of the requirements in IAS 37 for the recognition of liabilities for obligations to pay levies that are within the scope of IFRIC 21.

The Trust is evaluating whether IFRIC 21 will have a significant impact on the Trust's consolidated financial statements.

Annual Improvements for to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

The IASB has released the final amendments for the 2010-2012 and 2011-2013 annual improvement project with the majority of these amendments applying for annual periods beginning on or after July 1, 2014. Only those which may have a significant impact on the Trust are included below.

Standard	Details of amendment	Expected impact
2010-2012 Cycle IFRS 3 – Business Combinations	An obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a financial liability or equity on the basis of the definitions in IAS 32. Non-equity consideration is measured at fair value at each reporting date, with changes recognized in the income statement.	The Trust will determine the impact of this amendment should a business combination occur.
2011-2013 Cycle IFRS 3 – Business combinations	The amendment clarifies that IFRS 3 does not apply to the formation of any joint arrangement and that the scope exemption only applies in the financial statements of the joint arrangement itself.	The Trust will determine the impact of this amendment should a business combination occur.
IAS 40 – Investment property	The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists preparers to distinguish between investment property and owner-occupied property. IFRS 3 determines whether the acquisition of an investment property is a business combination.	The Trust will determine the impact of this amendment should the acquisition of an investment property occur.

NOTE 4: INVESTMENT PROPERTIES

As at	Dec 31, 2013	Dec 31, 2012
Balance, beginning of year	$ 5,493,448	$ 4,793,895
Additions		
Building improvements (incl. internal capital program)	73,825	79,733
Development of investment properties	15,479	3,387
Fair value gains, unrealized	162,455	616,433
Balance, end of year	$ 5,745,207	$ 5,493,448
Revenue producing properties	$ 5,744,205	$ 5,489,191
Development (1)	1,002	4,257
Total	$ 5,745,207	$ 5,493,448

(1) For the year ended December 31, 2013, a development project was completed in December 2013, totaling $19.1 million in costs, and was reclassified from development to revenue producing properties (December 31, 2012 – $nil).

Subsequent to initial recognition at cost, investment properties are recorded at fair value, in accordance with IAS 40. Fair value is determined based on a combination of internal and external processes and valuation techniques. Fair value under IFRS is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment properties are valued on a highest and best use basis. For all of the Trust's investment properties the current use is considered to be the highest and best use. For the year ended December 31, 2013, there has been no change to the valuation technique.

In determining the appropriate classes of investment properties in order to determine the fair value measurement, the Trust has considered the nature, characteristics and risk of its properties. The classification of investment properties are based primarily on the geographical location of the asset, with the exception of properties situated on land leases. Below is a continuity schedule based on investment property classes:

As at	Dec 31, 2013				
	Balance, beginning of year	Building improvements (incl. internal capital program)	Development of investment properties	Fair value gains (losses), included in net profit	Balance, end of year
Recurring measurements					
Investment properties					
Calgary	$ 1,155,452	$ 9,300	$ 15,307	$ 23,994	$ 1,204,053
Edmonton	2,176,033	25,999	71	101,878	2,303,981
Other Alberta	294,477	3,706	–	18,453	316,636
Vancouver	115,284	1,046	–	8,694	125,024
Kitchener	30,766	2,089	–	(961)	31,894
London	187,864	3,200	–	2,440	193,504
Windsor	94,418	2,643	–	7,637	104,698
Montreal	95,881	2,087	–	(4,984)	92,984
Quebec City	170,578	1,643	–	(4,353)	167,868
Regina	373,301	7,492	101	6,202	387,096
Saskatoon	316,891	3,973	–	7,959	328,823
Land lease	482,503	10,647	–	(4,504)	488,646
Total	$ 5,493,448	$ 73,825	$ 15,479	$ 162,455	$ 5,745,207

Investment properties measured at fair value in the statement of financial position are categorized by level according to the significance of the inputs used in making the measurements. The levels of inputs are defined as follows:

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs: Unobservable inputs for the asset or liability.

The Trust's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. As at December 31, 2013, all of the Trust's investment properties were Level 3 inputs. There were no transfers in or out of Level 3 fair value measurements for investment properties during the year ended December 31, 2013.

External valuations were obtained from third-party external valuation professionals ("the Appraisers") based on a cross section of properties from different geographical locations and markets across the Trust's rental portfolio as determined by the Trust's management. The Appraisers are an independent valuation firm not related to the Trust and employ valuation professionals who are members of the Appraisal Institute of Canada and the Ordre des Evaluateurs Agrees du Quebec who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. External appraisals were obtained as follows:

Date	Number of properties	Aggregate fair value	Percentage of portfolio as of that date
December 31, 2013	7	$ 779,487	13.6%
September 30, 2013	7	$ 217,022	3.8%
June 30, 2013	6	$ 211,895	3.8%
March 31, 2013	7	$ 178,609	3.2%

Date	Number of properties	Aggregate fair value	Percentage of portfolio as of that date
December 31, 2012	7	$ 663,136	12.0%
September 30, 2012	6	$ 181,850	3.3%
June 30, 2012	6	$ 205,278	4.0%
March 31, 2012	7	$ 375,083	7.5%

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. In addition to performing a valuation on a selection 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.

The third-party valuation technique of the Trust's investment property portfolio primarily 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, be 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.

Five of the Trust's properties: one in Calgary, one in Banff, one in Edmonton and two in Montreal, are subject to long-term land leases and similar arrangements in which the underlying land is owned by a third party and leased to the Trust. Under the terms of a typical land lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements, including taxes, utilities, insurance, maintenance, repairs and replacements in respect of all the leased premises. Unless the lease term is extended, the land together with all improvements made will revert to the owner of the land upon the expiration of the lease term. Due to the relatively short term remaining on one of the land leases in Montreal (with an expiry date of 2028) and an anticipated significant land rent escalation in 2016 for the land lease in Calgary, these two properties utilized the Discounted Cash Flow ("DCF") approach to derive the fair value. The DCF Method calculates the present value of the future cash flows over a specified time period to determine the fair value for each property at each reporting date. The most significant assumption using the DCF method is the discount rate applied over the term of the lease. The discount rates reflect the uncertainty regarding the renegotiation of the land lease payments and the ability to extend the land lease at the expiry date. Forecasted cash flows are reduced for contractual land lease payments during the term of the leases.

The key valuation metrics (and significant unobservable inputs in Level 3) for the Trust's investment properties are set out in the following tables:

	Dec 31, 2013			Dec 31, 2012		
	Capitalization rate			Capitalization rate		
As at	**Minimum**	**Maximum**	**Forecasted total standardized net operating income**	Minimum	Maximum	Forecasted total standardized net operating income
Calgary	**4.75%**	**6.00%**	**$60,110**	4.75%	5.50%	$56,819
Edmonton	**5.00%**	**5.50%**	**121,623**	5.00%	5.50%	114,527
Other Alberta	**5.75%**	**7.25%**	**20,497**	5.75%	7.25%	19,101
Vancouver	**4.75%**	**5.25%**	**6,195**	4.75%	6.25%	6,096
Kitchener	**5.50%**	**5.50%**	**1,754**	5.75%	5.75%	1,769
London	**5.75%**	**6.00%**	**11,145**	5.75%	6.00%	10,819
Windsor	**6.50%**	**7.00%**	**7,068**	6.50%	7.00%	6,372
Montreal	**5.50%**	**6.25%**	**5,348**	5.50%	6.25%	5,523
Quebec City	**5.75%**	**6.25%**	**9,980**	5.75%	6.25%	10,152
Regina	**5.75%**	**6.00%**	**23,156**	5.75%	6.00%	22,340
Saskatoon	**5.75%**	**6.00%**	**19,569**	5.75%	6.00%	18,855
	4.75%	**7.25%**	**286,445**	4.75%	7.25%	272,373
Land Lease	**5.25%**	**13.49%**	**$28,337**	5.25%	12.69%	27,886

The overall weighted average Capitalization Rates for fair valuing the Trust's investment properties at December 31, 2013 and 2012, were 5.48% and 5.47%, respectively.

