BTB Real Estate Investment Trust
Annual Report 2013

Space for growth

Profile

BTB is a real estate investment trust listed on the Toronto Stock Exchange. BTB owns and manages a portfolio of 69 commercial, industrial and office properties totalling approximately 4.6 million square feet, predominantly situated in and around Montréal, Québec City and Ottawa.

Since the Trust's inception in 2006, its assets have experienced an average annual growth of $100 million and its total assets now stand at $546 million, making it the second largest real estate investment trust in Québec.

BTB's primary objective is to maximize total return for unitholders by:

- generating stable monthly cash distributions that are reliable and fiscally beneficial;
- growing the Trust's assets through internal growth and acquisition strategies in order to increase distributable income and therefore fund distributions;
- managing assets internally in a centralized and controlled way, thereby reducing operating fees, management fees and rental costs;
- optimize the value of assets through dynamic and responsible management of its properties in order to maximize the long-term value of its units.

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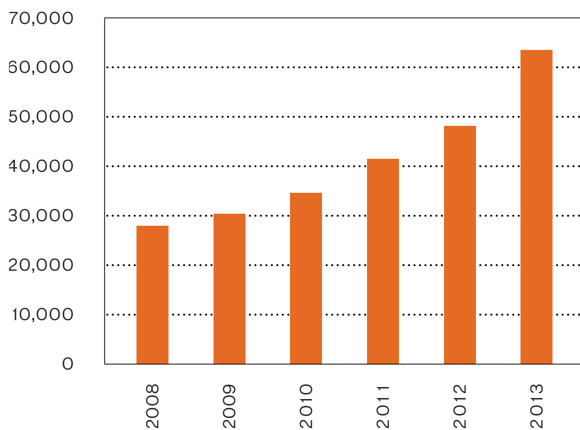
Highlights

62%	Increase in distributable income
32%	Increase in rental income
31%	Increase in net operating income
$546M	Total assets
69	Number of properties
4.6M	Number of square feet
92%	Occupancy rate

Evolution of operating revenues at December 31st, 2013

(in thousands of dollars)

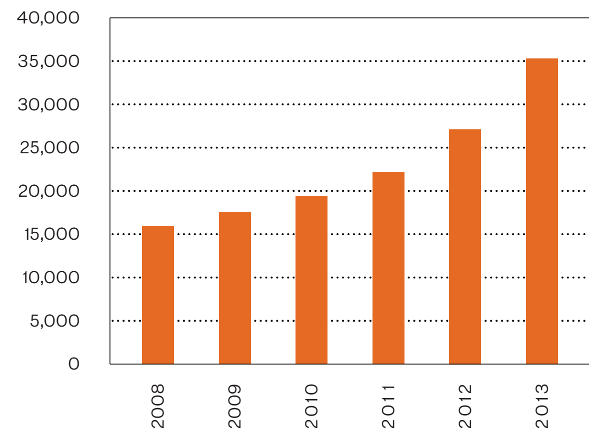
2008	27,906
2009	30,325
2010	34,595
2011	41,459
2012	48,118
2013	63,435



Evolution of net operating income at December 31st, 2013

(in thousands of dollars)

2008	15,971
2009	17,509
2010	19,357
2011	22,122
2012	26,996
2013	35,336

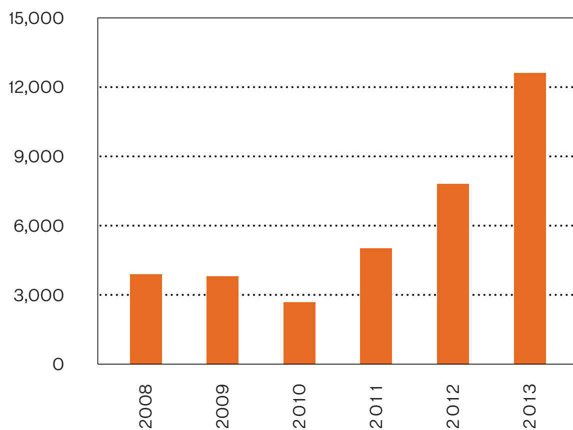


1001 Sherbrooke Street East, Montreal

50 St-Charles Street West, Longueuil

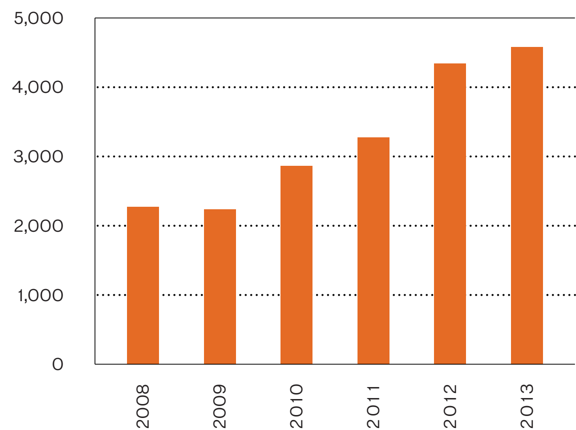
Evolution of yearly distribution payments at December 31st

(in thousands of dollars)	
2008	3,888
2009	3,813
2010	2,684
2011	5,026
2012	7,805
2013	12,610



Evolution of leasable area at December 31st

(in thousands square feet)	
2008	2,269
2009	2,236
2010	2,866
2011	3,272
2012	4,341
2013	4,580



Édifice Lombard, 915 Pierre-Bertrand Blvd, Quebec

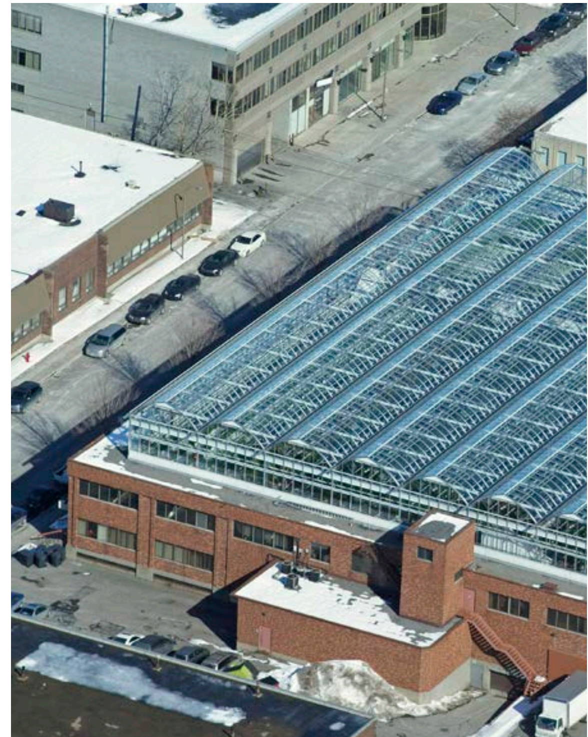


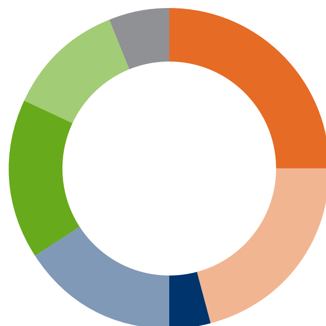
Photo: Courtesy of Lufa Farms Inc.

1400-1440 Antonio-Barbeau Street, Montreal

Breakdown of portfolio by geographical region at December 31st, 2013

(per leasable area)

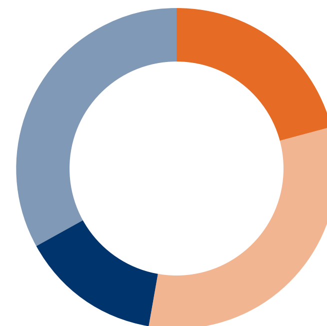
Greater Quebec city area	26%
Island of Montreal	21%
Toronto region	4%
Ottawa region	16%
South shore of Montreal	15%
Laval / North shore of Montreal	12%
Sherbrooke	6%
Total	**100%**



Breakdown by asset type at December 31st, 2013

(per leasable area)

Mixed-use	21%
Office	32%
Retail	14%
Industrial	33%
Total	**100%**

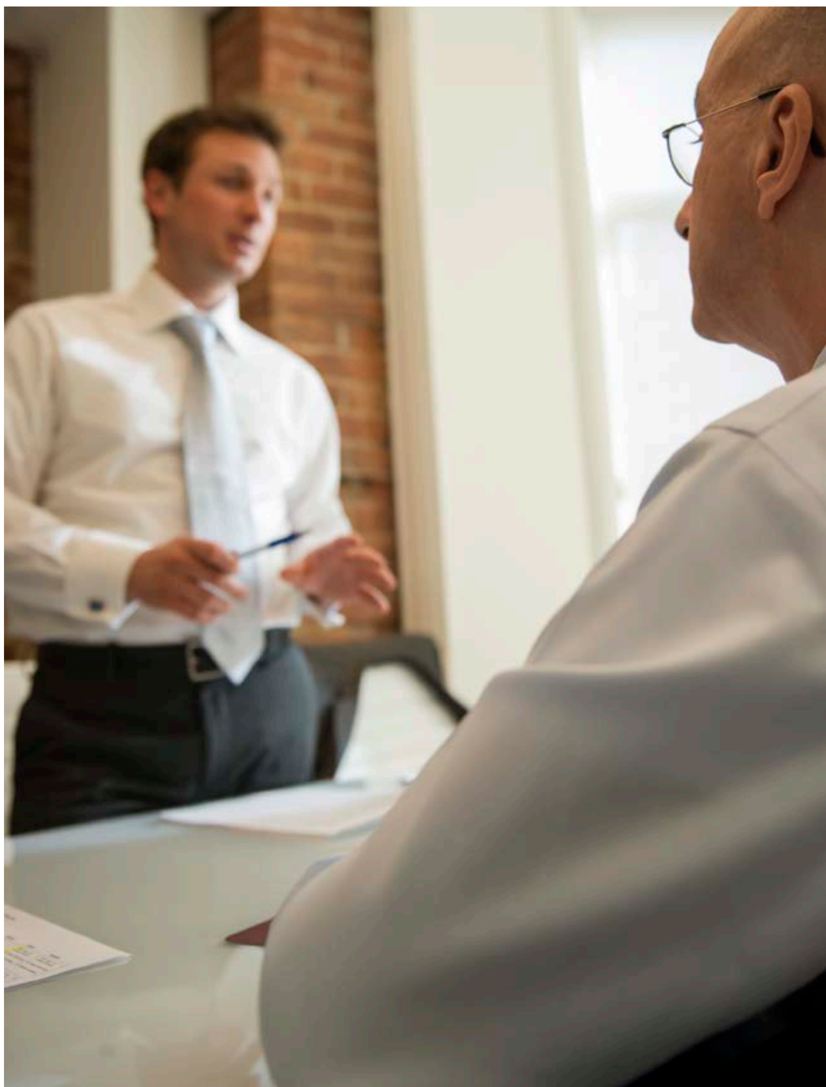


"Behind our success are highly competent men and women who, through their commitment, have made us into a major property owner in eastern Canada."

Michel Léonard
President and Chief Executive Officer

Previous page: 1001 Sherbrooke Street East, Montreal

Since the Trust's inception in 2006, its assets have experienced average annual growth of $100 million and total assets now stand at $546 million, making it the second largest real estate investment trust in Québec.



Next page: 1500 Royale Street, Trois-Rivières

Deloitte.
Samson Bélair/Deloitte & Touche
BDC

In 2013, BTB's seasoned team identified opportunities leading to the acquisition of four industrial properties and one commercial property. At a total cost of $30 million, these acquisitions added 257,000 square feet to our leasable area.

Previous page: 1400-1440 Antonio-Barbeau Street, Montreal. Photo: Courtesy of Lufa Farms Inc.

BTB owns and manages a portfolio of 69 commercial, industrial and office properties totalling approximately 4.6 million square feet of leasable area, predominantly in and around Montréal, Québec City and Ottawa.

245 Stafford Road West, Ottawa
Next page from top to bottom: Place d'affaires Lebourgneuf, Phase II, 6700 Pierre-Bertrand Blvd, Quebec – 5810 Sherbrooke Street East, Montreal

GYMM
La Maison d'Amandine
Meubles en pin massif

CLSC
OLIVIER-GUIMOND

"These performance indicators reflect the quality and efficiency of BTB's team."

Staying the course

Again in 2013, BTB delivered a strong performance. The Trust pursued its strategy and targeted acquisitions in its geographical areas and meet its criteria favoring stable and sustainable financial performance for investors.

BTB now owns 4.6 million square feet of properties and its total assets now stands at more than $546 million, making it the second largest real estate investment trust in the province of Québec.

At the end of the last fiscal year, distributions to unitholders totaled $10.4 million, an increase of 36% compared to our 2012 results, and our payout ratio was below 83%, a 16% improvement over 2012.

BTB's unitholders' equity totals more than $153 million. Based on the number of units outstanding at December 31, 2013 (28.3 million), the book value of BTB's units is $5.39 per unit. These performance indicators reflect the quality and efficiency of BTB's team. The members of the Board of Trustees join me in recognizing the contribution of the team, whose vision and extensive experience have created even more value for our unitholders.

The Trust continues to prioritize good relationships with its clientele of more than 650 tenants. Its properties are well maintained and functional and have an occupancy rate of 92%. Through ongoing attention to client needs, BTB has built productive long-term relationships with its tenants.

With year after year of sustained growth, BTB continues to expand and is steadily moving towards its goal of $1 billion of total assets within the next four years, without losing sight of its objective of growing profitably.

We wish to thank our unitholders for their confidence and I confirm that we will continue to create value for them.

All members of the BTB team—trustees, officers and employees—work together to grow our business, which started from scratch in 2006, and has since become a major player in the Canadian real estate landscape.

Jocelyn Proteau
Chairman of the Board of Trustees

Message from the President and Chief Executive Officer

> **"We are proud to announce an overall improvement in BTB's results and performance indicators, resulting in an appreciable 62% increase of net income."**

Growing together

The strength of BTB's team shone through once again in 2013. Behind our success are highly competent men and women who, through their commitment, have propelled us into a major property owner in eastern Canada.

Performance and growth are the core of our actions and our results prove it. Always mindful of unitholders' interests and true to our values of integrity, respect and service quality, we surpassed our goals and reached total revenues of $64 million. Also we are proud to announce an overall improvement in BTB's results and performance indicators, resulting in an appreciable 62% increase of net income, a significant improvement over 2012. Compared to last year, our rental income and net operating income were up by 32% and by 31%, respectively.

Throughout the fiscal year, distributable income exceeded distributions with a payout ratio of 82% for the year, attesting to our improvement of profitability. Funds from operations increased 79% and adjusted funds from operations grew by 62%.

Responsible debt management

The upward pressure of Canadian and U.S. long-term interest rates in 2013 prompted a closer look at our debt management strategy. Although the securities market of Canadian real estate companies and trusts were not immune to this volatility, I am proud to announce that at year-end, BTB ranked among the five best real estate entities in Canada for the performance of its units.

Our investors will be pleased to hear that the anticipated rate hikes will not materially impact on BTB's short-term results. During the coming year, we will renew more than $60 million in mortgages maturing in 2014. We already begun negotiations to refinance these loans and are confident we will reduce significantly the interest expense related to these loans. By way of example, in February 2014, we finalized a refinancing of a $29 million mortgage at a rate of 3.34% for a 5-year term. This refinancing will translate into annual interest savings of more than $500,000 over the next five years. We anticipate the remainder of the refinancings for 2014 will also contribute to reduce our interest expense.

Strategic acquisitions

The key to our success is our ability to critically assess opportunities and confidently plan our strategy for the future. In 2013, BTB's seasoned team identified opportunities leading to the acquisition of four industrial properties and one commercial property. At a total cost of $30 million, these acquisitions added 257,000 square feet to our total leasable area. Throughout the year, we continued to seek property acquisition opportunities based on strict criteria, in line with our acquisition policy.

We understand that smart and strategic growth will ensure a strong future for BTB. I have tremendous confidence in our team of principled and responsible professionals who, since our inception in 2006, have demonstrated vision and leadership. I also wish to acknowledge the invaluable contribution of the members of our Board of Trustees, who guide our actions and support our development initiatives.

We are fully equipped to pursue our goal to achieve $1 billion in assets within the next few years. Working to develop BTB's future means growing together.

Michel Léonard
President and CEO

“Our goal is to achieve $1 billion in assets by 2018. There are tremendous opportunities for growth and we are going to tap into them.”

Michel Léonard
President and Chief Executive Officer

Executive Team

From left to right: Frédéric Seigneur, Dominic Gilbert,
Michel Léonard et Benoit Cyr.

Michel Léonard
President and Chief Executive Officer

Benoit Cyr, CPA, CA, MBA
Vice President and Chief Financial Officer

Dominic Gilbert, B.A.A.
Vice President, Property Management

Frédéric Seigneur
Vice President, Leasing

CLAUDE GERVAIS
PHARMACIEN

50

Our Properties

Portfolio listing

Island of Montreal

7205-7235 St-Jacques Street West, Montreal[3]
1400-1440 Antonio-Barbeau Street, Montreal
5810 and 5878-5882 Sherbrooke Street East, Montreal[3]
7001-7035 St-Laurent Blvd., Montreal
2212-2226 Dollard Street, Montreal
1001 Sherbrooke Street East, Montreal
2153-2155 Crescent Street, Montreal
550-560 Henri-Bourassa Blvd, Montreal
3627-3645 des Sources Blvd., Dollard-des-Ormeaux
3761-3781 des Sources Blvd., Dollard-des-Ormeaux
11600-11800 De Salaberry Blvd, Dollard-des-Ormeaux[5]
1863-1865 Trans-Canada Highway, Dorval
1325 Hymus Blvd, Dorval
5600 Côte-de-Liesse, Mont-Royal
4105 Sartelon Street, St-Laurent
208-244 Migneron Street and 3400-3410 Griffith Street, St-Laurent
7777 Trans-Canada Highway, St-Laurent
2265-2665-2673 et 2681 Côte Saint-Charles, Saint-Lazare

Laval/North Shore

2900 Jacques-Bureau Street, Laval
1125-1135 St-Martin Blvd. West, Laval
2004-2016 René-Laennec Blvd., Laval
4535 Louis B. Mayer Street, Laval
3695 Des Laurentides (Highway-15), Laval
81-83 Turgeon Street, Ste-Thérèse
5791 Laurier Blvd., Terrebonne[2]
2175 Des Entreprises Blvd, Terrebonne
2205-2225 Des Entreprises Blvd, Terrebonne

South Shore of Montreal

4890-4898 Taschereau Blvd., Brossard
2340 Lapinière Blvd, Brossard
100 Montarville Blvd., Boucherville
204 De Montarville Blvd, Boucherville
32 St-Charles Street West, Longueuil
50 St-Charles Street West, Longueuil
85, St-Charles Street West, Longueuil
3036-3094 De Chambly Road, Longueuil[3]
2111 Fernand-Lafontaine Blvd, Longueuil
2350 Chemin du Lac, Longueuil
1400 Marie-Victorin Street, St-Bruno
Halles St-Jean
  145 St-Joseph Blvd, St-Jean-sur-Richelieu
Le Bougainvillier
  315-325 MacDonald Street, St-Jean-sur-Richelieu