The "Overall Capitalization Rate" method requires that a forecasted stabilized net operating income ("NOI") be divided by a Capitalization Rate ("Cap Rate") to determine a fair value. NOI is calculated as a one-year income forecast based on rental income from current leases and key assumptions about rental income, vacancies and inflation rates, among other factors, less property operating costs. As such, fluctuations in both NOI and Cap Rates could significantly alter the fair value. Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in capitalization rate will result in a decrease to the fair value of an investment property. When the capitalization rate is applied to NOI to calculate fair value, there is a significant impact as the lower the capitalization rate, the larger the impact. Below are tables that summarize the impact of changes in both the Cap Rates and NOI on the Trust's fair value of investment properties (excluding development):

As at December 31, 2013

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 305,339	$ 311,635	$ 314,782	$ 317,930	$ 324,226
Capitalization Rate						
-0.25%	5.23%	$ 94,016	$ 214,392	$ 274,580	$ 334,767	$ 455,143
Cap Rate As Reported	5.48%	(172,326)	(57,442)	5,744,205	57,442	172,326
+0.25%	5.73%	(415,427)	(305,556)	(250,620)	(195,684)	(85,812)

As at December 31, 2012

Net Operating Income		-3%	-1%	As Forecasted	+1%	+3%
		$ 291,251	$ 297,256	$ 300,259	$ 303,261	$ 309,267
Capitalization Rate						
-0.25%	5.22%	$ 90,330	$ 205,371	$ 262,892	$ 320,413	$ 435,455
Cap Rate As Reported	5.47%	(164,676)	(54,892)	5,489,191	54,892	164,676
+0.25%	5.72%	(397,391)	(292,405)	(239,912)	(187,419)	(82,434)

Investment properties with a fair value of $488.4 million (December 31, 2012 – $482.5 million) are situated on land held under land leases.

Investment properties with a fair value of $654.8 million (December 31, 2012 – $638.8 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 $5.3 billion (December 31, 2012 – $5.1 billion) are pledged as security against the Trust's mortgages payable. As at December 31, 2013, there are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

For the years ended December 31, 2013 and 2012, investment properties earned rental revenue (excluding ancillary rental income) of $454.7 million and $433.2 million, respectively. Direct operating expenses in relation to investment properties were $166.7 million and $159.0 million for the years ended December 31, 2013 and 2012, respectively.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of PP&E were as follows:

As at	Dec 31, 2013			Dec 31, 2012		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Administration building	$ 5,659	$ (2,282)	$ 3,377	$ 4,970	$ (2,041)	$ 2,929
Site equipment and other assets	35,082	(18,233)	16,849	30,119	(15,701)	14,418
Corporate technology assets	25,034	(21,635)	3,399	23,537	(20,207)	3,330
Total	$ 65,775	$ (42,150)	$ 23,625	$ 58,626	$ (37,949)	$ 20,677

The following table outlines a reconciliation of the carrying amount of PP&E as at December 31, 2013:

	Dec 31, 2012 opening carrying amount	Additions	Depreciation	**Dec 31, 2013 closing carrying amount**
Administration building	$ 2,929	$ 689	$ (241)	**$ 3,377**
Site equipment and other assets	14,418	4,963	(2,532)	**16,849**
Corporate technology assets (1)	3,330	1,497	(1,428)	**3,399**
Total	$ 20,677	$ 7,149	$ (4,201)	**$ 23,625**

(1) Included in computer software is $610 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, 2012:

	Dec 31, 2011 opening carrying amount	Additions	Depreciation	Dec 31, 2012 closing carrying amount
Administration building	$ 2,586	$ 535	$ (192)	$ 2,929
Site equipment and other assets	12,444	4,149	(2,175)	14,418
Corporate technology assets (1)	3,230	1,493	(1,393)	3,330
Total	$ 18,260	$ 6,177	$ (3,760)	$ 20,677

(1) Included in computer software is $577 thousand of capitalized programmers' salaries related to the internally developed software applications used by the Trust in the normal course of its operations.

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 indicators of impairment. Where impairment exists, the PP&E asset is written down by 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 December 31, 2013 and 2012, there were no indicators of impairment in relation to the Trust's PP&E.

As at December 31, 2013 and 2012, none of the Trust's PP&E was pledged as security for debt.

NOTE 6: 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 they are readily available for use. When items of inventory are used, they are expensed as part of maintenance expense or they are 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	**Dec 31, 2013**	Dec 31, 2012
Parts and supplies	**$ 3,537**	$ 3,199
Baseboard, carpet and linoleum	**48**	34
	$ 3,585	$ 3,233

NOTE 7: PREPAID ASSETS

The major components of prepaid assets are as follows:

As at	**Dec 31, 2013**	Dec 31, 2012
Prepaid property taxes	**$ 1,049**	$ 1,031
Prepaid land leases	**2,460**	2,012
Prepaid expenses and other	**700**	749
	$ 4,209	$ 3,792

NOTE 8: TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise an aggregate amount of $4.8 million at December 31, 2013 (December 31, 2012 – $2.5 million) consisting mainly of mortgage holdbacks, refundable mortgage fees and amounts owed to Boardwalk REIT by tenants and revenue-sharing business partners.

As at	**Dec 31, 2013**	Dec 31, 2012
Trade receivables	**$ 452**	$ 2,345
Mortgage holdbacks and refundable mortgage fees	**4,367**	116
	$ 4,819	$ 2,461

Refer to NOTE 30 (b) for the Trust's exposure to credit risk in relation to its trade and other receivables and how the Trust accounts for past due balances.

NOTE 9: SEGREGATED TENANTS' SECURITY DEPOSITS

Segregated 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 $12.7 million at December 31, 2013 and $12.1 million at December 31, 2012.

NOTE 10: MORTGAGES PAYABLE

As at	**Dec 31, 2013**		Dec 31, 2012	
	Weighted Average Interest	**Debt Balance**	Weighted Average Interest	Debt Balance
Mortgage payable				
Fixed rate	**3.46%**	**$ 2,261,412**	3.69%	$ 2,248,176
Total		**2,261,412**		2,248,176
Current		**$ 470,787**		$ 326,010
Non-current		**1,790,625**		1,922,166
		$ 2,261,412		$ 2,248,176

Estimated future principal payments required to meet mortgage obligations as at December 31, 2013 are as follows:

	Secured By Investment Properties
2014	$ 470,787
2015	460,720
2016	285,434
2017	315,300
2018	176,945
Subsequent	634,137
	2,343,323
Unamortized deferred financing costs	(82,004)
Unamortized mark-to-market adjustment	93
	$ 2,261,412

Canadian Mortgage and Housing Corporation ("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 years ended December 31, 2013 and 2012, 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 December 31, 2013 (December 31, 2012 – $200 million). The credit facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. This credit facility currently has a maturity date of July 27, 2016. 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.

There was no amount outstanding at December 31, 2013 (December 31, 2012 – $nil) under this facility, except for Letters of Credit ("LCs") issued and outstanding. The LCs totaled $4.2 million as at December 31, 2013 (December 31, 2012 – $3.7 million). As such, approximately $195.8 million was available from this facility on December 31, 2013 (December 31, 2012 – $196.3 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 30 (d).

NOTE 11: DEBENTURES

The unsecured debentures principal balance of $112.4 million matured on January 23, 2012. Upon maturity, the unsecured debentures were settled using the Trust's liquidity on hand.

NOTE 12: LP CLASS B UNITS

The LP Class B Units, representing an aggregate fair value of $267.8 million at December 31, 2013 (December 31, 2012 – $288.8 million), 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 these exchangeable units in an amount equivalent to the distributions which would have been made had the units been exchanged for Boardwalk REIT Units. 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 39. Gains or losses resulting from changes in the fair value at each reporting date are recorded in the consolidated statement of comprehensive income and are discussed in NOTE 24.

As at December 31, 2013 and 2012, there were 4,475,000 LP Class B Units issued and outstanding.