Quebec City Area

Place d'Affaires Lebourgneuf, Phase I
  6655 Pierre-Bertrand Blvd., Quebec
Centre d'affaires Le Mesnil
  1170 Lebourgneuf Blvd, Quebec
Complexe Lebourgneuf
  825 Lebourgneuf Blvd, Quebec
Place d'affaires Lebourgneuf, Phase II
  6700 Pierre-Bertrand Blvd, Quebec
Édifice Lombard
  909-915 Pierre-Bertrand Blvd, Quebec
Complexe Lebourgneuf, Phase II
  815 Lebourgneuf Blvd, Quebec[1]
Edifice Brinks
  191 D'Amsterdam Street, St-Augustin-de-Desmaures
1100 and 1108-1136 St-Joseph Blvd, Drummondville
Complexe de Léry
  505 Des Forges Street and 1500 Royale Street, Trois-Rivières[3]
665-669 Thibeau Blvd, Trois-Rivières
3885 Harvey Blvd, Saguenay
Promenades St-Noël
  100 1st Street West, Thetford Mines

Sherbrooke

2865-2885 De Portland Blvd., Sherbrooke
1635-1645 King Street East and 150-170 Duplessis Road, Sherbrooke[4]
1640-1650 and 1645 King Street West, Sherbrooke[3]
Les terrasses 777
  747-805 King Street East, Sherbrooke
30-66 Jacques-Cartier Blvd Nord, Sherbrooke
3705 Industrial Blvd, Sherbrooke
2059 René-Patenaude Street, Magog

GTA

311 Ingersoll Street, Ingersoll

Ottawa Area

80 Aberdeen Street, Ottawa
245 Stafford Road West, Ottawa
1-9 and 10 Brewer Hunt Way and 21-31 Richardson Side Rd, Ottawa
7 and 9 Montclair Blvd, Gatineau[2][3]
705 Boundary Road, Cornwall
725 Boundary Road, Cornwall
805 Boundary Road, Cornwall
2901 and 2905 Marleau Avenue, Cornwall[3]

(1) BTB has a 75% interest in that property.
(2) BTB has a 50% interest in that property.
(3) Comprises two income-producing properties.
(4) Comprises three income-producing properties
(5) Comprises four income-producing properties

Management Discussion and Analysis

Quarter ended December 31, 2013

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Introduction

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the year ended December 31, 2013, as well as its financial position on that date. The report also presents the Trust’s business strategies and the risk exposure it faces. This MD&A dated March 25, 2014 should be read together with the audited annual consolidated financial statements and accompanying notes for the years ended December 31, 2013 and 2012. It discusses any significant information available up to the date of this MD&A. The Trust’s consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts. Per unit amounts are calculated using the weighted average number of Trust units outstanding for the periods and the years ended December 31, 2013 and 2012. They have been restated to take into account the unit consolidation that took place on June 7, 2012 at a ratio of five pre-consolidation units for one post-consolidation unit. Additional information about the Trust, including the 2013 Annual Information Form, is available on the Canadian Security Administrators ("CSA") website at www.sedar.com and on our website at www.btbreit.com.

The Audit Committee and the Trust’s Board of Trustees have approved the contents of this annual Management Discussion and Analysis and the annual financial statements.

Forward-Looking Statements Caveat

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make forward-looking statements in this MD&A, other filings with Canadian regulators, reports to unitholders and other communications. These forward-looking statements include statements regarding our future objectives, strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, forecasts, estimates and intentions. The words “may,” “could,” “should,” “outlook,” “believe,” “plan,” “forecast,” “estimate,” “expect,” “propose,” and the use of the conditional and similar words and expressions are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate strategic acquisitions successfully, potential dilution, our ability to attract and retain key employees and executives, the financial position of lessees, our ability to refinance our debts upon maturity and to lease vacant space, our ability to complete developments on plan and on schedule and to raise capital to finance our growth, as well as changes in interest rates.

We caution that the foregoing list of important factors likely to affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to BTB, investors and others should carefully consider these factors and other facts and uncertainties. Additional information about these factors can be found in the “Risks and Uncertainties” section of this annual MD&A.

BTB cannot assure investors that actual results will be consistent with any forward-looking statements and BTB assumes no obligation to update or revise such forward-looking statements to reflect new events or circumstances, except as required under applicable securities regulations.

Non-IFRS Financial Measures

Distributable income, funds from operations ("FFO") and adjusted funds from operations ("AFFO") are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. These measures and net operating income are used by BTB to improve the investing public’s understanding of operating results and the Trust’s performance. IFRS are International Financial Reporting Standards defined and issued by the IASB, in effect as at the date of this MD&A.

These measures cannot be compared to similar measures used by other issuers. However, BTB presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations, as revised in November 2012.

Securities regulations require that these measures be clearly defined, that they be readily comparable to the most similar IFRS measures, and that they not be assigned greater weight than IFRS measures.

The Trust

BTB is an unincorporated open-ended real estate trust formed and governed under the laws of the Province of Québec pursuant to a trust agreement. BTB began its real estate operations on October 3, 2006 and to date, it has acquired and owns 69 commercial, offices and industrial properties in primary and secondary markets. BTB has now become an important real estate owner in geographical markets east of Ottawa. The units and Series C, D and E convertible debentures are traded on the Toronto Stock Exchange under the symbols “BTB.UN”, “BTB.DB.C”, “BTB.DB.D” and “BTB.DB.E”, respectively.

Most of the Trust’s properties are managed internally, with 51 of the Trust’s 69 properties held to date entirely managed by the Trust’s employees. Management’s objective is to resume, when favourable circumstances prevail, internal management of the Trust’s properties upon the expiry of agreements between the Trust and its external managers, thereby achieving savings in management and operating fees through centralized and improved property management.

The following table provides a summary of the property portfolio:

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of $)
As at December 31, 2013[1]	**69**	**4,580,271**	**529,432**

(1) These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb, a 75% interest in a 140,870 square-foot building in Québec City and a 50% interest in two buildings totalling 74,941 square feet in Gatineau, Québec.

BTB’s management is entirely internalized and no service agreements or asset management agreements are in force between BTB and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders.

Objectives and Business Strategies

BTB’s primary objective is to maximize total returns to unitholders. Returns include cash distributions and long-term appreciation in the value of units.

(i) Generate stable monthly cash distributions that are reliable and fiscally beneficial to unitholders.

(ii) Grow the Trust’s assets through internal growth and accretive acquisition strategies in order to increase distributable income and therefore fund distributions.

(iii) Optimize the value of its assets through dynamic management of its properties in order to maximize the long-term value of its units.

Strategically, BTB has purchased and seeks to purchase properties with low vacancy rates, good lessee quality, superior locations, low lease turnover potential and properties that are well maintained and require a minimum of future capital expenditures.

Highlights of the Fourth Quarter 2013

Increase

- 23% in rental income
- 20% in net operating income
- 58% in distributable income and 10% in distributable income per unit
- 77% in funds from operations (FFO) and 23% in FFO per unit
- 60% in adjusted funds from operations (AFFO) and 11% in AFFO per unit

Improvement

- of its payout ratio from 91.0% to 78.9%
- of its occupancy rate from 91.7% to 91.9%
- of its average contractual interest rate on mortgages from 4.57% to 4.44%

Leasing activities

Strong leasing activity during the quarter with the conclusion of renewals for 125,000 square feet that had expired with a 9.8% increase in the average lease rate and the signing of leases with new tenants totalling 46,000 square feet, bringing the occupancy rate to almost 92%.

Investing activities

On October 30, 2013, the Trust acquired two industrial properties located in Longueuil, Québec and Sherbrooke, Québec and an office building located in Longueuil, Québec. The three buildings totaled 109,000 square feet in rentable area and are fully-leased to the engineering firm S.M. Group Inc. The total purchase price was $14 million.

On December 1, 2013, the Trust acquired a residual 50% interest in a retail complex in Saint-Lazare, Québec for $2.5 million. BTB already owned a 50% interest in this complex, which is fully-leased to tenants that include Sobeys, Tim Horton and A&W.

Financing activities

Arrangement of a first-ranking mortgage financing in the amount of $9.1 million, bearing interest at an annual rate of 3.95% for a 5-year term, on three properties acquired on October 30, 2013.

Assumption of a mortgage in the amount of $1.9 million, bearing interest at 3.93% and maturing in October 2016, on the property located in Saint-Lazare, Québec.

Subsequent to year end

Refinancing of two mortgage loans with outstanding balance totalling $25 million, at 5.74%, on seven properties by concluding six new loans totalling $26.4 million at a rate of 3.34% for a 5-year term, generating annual savings on interests expenses of more than $0.5 million.

Highlights of Fiscal 2013

Increase

- 32% in rental income
- 31% in net operating income
- 62% in distributable income and 17% in distributable income per unit
- 79% in funds from operations (FFO) and 30% in FFO per unit
- 68% in adjusted funds from operations (AFFO) and 18% in AFFO per unit

Improvement

- in payout ratio from 98.1% to 82.6%
- in occupancy rate from 91.7% to 91.9%
- in average contractual interest rate on mortgages from 4.69% to 4.44%

Selected Financial Information

Since the beginning of its real estate operations in October 2006, the Trust has acquired and owns 69 properties generating, on an annualized basis, revenues of more than $64 million.