NOTE 13: OTHER NON-CURRENT LIABILITIES

Other non-current liabilities represents the fair value of the Trust's interest rate swaps (as described below) and totaled $3.4 million as at December 31, 2013 (December 31, 2012 – $5.5 million).

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. 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 consolidated 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. At December 31, 2013 and December 31, 2012, 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. As such, the change in fair value has been recorded in OCI as outlined in NOTE 18(c).

As at December 31, 2013 and December 31, 2012, the fair value measurement of the interest rate swaps was based on Level 2 inputs (as defined in NOTE 4). At each reporting date, the Trust's lender determines the fair value by applying a discount rate to the future payments at the current market borrowing rates reflective of the Trust's credit risk.

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 $84.7 million at December 31, 2013 (December 31, 2012 – $86.0 million). The mortgages of these specific properties have been included in the mortgage payable balance above (NOTE 10).

NOTE 14: DEFERRED UNIT-BASED COMPENSATION

Deferred unit-based compensation is comprised of the following:

As at	**Dec 31, 2013**	Dec 31, 2012
Current	**$ 3,453**	$ 3,765
Non-current	**4,872**	5,306
	$ 8,325	$ 9,071

The total of $8.3 million represents the fair value of the underlying deferred units at December 31, 2013 (December 31, 2012 – $9.1 million). These units have been classified as "FVTPL" financial liabilities in accordance with IAS 39. Gains or losses resulting from changes in the fair value at each reporting date are recorded in the 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.

As at December 31, 2013, the unexpired deferred units, in whole or in part, were granted as follows:

Deferred units granted in	Number	Grant date	Expiry Date	Fair value at grant date
2009	54,007	February, June & December 2009	February, June & December 2014	$ 1,737
2010	57,720	February, June & December 2010	February, June & December 2015	$ 2,291
2011	51,620	February, June & December 2011	February, June & December 2016	$ 2,456
2012	50,946	February, June & December 2012	February, June & December 2017	$ 2,946
2013	53,206	February, June & December 2013	February, June & December 2018	$ 3,234
	267,499			$ 12,664

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. The fair value of each unit granted 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 year ended December 31, 2013, total costs of $3.1 million (December 31, 2012 – $2.5 million for the year) were recognized 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, December 31, 2011	224,601	–
Deferred units granted	50,946	52,261
Additional deferred units earned on units	7,196	9,914
Deferred units converted to Trust Units or cash	(62,175)	(62,175)
Balance, December 31, 2012	220,568	–
Deferred units granted	53,206	71,651
Additional deferred units earned on units	7,320	10,980
Deferred units converted to Trust Units or cash	(68,297)	(68,297)
Balance, December 31, 2013	**212,797**	**14,334**

NOTE 15: TRADE AND OTHER PAYABLES

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

As at	**Dec 31, 2013**	Dec 31, 2012
Trade payables and accrued liabilities	**$ 58,437**	$ 52,469
Provisions	**3,553**	3,253
	$ 61,990	$ 55,722

As at December 31, 2013 and 2012, 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 insignificant legal claims arising from minor tenant injuries. As at December 31, 2013 and 2012, the Trust does not have any material contingent liabilities.

NOTE 16: INCOME TAXES

Current income tax

As at December 31, 2013 and 2012, 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

For fiscal 2012 and 2013, Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) (the "Tax Act") and as a Real Estate Investment Trust ("REIT") eligible for the 'REIT Exemption' in accordance with the rules affecting the tax treatment of publicly traded trusts. Accordingly, the Trust is not taxable on its income provided all of its taxable income is distributed to its Unitholders. This exemption, however, does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax.

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

As at	Dec 31, 2012	Recognized in profit	**Dec 31, 2013**
Deferred tax assets (liabilities) related to:			
Operating losses	$ 832	$ (377)	**$ 455**
Differences in tax base and carrying amount, net, investment properties and PP&E for corporate entities	111	(156)	**(45)**
Other	(5)	–	**(5)**
Net deferred tax assets (liabilities)	$ 938	$ (533)	**$ 405**
Deferred tax assets	$ 945	$ (490)	**$ 455**
Deferred tax liabilities	(7)	(43)	**(50)**
Net deferred tax assets (liabilities)	$ 938	$ (533)	**$ 405**

As at	Dec 31, 2011	Recognized in profit	Dec 31, 2012
Deferred tax assets (liabilities) related to:			
Operating losses	$ 566	$ 266	$ 832
Differences in tax base and carrying amount, net, investment properties and PP&E for corporate entities	159	(48)	111
Other	(10)	5	(5)
Net deferred tax (liabilities) assets	$ 715	$ 223	$ 938
Deferred tax assets	$ 725	$ 220	$ 945
Deferred tax liabilities	(10)	3	(7)
Net deferred tax (liabilities) assets	$ 715	$ 223	$ 938

No current income taxes or deferred income taxes were recognized in equity, other than through profit or OCI, for the years ended December 31, 2013 and 2012.

As at December 31, 2013, wholly owned Canadian corporate subsidiaries have deferred tax assets of $0.5 million (December 31, 2012 – $0.8 million) related to operating losses, which expire over the next three 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:

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Current tax expense	**$ 5**	$ 1
Deferred tax recovery	**533**	(223)
Total income tax expense (recovery)	**$ 538**	$ (222)

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

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Profit before income tax expense (recovery)	**$ 338,268**	$ 688,292
Remove profit from non-taxable entities	**(295,367)**	(645,186)
Accounting profit subject to tax	**42,901**	43,106
Deduct management fee charged to corporate entities	**(42,198)**	(43,115)
Taxable profit (loss)	**703**	(9)
Weighted average substantively enacted tax rate	**26.97%**	26.9%
Calculated income tax (recovery) expense	**190**	(2)
Changes to other deferred tax liabilities	**348**	(220)
Total income tax (expense) recovery	**$ 538**	$ (222)

As at December 31, 2013 and 2012, the Trust does not have any unrecognized deductible temporary differences, unrecognized tax losses and unused tax credits.

NOTE 17: DEFERRED GOVERNMENT GRANT

In December 2013, the Trust completed the construction of a 109-unit, four storey, elevatored, wood frame building in the southwest part of Calgary, Alberta (the "Project" or "Development"). The Development was constructed on excess land density the Trust currently had on a property known as 'Spruce Ridge'. In conjunction with this Development, the Trust applied and received approval for a government grant from the Province of Alberta totaling approximately $7.5 million. In return for this grant, the Trust has agreed to provide 54 of the 109 units at rents to be 10% below the average market rates for Calgary ("affordable units") for a term of 20 years.

The grant proceeds will be paid to Boardwalk REIT in four installments based on certain completion milestones.

a) 30% upon the Province of Alberta's receipt of appropriate paperwork indicative of commencement of the Project;

b) 30% upon 30% completion of the Project;

c) 30% upon 60% completion of the Project; and

d) The remaining 10% to be paid when the Project has been completed and final documents have been audited.

As at December 31, 2013, approximately $6.8 million of the $7.5 million was received by the Trust (December 31, 2012 – $2.3 million). Any portion of the $7.5 million grant that exceeds 65% of the contracted construction costs of the Development attributable to the affordable units, including the land value attributed to the affordable units, must be repaid by the Trust. The final 10% of the grant is currently being withheld until the Project is complete. Based on the costs incurred thus far, no amount of the grant received to date will require repayment. However, it remains uncertain whether a portion or the full 10% of the final payment shall be received. In addition, a portion of the grant is repayable to the Province of Alberta, in proportion to the years remaining in the 20-year term, if the agreement to provide affordable units terminates earlier.

In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, this grant will be recognized in profit or loss on a systematic basis over the periods in which the Trust recognizes revenue from the 54 units classified as affordable units. For the year ended December 31, 2013, $32 thousand was recognized in profit under rental revenue for this grant (December 31, 2012 – $nil).

NOTE 18: UNITHOLDERS' EQUITY

The Plan of Arrangement (the "Arrangement") converting the Corporation from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of the Corporation to Boardwalk Real Estate Investment Trust, the Corporation incurred $10.3 million in restructuring costs. Under the Arrangement, the former shareholders of the Corporation 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 12.

(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	**Dec 31, 2013**	Dec 31, 2012
REIT Units outstanding, beginning of year	**47,851,667**	47,789,492
Units issued for vested deferred units	**68,297**	62,175
REIT Units outstanding, end of year	**47,919,964**	47,851,667

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.

In the last application, Boardwalk REIT requested and received regulatory approval for a Bid (Boardwalk's sixth Bid since its first Bid in August of 2007), which commenced on July 3, 2013 and terminates on July 2, 2014 or when the Bid is completed. The Bid allows Boardwalk REIT to purchase and cancel up to 3,894,712 Trust Units.

For the years ended December 31, 2013 and 2012, Boardwalk REIT did not purchase and cancel any Trust Units.

Since the Trust began utilizing normal course issuer bids in 2007, Boardwalk REIT has purchased and cancelled 4,542,747 Trust Units at a total purchase cost of $170.5 million, or an average cost of $37.53 per Trust Unit.

(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 Units or other securities 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 Dec 31, 2013	**Monthly Distribution**	Units outstanding Dec 31, 2012	Monthly Distribution
Boardwalk REIT Units	**47,919,964**	**$0.165/unit**	47,851,667	$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, or about, the 15th of the month following the record date. Distributions to be paid on the Boardwalk REIT Units with a record date of January 31, 2014 (to be paid on February 17, 2014) totaled $7.9 million ($0.165 per unit) and have not been included as a liability in the consolidated statement of financial position as at December 31, 2013.

(c) Accumulated other comprehensive income ("AOCI")

For the years ended December 31, 2013 and 2012, AOCI consists of the following amounts:

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
AOCI, beginning of year	**$ (5,608)**	$ (8,458)
Change in fair value of the effective portion of the interest rate swaps	**2,088**	2,830
Losses on settlement of effective bond forward	**61**	20
AOCI, end of year	**$ (3,459)**	$ (5,608)

In 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. Details of the interest rate swap agreement are disclosed in NOTE 28.

In 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. Details of the forward bond transaction are disclosed in NOTE 28.

(d) Earnings per unit

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Numerator		
Profit – basic	**$ 337,730**	$ 688,514
Distribution paid on LP Class B units	**8,838**	–
(Gain) on fair value adjustment to LP Class B units	**(20,943)**	–
(Gain) on fair value adjustments to unexercised deferred units	**(67)**	–
Profit – diluted	**$ 325,558**	$ 688,514
Denominator		
Weighted average units outstanding – basic	**47,884,020**	47,818,817
Conversion of LP Class B units	**4,475,000**	–
Unexercised deferred units	**39**	–
Weighted average units outstanding – diluted	**52,359,059**	47,818,817
Earnings per unit – basic	**$ 7.05**	$ 14.40
Earnings per unit – diluted	**$ 6.22**	$ 14.40

All dilutive elements were included in the calculation of diluted per unit amounts. For the year ended December 31, 2013, both the conversion of LP Class B units and the unexercised deferred units were dilutive, as their conversion to REIT Units decreases earnings per unit. For the year ended December 31, 2012, both the conversion of LP Class B units and the unexercised deferred units were anti-dilutive as their conversion to REIT Units increases earnings per unit. As such, they were excluded from the calculation of diluted earnings per unit.

NOTE 19: RENTAL REVENUE

As lessor, the Trust leases residential rental properties under operating leases generally with a term of not more than 12 months and in many cases tenants lease rental space on a month-to-month basis. Rental incentives may be offered as part of a rental agreement and the costs associated with these incentives are amortized over the term of the lease and netted against residential rental revenue. As such, rental revenue represents all revenue earned from the Trust's operating leases and totaled $454.9 million for the year ended December 31, 2013 (December 31, 2012 – $433.2 million).

As at December 31, 2013, 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	$ 139,886	$ 9,933	$ 1,389

NOTE 20: ANCILLARY RENTAL INCOME

Ancillary rental income was comprised of the following:

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Revenue from coin laundry machines	$ 5,507	$ 5,443
Revenue from telephone and cable providers	1,600	1,253
Total	$ 7,107	$ 6,696

NOTE 21: FINANCING COSTS

Financing costs are comprised of interest on mortgages payable, interest on the unsecured debentures (which matured on January 23, 2012), distributions paid to the LP Class B Unitholders and other interest charges. Financing costs are net of interest income earned. Financing costs total $90.7 million for the year ended December 31, 2013 (December 31, 2012 – $98.1 million) and can be summarized as follows:

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Interest on secured debt (mortgages payable)	$ 82,194	$ 89,813
Interest on unsecured debt (debentures)	–	404
LP Class B unit distribution	8,838	8,413
Other interest charges	1,539	1,486
Interest income	(1,920)	(2,054)
Total	$ 90,651	$ 98,062

NOTE 22: DEPRECIATION AND AMORTIZATION

The components of depreciation and amortization were as follows:

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Amortization of deferred financing costs	$ 7,825	$ 7,162
Depreciation of property, plant and equipment	4,201	3,760
Total	$ 12,026	$ 10,922

NOTE 23: GAIN ON SALE OF ASSETS

During the fourth quarter of 2012, certain fully depreciated computer equipment was sold to a third party valued at $135 thousand in exchange for rent payment forgiveness on one of the Trust's data centers of approximately $11 thousand per month for the next twelve months beginning December 16, 2012.

NOTE 24: FAIR VALUE GAINS

The components of fair value gains were as follows:

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Investment properties	**$ 162,455**	$ 616,433
Financial liabilities designated as FVTPL		
Deferred unit-based compensation	**(280)**	(3,394)
LP Class B Units	**20,943**	(63,053)
Total fair value gains	**$ 183,118**	$ 549,986

NOTE 25: OPERATING LEASES

As lessee, 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) Land leases

The Trust has entered into non-cancellable land leases for land related to five of its buildings, which sit on land that is not owned by the Trust. Approximate remaining terms of the Trust's land leases range from 15 to 82 years as at December 31, 2013. Two of the land leases provide for annual rent and one of the land leases provides for annual rent and additional rent based on rental revenue collected.

(ii) Warehouse and office space leases

The Trust has entered into lease agreements for warehouse and some office and data centre space it utilizes but does not own. In 2012, a portion of the office space leased was subleased to other businesses; however, in 2013, none of the leased office space was subleased. 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 lease for some office and data centre space, and all subleases to other businesses, expired on December 15, 2012. Subsequently, the Trust entered into a new five-year lease agreement for the office space and a five-year sublease agreement for its data centre space.

As at December 31, 2013, future minimum lease payments related to these leases were as follows:

	Within 12 months	2 to 5 years	Over 5 years
Land leases	$ 4,071	$ 17,497	$ 165,597
Warehouse and office space	563	1,243	–
	$ 4,634	$ 18,740	$ 165,597

The Trust recognized lease expenses of $5.1 million and received sublease payments of $nil for the year ended December 31, 2013 ($4.7 million and $134 thousand, respectively, for the year ended December 31, 2012).

NOTE 26: GUARANTEES, CONTINGENCIES, COMMITMENTS AND OTHER

As discussed in NOTE 25 above, the Trust has five properties that are situated on land leases. One of the land leases situated in Montreal is set to expire in early 2029. The Trust is actively seeking to either renew the term of this lease or purchase the freehold interest in the land prior to the expiry of the lease term. However, if the Trust cannot or chooses not to renew the lease, or buy the land, as the case may be, the net operating income and cash flow associated with the property would no longer contribute to Boardwalk's results of operations and could adversely impact its ability to make distributions to Unitholders. Another land lease, situated in Calgary, which expires in 2065, is scheduled for a reset to the annual rent in 2016 to 7% of the agreed upon land value in 2016. Since the agreed upon land value in 2016 cannot be predicted or estimated with certainty, the Trust continues to reflect the existing rental amount throughout the term of this lease.