The following table presents highlights and selected financial information for the quarters and years ended December 31, 2013 and 2012:

Periods ended December 31
(in thousands of dollars, except for ratios and per unit data)

		Quarter		Year	
	Reference	2013	2012	2013	2012
		$	$	$	$
Financial information					
Rental income	Page 31	**16,348**	13,316	**63,435**	48,118
Net operating income	Page 33	**9,061**	7,551	**35,336**	26,996
Net operating income of same-property portfolio	Page 33	**6,340**	6,314	**25,052**	24,457
Net income & comprehensive income	Page 39	**7,732**	5,603	**18,349**	17,967
Recurring distributable income	Page 40	**3,581**	2,273	**12,610**	7,805
Distributions	Page 41	**2,827**	2,068	**10,412**	7,656
Recurring funds from operations (FFO)	Page 42	**3,490**	1,975	**11,632**	6,493
Recurring adjusted funds from operations (AFFO)	Page 43	**3,049**	1,905	**10,462**	6,224
Total assets	Page 47			**546,559**	504,927
Investment properties	Page 48			**529,432**	488,521
Mortgage loans payable	Page 52			**313,816**	296,523
Convertible debentures	Page 54			**63,929**	54,272
Debt ratio – excluding convertible debentures	Page 57			**57.4%**	61.6%
Weighted average interest rate on mortgage debt	Page 36			**4.44%**	4.69%
Unitholders' equity	Page 58			**152,592**	124,778
Market capitalization				**126,332**	101,353
Financial information per unit					
Units outstanding (000)				**28,326**	23,792
Weighted average number of units outstanding (000)	Page 59	**28,292**	19,723	**25,736**	18,669
Net income and comprehensive income	Page 39	**27.3¢**	28.4¢	**71.3¢**	96.2¢
Recurring distributable income	Page 41	**12.7¢**	11.5¢	**49.0¢**	41.8¢
Payout ratio	Page 41	**78.9%**	91.0%	**82.6%**	98.1%
Cash payout ratio	Page 41	**70.7%**	83.4%	**75.3%**	90.6%
Recurring FFO	Page 42	**12.3¢**	10.0¢	**45.2¢**	34.8¢
Recurring AFFO	Page 44	**10.8¢**	9.7¢	**40.7¢**	34.5¢
Unitholders' equity				**5.39**	5.24
Tax on distributions					
Revenue	Page 62			**0.0%**	0.0%
Tax deferral	Page 62			**100.0%**	100.0%
Operational information					
Number of properties	Page 48			**69**	65
Leasable area (thousands of sq. ft.)	Page 48			**4,580**	4,341
Occupancy rate	Page 50			**91.9%**	91.7%
Increase in average lease renewal rate	Page 49	**9.8%**	7.8%	**7.7%**	6.9%

Selected Annual Information

Years ended December 31 (in thousands of dollars, except for ratios and per unit data)	2013	2012	2011
	$	$	$
Rental income	**63,435**	48,118	41,459
Net operating income[1]	**35,336**	26,996	22,112
Fair value adjustment on investment properties	**8,375**	7,711	8,648
Net income	**18,349**	17,967	7,450
FFO[2]	**11,632**	6,493	3,165
AFFO[3]	**10,447**	6,499	3,911
Distributions	**10,412**	7,656	5,631
Total assets	**546,559**	504,927	358,938
Long-term debt	**377,745**	350,795	265,083
Financial information per unit			
Net income	**71.3¢**	96.2¢	54.4¢
FFO[2]	**45.2¢**	34.8¢	23.1¢
AFFO[3]	**40.6¢**	34.5¢	28.6¢
Distribution	**40.0¢**	40.0¢	40.0¢
Payout ratio[4]	**82.6%**	98.1%	112.1%

(1) Defined as rental income from investment properties less operating expenses.
(2) See “Funds from operations” on page 24 for a definition and reconciliation to net income.
(3) See “Ajusted Funds from operations” on page 25 for a definition and reconciliation to FFO and net income.
(4) Distributable distributions divided by distributable income.

Real Estate Portfolio

BTB owns 69 properties which have a fair value of $529 million representing a total leasable area of approximately 4.6 million square feet. A concise description of the properties owned can be found in the Trust’s 2013 Annual Information Form available at www.sedar.com.

Performance Indicators

The following indicators are used to measure the financial performance of BTB:

- **Net operating income of the same-property portfolio**, which provides an indication of the profitability of existing portfolio operations and BTB's ability to increase its revenues and reduce its operating costs;
- **Distributable income per unit**, which enables investors to determine the stability of distributions;
- **Funds from operations ("FFO") per unit**, which provide an indication of BTB's ability to generate cash flow;
- **Adjusted funds from operations ("AFFO") per unit**, which takes into account rental fees and capital expenditures and which may vary substantially from one year to the next;
- **The debt-equity ratio**, which is used to assess BTB's financial integrity and its capacity for additional acquisitions;
- **The interest coverage ratio**, which is used to measure BTB's ability to use operating results to pay interest on its debt using its operating revenues;
- **The occupancy rate**, which provides an indication of the optimization of rental space and the potential revenue gain from the Trust's property portfolio.

More detailed definitions and analyses of each of these indicators are provided in the appropriate sections.

Operating Results

The table below summarizes financial results for the quarters and years ended December 31, 2013 and 2012. The table should be read in conjunction with our annual consolidated financial statements and the notes thereto.

Periods ended December 31
(in thousands of dollars, except for ratios and per unit data)

		Quarter		Year	
	Reference	**2013**	**2012**	**2013**	**2012**
		$	$	$	$
Rental income	Page 31	**16,348**	13,316	**63,435**	48,118
Operating expenses	Page 32	**7,287**	5,765	**28,099**	21,122
Net operating income	Page 33	**9,061**	7,551	**35,336**	26,996
Financial income		**(19)**	(36)	**(105)**	(141)
Financial expenses	Page 35	**5,018**	3,824	**21,634**	13,362
Trust administration expenses	Page 37	**824**	924	**3,715**	3,511
Expenses for abandoned projects	Page 37	**26**	—	**118**	8
Fair value adjustment on investment properties	Page 37	**(4,520)**	(2,764)	**(8,375)**	(7,711)
Net income and comprehensive income	Page 39	**7,732**	**5,603**	**18,349**	**17,967**

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2012, but does not include the financial spin-offs of disposals, acquisitions and developments completed in 2012 and 2013.

Rental income

BTB actively acquired properties in 2012 and 2013. Due to this acquisition activity as well as internal growth from the same-property portfolio, rental income for the fourth quarter and fiscal 2013 increased by $3,032 or 22.8% and $15,317 or 31.8%, respectively.

Rental income includes all amounts earned from tenants related to lease agreements, including basic rent and other service charges for parking and storage, lease termination revenues, operating expenses and realty tax recoveries, and straight-line rent adjustments.

BTB accounts for rent step-ups incrementally over the term of the non-cancellable lease. In the fourth quarter and fiscal 2013, straight-line rent adjustments of $327 (2012: $281) and $866 (2012: $661), respectively, were recorded.

In the fourth quarter and fiscal 2013, BTB recorded amortization of $407 (2012: $355) and $1,480 (2012: $1,240), respectively, as a reduction in rental income, which represents amortization of lease incentives afforded to lessees.

The following table provides a reconciliation of rental income on the basis of in-place leases and rental income from investment properties.

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Rental income on the basis of in-place leases	**16,428**	13,390	**64,049**	48,697
Straight-line rental income adjustment	**327**	281	**866**	661
Amortization of lease incentives	**(407)**	(355)	**(1,480)**	(1,240)
Rental income from investment properties	**16,348**	**13,316**	**63,435**	**48,118**

Income from the same-property portfolio increased 1.3% in the fourth quarter ended December 31, 2013 and 3.2% in fiscal 2013, as shown in the table below.

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2013	**2012**	**Δ%**	**2013**	**2012**	**Δ%**
	$	$		$	$	
Same-property portfolio	**11,603**	11,453	1.3	**45,793**	44,382	3.2
Acquisitions, disposals and development	**4,745**	1,863	n/a	**17,642**	3,736	n/a
Rental income	**16,348**	**13,316**	**22.8**	**63,435**	**48,118**	**31.8**

During the fourth quarter of 2013, the "1863-1865 Transcanadienne" property in Dorval became partially vacant. It will become fully vacant in the first quarter of 2014 following management's decision to redevelop and repurpose this industrial property. Investments of approximately $1 million are planned and the property will be presented as a property under redevelopment as of January 1, 2014. After extracting this property from the same-property portfolio, rental income from the same-property portfolio would have increased 1.7% for the fourth quarter and 3.3% for fiscal 2013.

Operating expenses

Operating expenses are expenses directly related to real estate operations and are generally charged back to lessees as provided for in the contractual terms of the leases. Operating expenses include property taxes and public utilities, costs related to indoor and outdoor maintenance, heating, ventilation and air conditioning, elevators, insurance, janitorial services and management and operating fees. The amount of operating expenses that BTB can recover from its lessees depends on the occupancy rate of the properties and the nature of the existing leases containing clauses regarding the recovery of

expenses. BTB pays particular attention to compliance with existing leases and the recovery of its properties' operating expenses.

The increase in operating expenses of 26.4% between the fourth quarter of 2012 and the fourth quarter of 2013, and 33.0% for fiscal 2013 compared to the previous year, was mainly due to 2012 and 2013 acquisitions. Operating expenses of the same-property portfolio increased 2.4% during the quarter and 4.1% for the year, as shown in the table below.

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2013	**2012**	**Δ%**	**2013**	**2012**	**Δ%**
	$	$		$	$	
Same-property portfolio	**5,263**	5,140	2.4	**20,741**	19,926	4.1
Acquisitions, disposals and development	**2,024**	625	n/a	**7,358**	1,196	n/a
Operating expenses	**7,287**	**5,765**	**26.4**	**28,099**	**21,122**	**33.0**

The table below shows the breakdown of operating expenses for the periods ended December 31, 2013 and 2012:

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Operating expenses				
- Operating costs	**2,837**	2,225	**10,370**	7,710
- Property taxes and public utilities	**4,450**	3,540	**17,729**	13,412
Total operating expenses	**7,287**	5,765	**28,099**	21,122
% of rental income	**44.6**	43.3	**44.3**	43.9

The nature of acquisitions completed by the Trust at the end of 2012 explains the percentage increase in operating expenses in relation to rental income. In December 2012, the Trust acquired two properties with a higher rate of operating expenses as a percentage of rental income than the portfolio average, which contributed to the increase in the ratio of 1.3% for the quarter and 0.4% for the cumulative period.

Net operating income

Net operating income increased 20.0% for the fourth quarter of 2013 compared to 2012 and 30.9% for fiscal 2013 compared to 2012. Net operating income of the same-property portfolio was up 0.4% for the fourth quarter of 2013 compared to the fourth quarter of 2012 and 2.4% for fiscal 2013 compared to 2012. As mentioned above, management decided to redevelop and repurpose the "1863-1865 Transcanadienne" property in Dorval. As of the first quarter of 2014, this property will be presented as a property under redevelopment. After extracting this property from the same-property portfolio, net

operating income from the same-property portfolio would have increased 1.3% for the fourth quarter and 2.7% for fiscal 2013. Net operating income was 55.4% of rental income for the quarter ended December 31, 2013 (2012: 56.7%), and 55.7% for fiscal 2013 (2012: 56.1%).

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2013	**2012**	**Δ%**	**2013**	**2012**	**Δ%**
	$	$		$	$	
Same-property portfolio	**6,340**	6,314	0.4	**25,052**	24,457	2.4
Acquisitions, disposals and development	**2,721**	1,237	n/a	**10,284**	2,539	n/a
Net operating income	**9,061**	7,551	**20.0**	**35,336**	26,996	30.9
% of rental income	**55.4**	56.7		**55.7**	56.1	

Net operating income is reduced by non-cash rental income adjustments. Before adjustments, net operating income was as follows:

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2013	**2012**	**Δ%**	**2013**	**2012**	**Δ%**
	$	$		$	$	
Net operating income	**9,061**	7,551	20.0	**35,336**	26,996	30.9
Straight-line rental income adjustments	**(327)**	(281)	n/a	**(866)**	(661)	n/a
Adjustment related to amortization of lease incentives	**407**	355	n/a	**1,480**	1,240	n/a
Net operating income plus or less rental income adjustments	**9,141**	7,625	19.9	**35,950**	27,575	30.4
% of rental income on the basis of in-place leases	**55.6**	56.9		**56.1**	56.6	

Net operating income is used in the real estate industry to measure operational performance. BTB defines it as rental income from properties, less operating expenses of investment properties. This definition may differ from that of other issuers and accordingly, BTB's net operating income may not be comparable to the net operating income of other issuers.

Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans payable contracted or assumed totalling approximately $314 million as at December 31, 2013, compared to $296 million as at December 31, 2012. The increase resulted from the financing or assumption of mortgage loans payable on acquisitions completed and the refinancing of certain properties during the last 12 months.

- Series B, C, D and E convertible debentures. Series E debentures in the amount of $23 million were issued on February 20, 2013. Series B debentures in the amount of $13 million were repaid on March 31, 2013.

- Operating and acquisition lines of credit used as needed, which allowed primarily for the acquisition of accretive properties during fiscal 2013. The acquisition line of credit in an authorized amount of $15 million was repaid in full on July 30, 2013 and was not used in the last quarter of 2013.

- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Interest expense on mortgage loans payable	**3,517**	3,195	**13,861**	11,822
Interest expense on debentures	**1,274**	1,154	**5,146**	4,622
Interest expense on acquisition lines of credit	**—**	88	**767**	88
Interest expense on operating lines of credit and other interest expenses	**18**	25	**54**	106
Interest expenses	**4,809**	4,462	**19,828**	16,638
Accretion of effective interest	**223**	440	**1,142**	1,412
Accretion of non-derivative liability component of convertible debentures	**132**	155	**551**	598
Financial expenses before following items:	**5,164**	5,057	**21,521**	18,648
Fair value adjustment on warrants	**—**	—	**—**	43
Fair value adjustment on derivative financial instruments (debenture conversion options and interest rate swaps)	**(146)**	(1,233)	**113**	(5,329)
Financial expenses	**5,018**	3,824	**21,634**	13,362

Before recognition of fair value adjustments on derivative financial instruments (debenture conversion options, warrants and interest rate swaps), financial expenses increased by $107 during the fourth quarter of 2013 compared to the same quarter in 2012, and by $2,873 for fiscal 2013, due to the financing and assumption of mortgages on acquired properties and the issuance of Series E convertible debentures in February 2013. The issuance of Series E debentures on February 20, 2013 was used to repay Series B debentures in the amount of $13 million on March 31, 2013. During the first quarter of 2013, the Trust incurred 40 days of double interest expenses on convertible debentures between the time of the Series E issuance and Series B repayment. This expense, net of interest income, is estimated at $107.

As shown by the following table, interest expense on mortgage loans payable in the same-property portfolio decreased by 14.7% in the fourth quarter of 2013 and 12.3% for fiscal 2013 compared to the same period of 2012, due to the refinancing of loans that matured in the last eight quarters at more advantageous rates, despite increased financing on certain properties.

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2013	**2012**	**Δ%**	**2013**	**2012**	**Δ%**
	$	$		$	$	
Same-property portfolio	**2,425**	2,842	(14.7)	**9,748**	11,117	(12.3)
Acquisitions and development	**1,092**	353	n/a	**4,113**	705	n/a
	3,517	3,195	10.1	**13,861**	11,822	17.2

Financial expenses can be allocated among interest expenses amounting to $4,809 for the quarter ($4,462 in 2012) and $19,828 for the year ($16,638 in 2012) and non-monetary items. Non-monetary items include fair value adjustments on derivative financial instruments and warrants in net credit positions of $146 for the quarter ($1,233 in 2012) and $113 for the year (credit position of $5,329 in 2012). Fair values fluctuate from one period to another. These adjustments result from changes in the value of the Trust's units on stock exchanges during the periods concerned and changes in the value of conversion options and warrants compared with the amounts recorded at the end of previous periods.

As at December 31, 2013, the average weighted contractual rate of interest on mortgage loans payable was 4.44%, down 13 basis points from September 30, 2013 and 25 basis points from December 31, 2012. These decreases resulted from favourable interest rates on mortgage financing for properties acquired during fiscal 2012 and 2013 and on refinancings carried out. For 21 consecutive quarters, the weighted average interest rate has remained stable or declined. Interest rates on first-ranking mortgage financings range from 2.55% to 6.80% as at December 31, 2013.

Trust administration expenses

Trust administration expenses include administrative costs such as payroll expenses and professional fees associated with executive and administrative staff, the compensation plan for trustees, legal and auditing services, expenses related to listed fund status, insurance costs and office expenses. These administrative expenses were down 8.0% for the fourth quarter of 2013 compared to the same period in 2012 and 2.2% for the year. Lastly, Trust administration expenses include amortization of the head office building and property, plant and equipment, unit-based compensation, a non-monetary item that affects the volatility of administrative expenses from period to period, bad debts and related legal fees.

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Administrative expenses	**738**	802	**3,146**	3,217
Amortization	**30**	25	**114**	90
Unit-based compensation	**47**	(30)	**90**	(76)
Trust administration expenses before following item:	**815**	797	**3,350**	3,231
Bad debts and related legal fees	**9**	127	**365**	280
Trust administration expenses	**824**	924	**3,715**	3,511

Expenses for abandoned projects

The Trust incurred analysis and due diligence expenses for property acquisition projects. Based on the results of these analyses, the Trust decided not to go through with the acquisitions. Expenses of $118 (2012: $8) were incurred in fiscal 2013.

Fair value adjustment on investment properties

Under IAS 40, the Trust accounts for its investment properties at fair value and recognizes the gain or loss arising from a change in the fair value in profit or loss for the period in which it arises.

The fair value of investment properties is determined using the discounted cash flow method, the capitalized net operating income method or the comparable method, which are generally accepted valuation methods.

Management receives quarterly capitalization rate and discount rate data from external chartered valuators and independent experts. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization and discount rates within ranges provided by external valuators. To the extent that the externally-provided capitalization rate ranges change from one reporting period to the next, or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

Yearly independent external valuations are done on a rotating three-year cycle. In addition, the portfolio's ten largest properties are independently appraised each year.

As part of recent or potential refinancings, the Trust subjected the applicable properties to independent external valuations. As a result, management determined that an increase in value of $4,520 for the quarter ($2,764 in 2012) and $8,375 for the year (2012: $7,711) was required in order to adequately reflect the fair value of the portfolio held. BTB has estimated that a 0.25% variation in the overall discount rate applied to the overall portfolio would change the fair value of the investment properties by approximately $10.1 million.

The following tables highlight the significant assumptions used in the modeling process for both internal and external appraisals:

	Commercial	**Office**	**Industrial**	**General purpose**
As at December 31, 2013				
Capitalization rate	6.25% - 10.00%	6.75% - 10.25%	6.50% - 10.50%	7.00% - 8.25%
Terminal capitalization rate	6.50% - 8.25%	6.50% - 9.25%	7.00% - 10.50%	7.25% - 8.50%
Discount rate	7.25% - 9.00%	7.50% - 9.75%	7.25% - 10.75%	8.25% - 9.25%
As at December 31, 2012				
Capitalization rate	7.00% - 12.00%	6.50% - 10.50%	7.00% - 9.75%	7.25% - 8.75%
Terminal capitalization rate	7.25% - 8.75 %	6.50% - 9.50%	7.00% - 11.50%	7.50% - 9.25%
Discount rate	7.25% - 9.75%	7.50% - 9.25%	7.00% - 10.75%	8.25% - 9.00%

The weighted average capitalization rate for the entire portfolio as at December 31, 2013 was 7.51% (2012: 7.55%), down three basis points since September 30, 2013, and down four basis points from a year earlier.