From time to time, the Trust enters into various physical supply contracts for energy commodities to hedge its own usage, which are summarized below:

Natural Gas:

Area	Usage Coverage	Term	Cost
Saskatchewan	100%	November 1, 2012 to October 31, 2014	$3.74/Gigajoule
Saskatchewan	100%	November 1, 2011 to October 31, 2012	$4.17/Gigajoule
Ontario and Quebec	50% (in each province)	November 1, 2010 to October 31, 2012	$4.11/Gigajoule

Electrical:

Area	Usage Coverage	Term	Cost
Southern Alberta	100%	October 1, 2013 to September 30, 2017	$0.06/Kilowatt-hour
Southern Alberta	100%	October 1, 2010 to September 30, 2013	$0.06/Kilowatt-hour
Northern Alberta	100%	October 1, 2010 to September 30, 2015	$0.06/Kilowatt-hour

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. Management believes the outcome of claims of this nature at December 31, 2013 and at December 31, 2012 will not have a material impact on the Trust.

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, and amounts available under credit facilities net of 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, as amended, provides for a minimum interest coverage ratio of 1.5 to 1 calculated on the most recently completed four fiscal quarters. The DOT also defines interest expense to exclude distributions on the LP Class B Units, which under IFRS are considered financing charges.

At the May 15, 2012 Annual and Special Meeting of Unitholders, the interest service coverage ratio replaced the previous maximum total debt level of up to 70% of Gross Book Value ("GBV"). GBV was previously defined in the DOT as total assets plus the amortization of property, plant and equipment, as recorded by the Trust, whereas debt was defined 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.

The following table highlights Boardwalk REIT's interest service coverage ratio in accordance with the DOT:

As at	Dec 31, 2013	Dec 31, 2012
Consolidated EBITDA [(1)] (12 months ended)	$ 257,827	$ 247,155
Consolidated interest expense (12 months ended)	81,813	89,649
Interest coverage ratio	3.15	2.76
Minimum threshold	1.50	1.50

(1) Earnings Before Interest, Taxes, Depreciation and Amortization

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 December 31, 2013, the Trust's weighted average cost of capital was 4.25%.

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

As at	Dec 31, 2013		Dec 31, 2012	
	Cost of Capital [(1)]	Underlying Value [(2)]	Cost of Capital [(1)]	Underlying Value [(2)]
Liabilities				
Mortgages payable	3.46%	$ 2,294,167	3.69%	$ 2,329,060
LP Class B Units	4.83%	267,829	3.98%	288,772
Deferred unit-based compensation	4.83%	8,325	3.98%	9,071
Unitholders' equity				
Boardwalk REIT Units	4.82%	2,868,010	3.98%	3,087,868
Total	4.25%	$ 5,438,331	3.86%	$ 5,714,771

(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 equity is based on the closing stock price of the Trust's Units.

Mortgages payable – These are the mortgages outstanding on the Trust's investment properties. The debt is primarily fixed rate debt and approximately 99% of this debt at December 31, 2013 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 39% of the fair value of the Trust's investment properties. This level of indebtedness is considered by the Trust to be within its target.

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 consolidated statement of comprehensive income.

As outlined in NOTE 30 (d), Boardwalk REIT's committed revolving credit facility agreements contain financial covenants.

Available liquidity as at December 31, 2013 included cash on hand of $131.1 million (December 31, 2012 – $138.7 million) as well as an unused committed revolving credit facility of $195.8 million (December 31, 2012 – $196.3 million). The Trust monitors its ratios and as at December 31, 2013 and 2012, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

NOTE 28: FINANCIAL INSTRUMENTS

Hedging transactions

In 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 hedged item. As at December 31, 2013, the unamortized balance was $95 thousand (December 31, 2012 – $156 thousand) and $61 thousand was recognized in profit under financing charges for the year ended December 31, 2013 ($20 thousand for the year ended December 31, 2012).

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 $84.7 million (December 31, 2012 – $86.0 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"). To date, these interest rates swaps have been effective, and therefore all gains or losses have been recorded to OCI. The ineffective portion of the hedging gain or loss on the swap transaction will be recognized immediately in net earnings. However, to date there have been no ineffective portions on these swaps. On recognition of the financial liability of the hedged item on the consolidated statement of financial position, the associated gains or losses that were recognized in OCI will be reclassified into profit or loss in the same period or periods during which the interest payments of the hedged item affected profit or loss. 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 profit or loss.

As at December 31, 2013, 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 profit or loss in the periods during which the interest payments on the hedged items were recognized. For the year ended December 31, 2013, a gain of $2.1 million was recognized in OCI for the fair value change of the interest rate swaps (December 31, 2012 – gain of $2.8 million).

NOTE 29: FAIR VALUE MEASUREMENT

(a) Fair value of financial instruments

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 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.

(iv) the fair values of the effective portion of the interest rate swaps, reported as other non-current liabilities, are estimates at a specific point in time, based on quoted prices in markets that are not active for substantially the same term as the remaining effective portion of the derivatives.

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 December 31, 2013 and December 31, 2012 are as follows:

As at	**Dec 31, 2013**		Dec 31, 2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities carried at amortized cost				
Mortgages payable	**$ 2,261,412**	**$ 2,294,167**	$ 2,248,176	$ 2,329,060
Financial liabilities carried at FVTPL				
LP Class B Units	**267,829**	**267,829**	288,772	282,772
Other non-current liabilities	**3,364**	**3,364**	5,452	5,452
Deferred unit-based compensation	**8,325**	**8,325**	9,071	9,071

The fair value of the Trust's mortgages payable exceeded the recorded value by approximately $32.8 million at December 31, 2013 (December 31, 2012 – $80.9 million), due to changes in interest rates since the dates on which the individual mortgages were last contracted. The fair values of the mortgages payable have been estimated based on the current market rates for mortgages with similar terms and conditions. The fair value of the Trust's mortgages payable is an amount computed based on the interest rate environment prevailing at December 31, 2013 and December 31, 2012, 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 are held to maturity.

As at December 31, 2013 and 2012, 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 in NOTE 30.

(b) Assets and liabilities measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position is as follows:

As at	**Dec 31, 2013**			Dec 31, 2012		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Investment properties	–	–	**$ 5,745,207**	–	–	$ 5,493,448
Liabilities						
LP Class B Units	**267,829**	–	–	288,772	–	–
Other non-current liabilities	–	**3,364**	–	–	5,452	–
Deferred unit-based compensation	**8,325**	–	–	9,071	–	–

The three levels of the fair value hierarchy are described in NOTE 4.

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2013 and December 31, 2012, there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities.

NOTE 30: RISK MANAGEMENT

a) Interest rate risk

The Trust is exposed to interest rate risk as a result of its mortgages payable and credit facilities; however, this risk is minimized through the Trust's current strategy of having the majority of its mortgages payable in fixed-term 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 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 December 31, 2013, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at December 31, 2013, 100% was fixed-rate debt and none was floating-rate debt. For the year ended December 31, 2013, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be $nil (December 31, 2012 – $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 December 31, 2013 and 2012, 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 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 consolidated statement of comprehensive income as part of 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 year ended December 31, 2013, bad debt expense totaled $3.3 million (year ended December 31, 2012 – $4.2 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 and derivative (i.e. vested deferred units) financial liabilities listed by year of maturity date:

Year of Maturity	Weighted average interest rate	Mortgage principal outstanding	Mortgage interest[(1)]	Deferred unit-based compensation	Tenants' security deposits	Distribution Payable	Trades and other payables	Total
2014	3.40%	$ 432,279	$ 73,768	$ 858	$ 16,375	$ 8,645	$ 53,345	$ 585,270
2015	3.70%	437,849	55,490	–	–	–	–	493,339
2016	3.87%	269,794	42,025	–	–	–	–	311,819
2017	2.94%	315,536	32,440	–	–	–	–	347,976
2018	3.45%	181,596	24,380	–	–	–	–	205,976
Subsequent	3.48%	706,269	58,351	–	–	–	–	764,620
	3.46%	2,343,323	286,454	858	16,375	8,645	53,345	2,709,000
Unamortized deferred financing costs		(82,004)	–	–	–	–	–	(82,004)
Unamortized mark-to-market adjustment		93	–	–	–	–	–	93
		$ 2,261,412	$ 286,454	$ 858	$ 16,375	$ 8,645	$ 53,345	$ 2,627,089

(1) Based on current in-place interest rates for the remaining term to maturity.