Net income and comprehensive income

BTB generated net income of $7.7 million for the fourth quarter of 2013 and $18.3 million for the year, up $2.1 million from the fourth quarter of 2012 and $0.4 million for the year.

Periods ended December 31
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Net income and comprehensive income	**7,732**	5,603	**18,349**	17,967
Per unit	**27.3¢**	28.4¢	**71.3¢**	96.2¢

Net income and comprehensive income fluctuate from one quarter and year to another based on certain highly volatile monetary items. Consequently, the fair value of financial instruments and the fair value of the property portfolio fluctuate based on the stock market volatility of BTB units, the forward interest rate curve and the discount rate. The following table presents income and comprehensive income before these volatile non-monetary items.

Periods ended December 31
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Net income and comprehensive income	**7,732**	5,603	**18,349**	17,967
Volatile non-monetary items	**(4,666)**	(3,997)	**(8,262)**	(12,997)
Net income and comprehensive income before volatile non-monetary items	**3,066**	1,606	**10,087**	4,970
Per unit	**10.8¢**	8.1¢	**39.2¢**	26.6¢

This table shows an increase of more than 33% in quarterly net income per unit before above-mentioned items and more than 47% for the year.

Distributable Income and Distributions

The notion of “distributable income” does not constitute financial information as defined by IFRS. It is, however, a measurement that is frequently used by investors in real estate trusts. In our opinion, distributable income is an effective tool for assessing the Trust’s performance.

We define distributable income as net income determined under IFRS, before unrealized fair value adjustments, transaction costs incurred upon business combinations, rental revenue arising from the recognition of leases on a straight-line basis, the amortization of lease incentives, the accretion of effective interest and certain other non-cash items.

The following table shows the calculation of distributable income:

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Net income and comprehensive income (IFRS)	**7,732**	5,603	**18,349**	17,967
- Fair value adjustment on investment properties	**(4,520)**	(2,764)	**(8,375)**	(7,711)
+ Amortization of an investment property and other property and equipment	**33**	28	**126**	97
± Unit-based compensation expense	**47**	(30)	**90**	(76)
+ Accretion of the liability component of convertible debentures	**132**	155	**551**	598
± Fair value adjustment on warrants	**—**	—	**—**	43
± Fair value adjustment on derivative financial instruments	**(146)**	(1,233)	**113**	(5,329)
+ Amortization of lease incentives	**407**	355	**1,480**	1,240
- Straight-line rental income adjustment	**(327)**	(281)	**(866)**	(661)
+ Accretion of effective interest	**223**	440	**1,142**	1,412
Distributable income	**3,581**	**2,273**	**12,610**	**7,580**
Non-recurring item				
Toronto Stock Exchange listing fees	**—**	—	**—**	225
Recurring distributable income	**3,581**	**2,273**	**12,610**	**7,805**

The following table shows the reconciliation of distributable income (non-IFRS measure) and cash flows from operating activities presented in the financial statements:

Periods ended December 31
(in thousands of dollars)

	Year	
	2013	**2012**
	$	$
Cash flows from operating activities (IFRS)	**32,168**	20,426
+ Financial revenues	**105**	141
± Net change in operational items	**165**	3,651
- Interest expense on mortgage loans payable	**(13,861)**	(11,822)
- Interest expense on convertible debentures	**(5,146)**	(4,622)
- Interest expense on acquisition line of credit	**(776)**	(87)
- Other interest expenses	**(45)**	(107)
Distributable income	**12,610**	**7,580**

Distributions and per unit data

Periods ended December 31
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Distributions				
Cash distributions	**2,531**	1,895	**9,490**	7,074
Distributions reinvested under the distribution reinvestment plan	**296**	173	**922**	582
Total distributions to unitholders	**2,827**	2,068	**10,412**	7,656
Percentage of reinvested distributions	**10.5%**	8.4%	**8.9%**	7.6%
Per unit data				
Recurring distributable income	**12.7¢**	11.5¢	**49.0¢**	41.8¢
Distribution	**10.0¢**	10.0¢	**40.0¢**	40.0¢
Payout ratio [(1)]	**78.9%**	91.0%	**82.6%**	98.1%
Cash distribution ratio[(2)]	**70.7%**	83.4%	**75.3%**	90.6%

(1) The payout ratio corresponds to total distributions divided by recurring distributable income.

(2) The cash distribution ratio corresponds to cash distributions divided by recurring distributable income.

Recurring distributable income for the fourth quarter increased by $1,308, from $2,273 to $3,581, between 2012 and 2013. Recurring distributable income for fiscal 2013 stood at $12,610, up $4,805 from 2012. Recurring distributable income per unit for the fourth quarter of 2013 stood at 12.7¢ per unit compared to 11.5¢ in 2012, and 49.0¢ for fiscal 2013 compared to 41.8¢ for fiscal 2012.

Distributions to unitholders totalled 10.0¢ per issued unit for each quarter presented or 40.0¢ for the cumulative period.

The payout ratio for recurring distributable income was 78.9% in the fourth quarter of 2013 compared to 91.0% in the fourth quarter of 2012 and 82.6% for fiscal 2013, compared to 98.1% in 2012, reflecting a surplus of distributable income over distributions in the last two years. In fiscal 2013, 8.9% of the distributions (2012: 7.6%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. More than $0.9 million (2012: $0.6 million) of the Trust's cash was thereby preserved through unit conversions.

Funds from Operations (FFO)

The notion of funds from operations ("FFO") does not constitute financial and accounting information as defined by IFRS. It is, however, a measurement that is frequently used by real estate companies and real estate investment trusts. The Canadian Real Property Association of Canada ("REALpac") amended its White Paper on Funds from Operations in 2010 to reflect the impact of IFRS. The following is a list of some of the new adjustments to net income, calculated according to IFRS, which are non-cash items that create volatility:

- Fair value adjustment on investment properties
- Amortization of properties that continue to be recognized at acquisition cost (Trust's head office)
- Amortization of lease incentives
- Fair value adjustment on derivative financial instruments
- Fair value adjustment on warrants

Our calculation method is consistent with the method recommended by REALpac, but may differ from measures used by other real estate investment trusts. Consequently, this method may not be comparable to methods used by other issuers.

The following table provides a reconciliation of net income and comprehensive income established according to IFRS and FFO for the quarters and years ended December 31, 2013 and 2012:

Periods ended December 31
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Net income and comprehensive income (IFRS)	**7,732**	5,603	**18,349**	17,967
- Fair value adjustment on investment properties	**(4,520)**	(2,764)	**(8,375)**	(7,711)
+ Amortization of a property recognized at cost	**17**	14	**65**	58
+ Amortization of lease incentives	**407**	355	**1,480**	1,240
+ Fair value adjustment on derivative financial instruments	**(146)**	(1,233)	**113**	(5,329)
+ Fair value adjustment on warrants	**—**	—	**—**	43
FFO	**3,490**	1,975	**11,632**	6,268
Non-recurring item				
Toronto Stock Exchange listing fees	**—**	—	**—**	225
Recurring FFO	**3,490**	1,975	**11,632**	6,493
Per unit data				
FFO	**12.3¢**	10.0¢	**45.2¢**	33.6¢
Recurring FFO	**12.3¢**	10.0¢	**45.2¢**	34.8¢

Recurring FFO increased by 76.7% for the fourth quarter of 2013 and 79.1% for the year compared with 2012, mainly as a result of acquisitions of income-producing properties and a decrease in the average mortgage loan interest rate. Recurring FFO per unit for the fourth quarter amounted to 12.3¢ in 2013 compared to 10.0¢ in 2012, a 23% increase.

For the year, recurring FFO stood at $11,632 or 45.2¢ per unit for 2013 compared to $6,493 or 34.8¢ per unit in 2012, a per-unit increase of 29.9%.

Adjusted Funds from Operations (AFFO)

The notion of adjusted funds from operations ("AFFO") is widely used by real estate companies and real estate investment trusts. It is an additional measure to assess the Trust's performance and its ability to maintain and increase distributions in the long term. However, AFFO is not a financial or accounting measure prescribed by IFRS. The method of computing may differ from those used by other companies or real estate investment trusts and may not be used for comparison purposes.

BTB defines AFFO as its FFO, adjusted to take into account other non-cash items that impact comprehensive income and do not enter into the calculation of FFO, including:

- Straight-line rental income adjustment
- Accretion of effective interest following amortization of financing expenses
- Accretion of the liability component of convertible debentures
- Amortization of other property, plant and equipment
- Unit-based compensation expenses

The Trust deducts a provision for unrecoverable capital expenses in calculating AFFO. The Trust allocates significant amounts to the regular maintenance of its properties in an attempt to reduce capital expenses as much as possible. Since 2013, the allocation for unrecoverable capital expenses is calculated on the basis of 2% of rental revenues. During fiscal 2012, the allocation was done based on 1.3% of income, explaining why the increase in FFO and AFFO per unit was smaller than for the other performance indicators in 2013.

The Trust also deducts a provision for rental fees in the amount of approximately 20¢ per square foot on an annualized basis. Even though quarterly rental fee disbursements vary significantly from one quarter to another, management considers that this provision fairly presents, in the long term, the average disbursements that the Trust will undertake. These disbursements consist of inducements paid or granted when leases are signed, and of brokerage commissions.

The following table provides a reconciliation of FFO and AFFO for the quarters and years ended December 31, 2013 and 2012:

Periods ended December 31
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2013	2012	**2013**	2012
	$	$	$	$
FFO	**3,490**	1,975	**11,632**	6,268
- Straight-line rental income adjustment	**(327)**	(281)	**(866)**	(661)
+ Accretion of effective interest	**223**	440	**1,142**	1,412
+ Accretion of the liability component of convertible debentures	**132**	155	**551**	598
+ Amortization of other property and equipment	**17**	14	**62**	39
± Unit-based compensation expenses	**47**	(30)	**90**	(76)
- Reserve for non-recoverable capital expenses	**(323)**	(173)	**(1,264)**	(626)
- Reserve for rental fees	**(210)**	(195)	**(885)**	(730)
AFFO	**3,049**	1,905	**10,462**	6,224
Non-recurring item				
Toronto Stock Exchange listing fees	**—**	—	**—**	225
Recurring AFFO	**3,049**	1,905	**10,462**	6,449
Per unit data				
AFFO	**10.8¢**	9.7¢	**40.7¢**	33.3¢
Recurring AFFO	**10.8¢**	9.7¢	**40.7¢**	34.5¢

The increase of 60.1% in recurring AFFO for the fourth quarter of 2013 compared with the fourth quarter of 2012 and of 62.2% for fiscal 2013 compared to fiscal 2012 is due to acquisitions of income-producing properties and a drop in the average mortgage loan interest rate. Recurring AFFO per unit amounted to 10.8¢ compared with 9.7¢ in 2012 for the fourth quarter, an 11.3% increase.

For the year, 2013 recurring AFFO totalled $10,462, or 40.7¢ per unit, compared to $6,449 or 34.5¢ per unit, a per-unit increase of 18.0%.

Segmented Information

The Trust's operations are derived from four categories of properties, located in Québec and in Ontario. The following tables present each category's contribution to revenues and net operating income for the quarters and years ended December 31, 2013 and 2012.

Periods ended December 31
(in thousands of dollars)

	Commercial		Office		Industrial		General purpose		Total
	$	%	$	%	$	%	$	%	$
Quarter ended in 2013									
Investment properties	**101,675**	**19.2**	**208,793**	**39.4**	**100,561**	**19.0**	**118,403**	**22.4**	**529,432**
Rental income from properties	**3,006**	**18.4**	**6,919**	**42.3**	**2,333**	**14.3**	**4,090**	**25.0**	**16,348**
Net operating income	**1,850**	**20.4**	**3,309**	**36.5**	**1,937**	**21.4**	**1,965**	**21.7**	**9,061**
Quarter ended in 2012									
Investment properties	98,608	20.2	200,092	41.0	79,236	16.2	110,585	22.6	**488,521**
Rental income from properties	2,093	15.7	6,606	49.6	1,928	14.5	2,689	20.2	**13,316**
Net operating income	1,496	19.8	3,214	42.6	1,528	20.2	1,313	17.4	**7,551**
Year ended in 2013									
Rental income from properties	**11,684**	**18.4**	**27,007**	**42.6**	**8,855**	**14.0**	**15,889**	**25.0**	**63,435**
Net operating income	**7,163**	**20.3**	**13,058**	**37.0**	**7,324**	**20.7**	**7,791**	**22.0**	**35,336**
Year ended in 2012									
Rental income from properties	7,898	16.4	23,584	49.0	6,841	14.2	9,795	20.4	**48,118**
Net operating income	5,360	19.9	11,418	42.3	5,517	20.4	4,701	17.4	**26,996**

Comparative Summary of Quarterly Results

(in thousands of dollars, except for per unit data)

	2013 Q-4	2013 Q-3	2013 Q-2	2013 Q-1	2012 Q-4	2012 Q-3	2012 Q-2	2012 Q-1
	$	$	$	$	$	$	$	$
Rental income	**16,348**	15,452	15,820	15,815	13,316	12,080	11,723	10,999
Net operating income	**9,061**	8,760	8,975	8,540	7,551	7,016	6,708	5,721
Net income and comprehensive income	**7,732**	5,660	1,616	3,342	5,603	3,429	4,963	3,972
Net income per unit	**27.3¢**	21.0¢	6.8¢	14.0¢	28.4¢	18.0¢	26.0¢	23.8¢
Distributable recurring income	**3,581**	3,202	3,110	2,718	2,273	2,245	2,071	1,211
Distributable recurring income per unit	**12.7¢**	11.9¢	13.0¢	11.4¢	11.5¢	11.7¢	10.8¢	7.3¢
Recurring funds from operations (FFO)	**3,490**	2,836	2,857	2,450	1,975	1,941	1,710	867
Recurring FFO per unit	**12.3¢**	10.5¢	12.0¢	10.3¢	10.0¢	10.1¢	9.0¢	5.2¢
Recurring adjusted funds from operations (AFFO)	**3,049**	2,668	2,569	2,182	1,905	1,903	1,739	898
Recurring AFFO per unit	**10.8¢**	10.0¢	10.8¢	9.2¢	9.7¢	10.0¢	9.1¢	5.4¢
Distributions	**2,827**	2,821	2,324	2,380	2,069	1,912	1,916	1,759
Distributions per unit	**10¢**	10¢	10¢	10¢	10¢	10¢	10¢	10¢

Financial Position

The table below presents a summary of assets, liabilities and unitholders' equity as at December 31, 2013 and 2012. It should be read in conjunction with the Trust's audited annual financial statements.

Periods ended December 31
(in thousands of dollars)

	2013	2012
	$	$
Assets		
Investment properties	**529,432**	488,521
Other assets	**17,127**	16,406
Total assets	**546,559**	**504,927**
Liabilities		
Mortgage loans payable	**313,816**	296,523
Convertible debentures	**63,929**	54,272
Acquisition credit facility	**—**	14,825
Derivative financial instruments	**1,472**	927
Other liabilities	**14,750**	13,602
Total liabilities	**393,967**	**380,149**
Equity		
Unitholders' equity	**152,592**	124,778
Total liabilities and equity	**546,559**	**504,927**

The main changes to the statement of financial position as at December 31, 2013 compared to the statement of financial position as at December 31, 2012 primarily reflect investment property acquisitions during fiscal 2013 and the issuance of units in July 2013, convertible debentures in February 2013 and mortgage financings and refinancings concluded in 2013.

Real Estate Portfolio

Over the years, BTB has fuelled its growth through high-quality property acquisitions based on strict selection criteria, while maintaining an appropriate allocation among four activity segments: office, commercial, industrial and general-purpose properties.

Property acquisitions in 2013

In February 2013, the Trust acquired a 50% interest in a 15,186-square-foot retail complex in Saint-Lazare, Quebec, for a purchase price of $2.6 million. The tenants include Tim Hortons, A&W and a Sobeys convenience store.

In March 2013, the Trust acquired an industrial property with a leasable area of approximately 132,665 square feet for a purchase price of $11 million, excluding transaction costs. The property is located at the intersection of Highways 15 and 440, about ten minutes from Montreal International Airport, and is fully leased to Pharmetics.

In October 2013, the Trust acquired two industrial properties and an office property totalling approximately 109,000 square feet of leasable area for a total purchase price of $14 million, including a $1.3 million contractual commitment to perform reconstruction work. Two of the properties are located on the south shore of Montreal and the third is in the area of Sherbrooke, Quebec. These properties are fully leased to the engineering firm The S.M. Group Inc.

In December 2013, the Trust acquired the residual 50% interest in the retail complex located in Saint-Lazare, Québec for a purchase price of $2.6 million.

Disposal of a property in 2013

In May 2013, the Trust disposed of a general-purpose property located at 2220 Lapinière, Longueuil, for a net consideration of $2,300. The property no longer met the Trust's investment criteria.

The following table provides summary information about the real estate portfolio:

Periods ended December 31
(in thousands of dollars)

	2013	2012
	$	$
Investment properties (at fair value)	**529,432**	488,521
Other assets at unamortized value	**17,715**	16,868
Gross book value of the Trust	**547,147**	505,389
Number of properties	**69**	65
Leasable area (in thousands of sq. ft.)	**4,580**	4,341

Summary by operating segment as at December 31, 2013

Periods ended December 31, 2013
(in square feet)

	Number of properties	Leasable area (sq.ft.)	%
Office	22	1,446,352	31.6
Commercial	14	651,688	14.2
Industrial	19	1,506,973	32.9
General purpose	14	975,258	21.3
Total	**69**	**4,580,271**	**100.0**

Real Estate Operations

Leasing activities

The following table summarizes changes in available leasable area during the periods ended December 31, 2013.

Periods ended December 31, 2013
(in square feet)

	Quarter	Year
Available leasable area at beginning of period	**369,760**	359,949
Available leasable area purchased (sold)	**—**	(4,597)
Leasable area of expired leases	**163,023**	330,889
Leasable area of leases terminated before term	**5,280**	90,360
Leasable area of expired and renewed leases	**(124,828)**	(234,301)
Leasable area of new leases signed	**(46,021)**	(173,648)
Other	**(48)**	(1,486)
Available leasable area at end of period	**367,166**	**367,166**

The Trust's leasing operations were significant during the fourth quarter of 2013. Almost 171,000 square feet were signed with new lessees or renewed during the quarter. During fiscal 2013, approximately 447,000 square feet were signed or renewed at generally more advantageous conditions than previously.

The average rate of expired and renewed leases rose 9.8% during the fourth quarter and 7.7% over the year.