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.

As the debentures were repaid in full in the first quarter of 2012, the covenants contained in the debenture agreement are no longer applicable to the Trust.

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 December 31, 2013 of approximately $654.8 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 $195.8 million as at December 31, 2013 (December 31, 2012 – $196.3 million). The revolving facility requires monthly interest payments, is for a three-year term maturing on July 27, 2016, 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, calculated on the most recent completed trailing four fiscal quarter basis. As at December 31, 2013, this ratio was 2.03 (December 31, 2012 – 1.89).

(ii) The Trust will maintain a Debt Service Coverage Ratio, specific to the Security Portfolio of at least 1.15 (tested semi-annually). As at December 31, 2013, this ratio was 1.80 (December 31, 2012 – 1.85).

(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 previously defined in the DOT as outlined in NOTE 27; however, the credit facility uses the two most recent quarters to calculate GBV. As at December 31, 2013, this ratio was 37.8% (December 31, 2012 – 39.3%).

As at December 31, 2013 and 2012, 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 31: SUBSIDIARIES

The entities included in the Trust's 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	Meets the principle of control
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. BPCL (formerly called Boardwalk Equities Inc.) was created to accomplish a narrow and well-defined objective, which was 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 32: RELATED PARTY DISCLOSURES

IAS 24 – Related Party Disclosures 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 31), which are related parties of the Trust, have been eliminated on consolidation and are not disclosed in this note disclosure.

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

(a) Trustees

The Trustees of Boardwalk REIT during the year ended December 31, 2013 and up to the date of this report were:

James R. Dewald

Gary Goodman

Arthur L. Havener, Jr.

Sam Kolias

Samantha Kolias

Al W. Mawani

Andrea Stephen

(b) Key management personnel

Key management personnel of the Trust during the year ended December 31, 2013 and up to the date of this report were:

P. Dean Burns, General Counsel & Corporate Secretary

William Chidley, Senior VP, Corporate Development

Roberto Geremia, President

Sam Kolias, Chief Executive Officer

Van Kolias, Senior VP, Quality Control

William Wong, Chief Financial Officer

The remuneration of the Trust's key management personnel was as follows:

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Short-term benefits	**$ 1,012**	$ 972
Post-employment benefits	**48**	46
Other long-term benefits	**6**	11
Deferred unit-based compensation	**1,352**	1,247
	$ 2,418	$ 2,276

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). Under IAS 32 Financial Instruments: Presentation the LP B Units issued by a wholly owned subsidiary of the Trust are considered financial liabilities, and are reclassified from equity to liabilities on the consolidated financial statements. Additionally, as the LP Class B Units are liabilities, all distributions paid are recorded as a financing charge under IFRS. For the year ended December 31, 2013, distributions on the LP Class B Units totaled $8.8 million (December 31, 2012 – $8.4 million). Distributions on the LP Class B Units are made on terms equal to distributions made on Boardwalk REIT Units.

As at December 31, 2013, there was $738 thousand owed to related parties (December 31, 2012 – $716 thousand) based on the LP Class B Units distribution outlined above.

NOTE 33: OTHER INFORMATION

(a) Supplemental cash flow information

	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Net change in operating working capital		
Net change in inventories	**$ (352)**	$ (593)
Net change in prepaid assets	**(417)**	46
Net change in trade and other receivables	**(2,358)**	(251)
Net change in segregated and refundable tenants' security deposits	**43**	63
Net change in deferred unit-based compensation	**2,800**	1,965
Net change in trade and other payables	**3,645**	165
	$ 3,361	$ 1,395
Net change in investing working capital		
Net change in trade and other payables	**$ 2,911**	$ (860)
Net change in financing working capital		
Net change in trade and other payables	**$ 105**	$ 2,885

(b) Included in administration costs is $2.2 million relating to RRSP matching for the year ended December 31, 2013 ($1.9 million for the year ended December 31, 2012).

NOTE 34: FLOOD DISASTER AND RECOVERY

In June 2013, Boardwalk was impacted by the unprecedented flooding disaster that occurred in Southern Alberta, including the City of Calgary. Calgary experienced extensive flooding along riverbanks and low-lying areas. Throughout this event, the City of Calgary issued mandatory and voluntary evacuation notices for selective communities. Two properties, totaling 271 units, were affected by the mandatory evacuation order and four properties, totaling 539 units, plus Boardwalk's head office building and data centre, were affected by the voluntary evacuation notice. During this time, Boardwalk's disaster and contingency plan was deployed to ensure continuous and uninterrupted operations.

As a result of the evacuation and the loss of power, tenants' (known as "Resident Members'") refrigerators were required to be emptied in the two buildings under mandatory evacuation. Boardwalk provided its Resident Members in these buildings with grocery gift cards to ensure they had some financial resources to meet day-to-day living needs. Resident Members displaced by the flood in these buildings were also given rent abatements for the number of days their apartment suites were evacuated.

No tenants or employees were injured during this flooding event. At the end of June 2013, all of Boardwalk's Resident Members had returned safely home to their buildings, with the exception of one building, a 158-unit situated along the Elbow River. The building, Elbow Tower, sustained water damage on its ground and parkade levels during the flood. At the beginning of August 2013, all of the Resident Members of Elbow Tower were able to return to their units. The restoration and rebuild of the parkade was completed by the end of October 2013.

Based on discussions with the Trust's insurers and insurance broker, the damage caused to its buildings and equipment and any resulting rental income loss as a result of the flood event will be covered by its existing insurance policy, less a $100 thousand deductible. This includes clean up, assessment, restoration, replacement and any business interruption rental loss for a 24-month period, and any costs to mitigate these losses. Boardwalk does not anticipate any material impact on its business arising from this flood event.

NOTE 35: 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. Boardwalk REIT does not have any one major tenant or a significant group of tenants. Either expiring leases are 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.

Corporate represents corporate functions, technology assets, activities incidental to operations, and certain comparative data for divested assets.

Details of segmented information are as follows:

As at	Dec 31, 2013						
	Alberta	**British Columbia**	**Saskatchewan**	**Ontario**	**Quebec**	**Corporate**	**Total**
Assets	**$ 3,895,423**	**$ 125,401**	**$ 716,976**	**$ 330,728**	**$ 738,471**	**$ 118,684**	**$ 5,925,683**
Liabilities	**1,530,107**	**61,415**	**269,407**	**120,778**	**326,526**	**317,928**	**2,626,161**

As at	Dec 31, 2012						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	Corporate	Total
Assets	$ 3,687,908	$ 115,663	$ 691,312	$ 313,809	$ 736,753	$ 129,857	$ 5,675,302
Liabilities	1,509,024	62,505	264,495	123,504	329,690	335,983	2,625,201

	Year ended Dec 31, 2013						
	Alberta	**British Columbia**	**Saskatchewan**	**Ontario**	**Quebec**	**Corporate**	**Total**
Rental revenue	**$ 275,976**	**$ 8,289**	**$ 60,183**	**$ 40,569**	**$ 69,685**	**$ 213**	**$ 454,915**
Ancillary rental income (loss)	**4,513**	**149**	**654**	**833**	**959**	**(1)**	**7,107**
Total rental revenue	**280,489**	**8,438**	**60,837**	**41,402**	**70,644**	**212**	**462,022**
Rental expenses							
Operating expenses	**51,072**	**1,307**	**9,839**	**7,340**	**15,950**	**4,782**	**90,290**
Utilities	**23,303**	**807**	**5,292**	**6,978**	**6,126**	**422**	**42,928**
Property taxes	**21,659**	**496**	**4,204**	**5,250**	**7,034**	**125**	**38,768**
Net operating income (loss)	**184,455**	**5,828**	**41,502**	**21,834**	**41,534**	**(5,117)**	**290,036**
Financing costs (a)	**54,282**	**1,833**	**10,295**	**4,744**	**11,307**	**8,190**	**90,651**
Administration	**63**	**7**	**12**	**20**	**259**	**31,848**	**32,209**
Depreciation and amortization (b)	**3,672**	**106**	**640**	**296**	**3,681**	**3,631**	**12,026**
Profit (loss) from continuing operations before fair value gains (losses) and income tax (expense) recovery	**126,438**	**3,882**	**30,555**	**16,774**	**26,287**	**(48,786)**	**155,150**
Fair value gains (losses)	**148,038**	**8,693**	**14,160**	**9,116**	**(17,552)**	**20,663**	**183,118**
Profit (loss) before income tax expense	**274,476**	**12,575**	**44,715**	**25,890**	**8,735**	**(28,123)**	**338,268**
Income tax expense (c)	**–**	**–**	**–**	**–**	**–**	**(538)**	**(538)**
Profit (loss) for the year	**$ 274,476**	**$ 12,575**	**$ 44,715**	**$ 25,890**	**$ 8,735**	**$ (28,661)**	**$ 337,730**
Other comprehensive income	**1,209**	**–**	**940**	**–**	**–**	**–**	**2,149**
Total comprehensive income (loss)	**$ 275,685**	**$ 12,575**	**$ 45,655**	**$ 25,890**	**$ 8,735**	**$ (28,661)**	**$ 339,879**
Additions to non-current assets (d)	**$ 40,433**	**$ 1,070**	**$ 11,569**	**$ 7,995**	**$ 13,274**	**$ 22,112**	**$ 96,453**

	Year ended Dec 31, 2012						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	Corporate	Total
Rental revenue	$ 258,964	$ 8,131	$ 58,030	$ 39,221	$ 68,660	$ 199	$ 433,205
Ancillary rental income (loss)	4,174	141	649	869	907	(44)	6,696
Total rental revenue	263,138	8,272	58,679	40,090	69,567	155	439,901
Rental expenses							
Operating expenses	50,018	1,491	9,571	6,926	14,744	4,393	87,143
Utilities	21,086	778	4,914	6,849	5,906	388	39,921
Property taxes	19,735	476	3,978	5,383	7,104	97	36,773
Net operating income (loss)	172,299	5,527	40,216	20,932	41,813	(4,723)	276,064
Financing costs (a)	59,428	2,689	10,409	5,377	12,141	8,018	98,062
Administration	172	5	(10)	29	84	28,629	28,909
Depreciation and amortization(b)	3,494	115	570	305	3,217	3,221	10,922
Profit (loss) from continuing operations before gain on sale of assets, fair value gains (losses) and income tax (expense) recovery	109,205	2,718	29,247	15,221	26,371	(44,591)	138,171
Gain on sale of assets	–	–	–	–	–	135	135
Fair value gains (losses)	504,445	2,332	75,609	26,607	7,439	(66,446)	549,986
Profit (loss) before income tax recovery	613,650	5,050	104,856	41,828	33,810	(110,902)	688,292
Income tax recovery (c)	–	–	–	–	–	222	222
Profit (loss) for the year	$ 613,650	$ 5,050	$ 104,856	$ 41,828	$ 33,810	$ (110,680)	$ 688,514
Other comprehensive income	1,473	–	1,054	–	–	323	2,850
Total comprehensive income	$ 615,123	$ 5,050	$ 105,910	$ 41,828	$ 33,810	$ (110,357)	$ 691,364
Additions to non-current assets (d)	$ 40,344	$ 2,933	$ 7,928	$ 10,014	$ 19,376	$ 8,702	$ 89,297

(a) Financing costs

Financing costs were as follows:

	Year ended Dec 31, 2013						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	Corporate	Total
Interest on secured debt (mortgages payable)	$ 54,147	$ 1,830	$ 10,274	$ 4,641	$ 11,301	$ 1	$ 82,194
Interest on unsecured debt (debentures)	–	–	–	–	–	–	–
LP Class B unit distribution	–	–	–	–	–	8,838	8,838
Other interest charges	135	3	21	103	31	1,246	1,539
Interest income	–	–	–	–	(25)	(1,895)	(1,920)
Total	$ 54,282	$ 1,833	$ 10,295	$ 4,744	$ 11,307	$ 8,190	$ 90,651

	Year ended Dec 31, 2012						
	Alberta	British Columbia	Saskatchewan	Ontario	Quebec	Corporate	Total
Interest on secured debt (mortgages payable)	$ 59,360	$ 2,686	$ 10,389	$ 5,259	$ 12,119	$ –	$ 89,813
Interest on unsecured debt (debentures)	–	–	–	–	–	404	404
LP Class B unit distribution	–	–	–	–	–	8,413	8,413
Other interest charges	68	3	20	118	31	1,246	1,486
Interest income	–	–	–	–	(9)	(2,045)	(2,054)
Total	$ 59,428	$ 2,689	$ 10,409	$ 5,377	$ 12,141	$ 8,018	$ 98,062

(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 recovery

This relates to any current and deferred taxes.

(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 36: SUBSEQUENT EVENTS

On February 12, 2014, the Board of Trustees approved an increase to the monthly Trust Unit distribution to $0.17 per Trust Unit (or $2.04 on an annualized basis) commencing with the February 28, 2014 record date.

NOTE 37: APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Trustees on February 12, 2014, and authorized for issue on February 13, 2014.

Five Year Summary

($000's except per unit and per square foot)	2009 (IFRS)	2010 (IFRS)	2011 (IFRS)	2012 (IFRS)	**2013 (IFRS)**
Assets					
Investment properties	$ 4,129,636	$ 4,318,242	$ 4,793,895	$ 5,493,448	**$ 5,745,207**
Other assets	229,590	267,683	295,128	181,854	**180,476**
Total assets	$ 4,359,226	$ 4,585,925	$ 5,089,023	$ 5,675,302	**$ 5,925,683**
Mortgages payable	$ 2,145,638	$ 2,153,206	$ 2,218,731	$ 2,248,176	**$ 2,261,412**
Debenture	111,834	112,211	112,390	–	**–**
Other liabilities	246,553	267,613	313,102	377,018	**364,699**
	$ 2,504,025	$ 2,533,030	$ 2,644,223	$ 2,625,194	**$ 2,626,111**
Deferred income taxes	692,916	740,359	10	7	**50**
Unitholders' equity (deficiency)	1,162,285	1,312,536	2,444,790	3,050,101	**3,299,522**
Total liabilities and unitholders' equity	$ 4,359,226	$ 4,585,925	$ 5,089,023	$ 5,675,302	**$ 5,925,683**
Trust unit outstanding (000) (including LP B Units)	52,744	52,366	52,264	52,327	**52,395**
Trust unit price at year-end ($)	$ 37.05	$ 41.25	$ 50.44	$ 64.53	**$ 59.85**
Market capitalization ($MM)	1,954.2	2,160.1	2,636.2	3,376.7	**3,135.8**
Number of rental units	36,419	35,277	35,277	35,277	**35,386**
Fair value per rental unit ($000)	113	122	136	156	**162**
Long-term debt per rental unit ($000)	62	64	66	64	**64**
Net rentable square feet (000)	30,757	29,936	29,936	29,936	**30,022**
Fair value per square foot ($)	134	144	160	184	**191**
Long-term debt per square foot ($)	73	76	78	75	**75**
Average net rentable SF per unit	845	849	849	849	**848**
L/T debt weighted average interest rate	4.52%	4.27%	4.14%	3.69%	**3.46%**

Fiscal years as at December 31, 2009, 2010, 2011, 2012 and 2013 are in accordance with IFRS.

Five Year Summary

($000's except per unit)	2009 (CDN GAAP)
Revenue producing properties	$ 416,815
Rental income	
Operating expenses	
Revenue producing properties	73,229
Utilities	42,222
Property taxes	35,438
	150,889
Net operating income	265,926
Operating margin	64%
Financing costs	105,793
Amortization of deferred financing costs	6,022
Amortization	85,313
Earnings before corporate charges	68,798
Corporate charges	
Administration	26,711
Current income taxes	3
Future income taxes (recovery)	(5,646)
Other income and expenses	(408)
	20,660
Earnings from continuing operations	48,138
Earnings from discontinued operations, net of tax	13,929
Net earnings for the year	$ 62,067
Earnings per unit – diluted	$ 1.17
Funds from operations	$ 133,094
Funds from operations per unit – fully diluted	$ 2.51
Interest Coverage Ratio, Continuing operations	2.27

($000's except per unit)	2010 (IFRS)	2011 (IFRS)	2012 (IFRS)	**2013 (IFRS)**
Rental revenue	$ 414,033	$ 416,152	$ 433,205	**$ 454,915**
Ancillary rental income	6,399	6,575	6,696	**7,107**
Total rental revenue	420,432	422,727	439,901	**462,022**
Rental expenses				
Operating expenses	76,624	84,400	87,143	**90,290**
Utilities	42,222	40,340	39,921	**42,928**
Property taxes	36,529	35,328	36,773	**38,768**
Net operating income	265,057	262,659	276,064	**290,036**
Operating margin	63%	62%	63%	**63%**
Financing costs	112,638	105,569	98,062	**90,651**
Administration	25,995	26,264	28,909	**32,209**
Depreciation and amortization	10,294	10,520	10,922	**12,026**
Profit from continuing operations before the undernoted	116,130	120,306	138,171	**155,150**
Gain (loss) on sale of assets	(3,047)	-	135	**-**
Fair value gains	211,157	364,389	549,986	**183,118**
Profit before income tax (expense) recovery	324,240	484,695	688,292	**338,268**
Income tax (expense) recovery	(47,448)	740,391	222	**(538)**
Profit for the year	276,792	1,225,086	688,514	**337,730**
Other comprehensive income (loss)	(695)	(1,871)	2,850	**2,149**
Total comprehensive income	$ 276,097	$1,223,215	$ 691,364	**$ 339,879**
Earnings per unit - diluted	$ 5.82	$ 24.40	$ 14.40	**$ 6.22**
Funds from operations	$ 129,728	$ 131,808	$ 150,343	**$ 168,184**
Funds from operations per unit – fully diluted	$ 2.47	$ 2.52	$ 2.87	**$ 3.21**
Interest Coverage Ratio, Continuing operations	2.34	2.42	2.76	**3.15**

Fiscal year ended December 31, 2009 are in accordance with Canadian GAAP, while fiscal years ended December 31, 2010, 2011, 2012 and 2013 are in accordance with IFRS.

2013 Quarterly Results

(in $000's except per unit amounts)	Q1	Q2	Q3	Q4	**31-Dec-13**
Rental revenue	$ 111,465	$ 113,339	$ 114,305	$ 115,806	**$ 454,915**
Ancillary rental income	1,680	1,805	1,792	1,830	**7,107**
Total rental revenue	113,145	115,144	116,097	117,636	**462,022**
Rental expenses					
Operating expenses	21,748	22,831	22,533	23,178	**90,290**
Utilities	12,591	9,752	8,638	11,947	**42,928**
Property taxes	9,139	9,376	10,194	10,059	**38,768**
Net operating income	69,667	73,185	74,732	72,452	**290,036**
Financing costs	23,115	22,828	22,361	22,347	**90,651**
Administration	7,578	8,001	7,728	8,902	**32,209**
Depreciation and amortization	2,887	3,011	2,981	3,147	**12,026**
Profit from continuing operations before the undernoted	36,087	39,345	41,662	38,056	**155,150**
Fair value gains (losses)	57,562	73,311	117,670	(65,425)	**183,118**
Profit (loss) before income tax (expense)	93,649	112,656	159,332	(27,369)	**338,268**
Income tax (expense)	(285)	(23)	(88)	(142)	**(538)**
Profit (loss) for the period	93,364	112,633	159,244	(27,511)	**337,730**
Other comprehensive income	367	930	368	484	**2,149**
Total comprehensive income (loss)	$ 93,731	$ 113,563	$ 159,612	$ (27,027)	**$ 339,879**
Earnings per unit – diluted	$ 1.65	$ 1.83	$ 3.02	$ (0.28)	**$ 6.22**
Funds from operations	$ 39,209	$ 42,564	$ 44,969	$ 41,442	**$ 168,184**
Funds from operations per unit – fully diluted	$ 0.75	$ 0.81	$ 0.86	$ 0.79	**$ 3.21**

2012 Quarterly Results

(in $000's except per unit amounts)	Q1	Q2	Q3	Q4	31-Dec-12
Rental revenue	$ 106,380	$ 107,548	$ 108,817	$ 110,460	$ 433,205
Ancillary rental income	1,608	1,721	1,778	1,589	6,696
Total rental revenue	107,988	109,269	110,595	112,049	439,901
Rental expenses					
Operating expenses	20,836	21,813	22,243	22,251	87,143
Utilities	11,883	8,223	8,521	11,294	39,921
Property taxes	8,814	8,912	9,592	9,455	36,773
Net operating income	66,455	70,321	70,239	69,049	276,064
Financing costs	25,306	24,698	24,368	23,690	98,062
Administration	7,121	7,638	6,961	7,189	28,909
Depreciation and amortization	2,631	2,670	2,614	3,007	10,922
Profit from continuing operations before the undernoted	31,397	35,315	36,296	35,163	138,171
Gain on sale of assets	–	–	–	135	135
Fair value gains (losses)	185,913	126,175	257,669	(19,771)	549,986
Profit before income tax recovery	217,310	161,490	293,965	15,527	688,292
Income tax recovery	34	138	12	38	222
Profit for the period	217,344	161,628	293,977	15,565	688,514
Other comprehensive income (loss)	1,484	(281)	954	693	2,850
Total comprehensive income	$ 218,828	$ 161,347	$ 294,931	$ 16,258	$ 691,364
Earnings per unit – diluted	$ 4.55	$ 3.38	$ 6.15	$ 0.32	$ 14.40
Funds from operations	$ 34,273	$ 38,274	$ 39,401	$ 38,395	$ 150,343
Funds from operations per unit – fully diluted	$ 0.66	$ 0.73	$ 0.75	$ 0.73	$ 2.87

Market and Unitholder Information

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Computershare Trust Company of Canada
Our Transfer Agent can help you with a variety of unitholder related services, including change of address, tax forms, accounts consolidation and transfer of stock.

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ONLINE INFORMATION

For an online version of the current and past annual reports, quarterly reports, press releases and other Trust information, please visit our investor website at www.BoardwalkREIT.com.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Unitholders of Boardwalk REIT will be held at the Petroleum Club, 319-5 Ave SW, Calgary, Alberta, at 3:00 pm (Mountain Standard Time) on May 14, 2014.

Unitholders are encouraged to attend and those unable to do so are requested to complete the Form of Proxy and forward it at their earliest convenience.

EXCHANGE LISTINGS

The Toronto Stock Exchange
Symbol: **BEI.UN**

TRADING PROFILE

TSX: Jan 1, 2013 to Dec. 31, 2013
High: $67.05
Low: $54.10
Year-end Closing Price: $59.85

Monthly Distributions

Month	Per Unit	Record Date	Payable Date
Jan-13	$0.160	31-Jan-13	15-Feb-13
Feb-13	$0.165	28-Feb-13	15-Mar-13
Mar-13	$0.165	29-Mar-13	15-Apr-13
Apr-13	$0.165	30-Apr-13	15-May-13
May-13	$0.165	31-May-13	17-Jun-13
Jun-13	$0.165	28-Jun-13	15-Jul-13
Jul-13	$0.165	31-Jul-13	15-Aug-13
Aug-13	$0.165	30-Aug-13	16-Sep-13
Sep-13	$0.165	30-Sep-13	15-Oct-13
Oct-13	$0.165	31-Oct-13	15-Nov-13
Nov-13	$0.165	29-Nov-13	16-Dec-13
Dec-13	$0.165	31-Dec-13	15-Jan-14
Jan-14	$0.165	31-Jan-14	17-Feb-14
Feb-14	$0.170	28-Feb-14	17-Mar-14
Mar-14	$0.170	31-Mar-14	15-Apr-14
Apr-14	$0.170	30-Apr-14	15-May-14

Corporate Information

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