Occupancy rates

The following table provides occupancy rates by sector based on firm lease agreements signed as at the date of this report:

	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2012	December 31, 2012
	%	%	%	%	%
Sector of activity					
Office	**87.4**	87.2	86.8	86.9	86.4
Commercial	**94.2**	93.8	93.1	94.4	93.8
Industrial	**94.4**	93.9	93.9	94.3	93.8
General purpose	**93.0**	93.4	94.3	94.4	94.9
Total portfolio	**91.9**	**91.7**	**91.6**	**92.1**	**91.7**

The overall occupancy rate is up by 0.2% since both September 30, 3013 and December 31, 2012. It stands at 91.9%. The occupancy rate increased in all sectors of activity except “General purpose” properties.

Lease maturity

The following table shows the lease maturity profile for the next few years:

Periods ended December 31

	2014	2015	2016	2017	2018	2019
Office						
Leasable area (sq. ft.)	133,892	219,208	163,662	160,663	133,679	147,471
Average lease rate/square foot ($)	13.53	13.52	15.02	12.45	12.10	13.01
% of office portfolio	9.26	15.16	11.32	11.11	9.24	10.20
Commercial						
Leasable area (sq. ft.)	66,564	36,594	49,878	26,475	113,905	109,638
Average lease rate/square foot ($)	9.31	12.11	10.69	17.42	14.08	12.00
% of commercial portfolio	10.21	5.62	7.65	4.06	17.48	16.82
Industrial						
Leasable area (sq. ft.)	147,984	4,325	64,013	554,539	—	24,500
Average lease rate/square foot ($)	3.84	5.55	11.05	4.66	—	4.00
% of industrial portfolio	9.82	0.29	4.25	36.80	—	1.63
General purpose						
Leasable area (sq. ft.)	104,292	91,087	148,781	50,921	100,437	62,759
Average lease rate/square foot ($)	12.84	10.82	9.25	14.40	12.40	12.06
% of general purpose portfolio	10.69	9.34	15.26	5.22	10.30	6.44
Total portfolio						
Leasable area (sq. ft.)	452,732	351,214	426,334	792,598	348,021	344,368
Average lease rate/square foot ($)	9.58	12.58	11.91	7.29	12.83	11.87
% of total portfolio	9.88	7.67	9.31	17.30	7.60	7.52

Top 10 lessees

As at December 31, 2013, BTB managed close to 700 leases, with an average area of approximately 6,000 square feet. The three largest lessees are Société québécoise des infrastructures (SQI), the Groupe Épicia inc. and Atis, Portes et Fenêtres Corp., accounting respectively for 3.9%, 2.2% and 2.0% of revenues, generated by a number of leases whose maturities are spread over time. Approximately 29% of the Trust's total revenues are generated by leases entered into with government agencies (federal, provincial and municipal) and public companies, ensuring stable and high-quality cash flows for the Trust's operating activities.

The following table shows the contribution of the Trust's top 10 lessees as a percentage of revenues as at December 31, 2013:

Client	% of revenue	Leased area (square feet)
Société québécoise des infrastructures (SQI)	3.9	139,785
Groupe Épicia inc.	2.2	87,175
Atis. Portes et Fenêtres Corp.	2.0	219,725
Germain Larivière Inc.	1.7	101,194
Sobeys Québec Inc.	1.6	44,988
City of Ottawa	1.6	29,768
Commission de la Santé et de la Sécurité du Travail (CSST)	1.5	46,421
Flextronics	1.5	48,731
Groupe Aro Inc.	1.5	40,825
CSSS Lucille-Teasdale	1.4	26,900

Capital Resources

Long-term debt

The following table shows the balances of BTB's indebtedness as at December 31, 2013, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2014	—	61,777	5.21
2015	—	21,503	4.11
2016	23,000	77,624	4.80
2017	—	64,316	4.25
2018	23,000	41,259	4.66
2019 and thereafter	23,000	47,694	5.47
Total	**69,000**	**314,173**	**4.84**

As at December 31, 2013, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.84%, i.e. 4.44% for mortgages payable and 7.38% for convertible debentures. The average maturity of mortgage loans is 4.4 years.

Mortgage loans payable

As at December 31, 2013, the Trust's mortgage loans payable amounted to $314.2 million compared to $296.2 million as at December 31, 2012, before deferred financing costs and valuation adjustments, an increase of $18.0 million due to acquisitions and refinancings in the last four quarters.

As at December 31, 2013, the weighted average interest rate was 4.44%, compared to 4.69% for mortgage loans on the books as at December 31, 2012, a drop of 25 basis points. Except for a $1.4 million loan as at December 31, 2013, all other mortgages payable bear interest at fixed rates or are coupled with an interest rate swap.

BTB spreads the terms of its mortgages over many years in order to mitigate the risk associated with renewing them.

The following table summarizes changes in mortgage loans payable during the fourth quarter and fiscal 2013:

(in thousands of dollars)

	Quarter	Year
Balance at beginning of period	**302,368**	296,214
Mortgage loans contracted or assumed	**34,177**	60,567
Balance repaid at maturity	**(20,195)**	(34,260)
Monthly principal repayments	**(2,177)**	(8,348)
Balance as at December 31, 2013	**314,173**	**314,173**

N.B.: Before unamortized financing costs and valuation adjustments.

All of the Trust's properties were mortgaged as at December 31, 2013. Unamortized loan financing costs totalled $1,999 and are amortized under the effective interest method over the term of the loans.

The following table, as at December 31, 2013, shows future mortgage loan repayments for the next few years:

Year ended December 31
(in thousands of dollars)

	Principal repayment	Balance at maturity	Total	(%) of total
	$	$	$	%
Maturity				
2014	8,260	60,731	68,991	22.0
2015	7,567	20,362	27,929	8.9
2016	6,864	70,038	76,902	24.5
2017	4,173	57,527	61,700	19.6
2018	2,309	35,493	37,802	12.0
2019 and thereafter	21,226	19,623	40,849	13.0
Total	**50,399**	**263,774**	**314,173**	**100**
+ Valuation adjustments on assumed loans			1,642	
- Unamortized financing costs			(1,999)	
Balance as at December 31, 2013			**313,816**	

Financings completed

As a result of acquisitions completed recently and refinancings, the Trust assumed or contracted the following mortgage loans:

- Arrangement of a second-ranking mortgage financing in the amount of $8.6 million on a commercial property acquired in December 2012, at a rate of 4.91% for an 11-year term.
- Arrangement of a second-ranking mortgage financing in the amount of $2.75 million on a commercial and office property acquired in December 2012, at a rate of 5.45% for a 40-month term.
- Assumption of a first-ranking mortgage financing in the amount of $1.6 million on a retail complex acquired in February 2013, at a rate of 3.93% for a 44-month term.
- Arrangement of a first-ranking mortgage financing in the amount of $7.15 million on an industrial building acquired in March 2013, at a rate of 4.02% for a 5-year term.
- As part of refinancings, increase in two first-ranking mortgages on three retail properties, generating a cash inflow of $4.8 million and a rate decrease of approximately 150 basis points on these loans.
- Refinancing of a construction loan bearing interest at a floating rate as a first-ranking mortgage financing in the amount of $15.4 million, divided into three tranches of approximately $5 million, at a weighted average rate of 3.3% for 2-, 3- and 5-year terms.
- Arrangement of a first-ranking mortgage financing in the amount of $9.1 million on three industrial properties acquired in October 2013, at a rate of 3.95% for a 5-year term.
- Subsequent to the reporting date, refinancing of two mortgage loans on seven properties totalling approximately $25 million, bearing interest at an average rate of 5.74% through the arrangement of six mortgage loans totalling $26.4 million at a rate of 3.34%. This refinancing will generate substantial savings on interest expenses of more than $0.5 million per year.

Convertible debentures

(a) Series B

In March 2008, the Trust issued Series B convertible, unsecured, subordinated debentures in the amount of $13 million. Interest is at the rate of 8.5% and is payable semi-annually. The debentures matured and were repaid on March 31, 2013.

(b) Series C

In January 2011, the Trust issued Series C convertible, unsecured, subordinated debentures, bearing 8% interest, in the amount of $23 million. Interest is payable semi-annually and the debentures mature on January 31, 2016. The debentures are convertible at the option of the holder at any time no later than January 31, 2016, subject to certain conditions. The conversion price is $5.00 per unit (the "Series C conversion price"). As at December 31, 2013, the closing market price of BTB units was $4.46.

As of January 31, 2014, but before January 31, 2015, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series C conversion price and as of January 31, 2015, but before January 31, 2016, at a price equal to their principal amount plus accrued, unpaid interest.

The Trust may, at its option and subject to certain conditions, elect to satisfy its obligation to pay the principal amount of the Series C debentures by issuing freely tradable units to Series C debenture holders.

On the date of issuance, the debentures were recorded as a $21.6 million non-derivative liability component and a $1.4 million derivative financial instrument component.

(c) Series D
In July 2011, the Trust issued Series D convertible, unsecured, subordinated debentures, bearing 7.25% interest, in the amount of $23 million. Interest is payable semi-annually and the debentures mature on July 31, 2018. The debentures are convertible at the option of the holder at any time no later than July 31, 2018, subject to certain conditions. The conversion price is $6.10 per unit (the "Series D conversion price"). As at December 31, 2013, the closing market price of BTB units was $4.46.

As of July 31, 2014, but before July 31, 2016, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series D conversion price and, as of July 31, 2016, but before July 31, 2018, at a price equal to their principal amount plus accrued, unpaid interest.

The Trust may, at its option and subject to certain conditions, elect to satisfy its obligation to pay the principal amount of the Series D debentures by issuing freely tradable units to Series D debenture holders.

On the date of issuance, the debentures were recorded as a $21.3 million non-derivative liability component and a $1.7 million derivative financial instrument component.

(d) Series E
In February 2013, the Trust issued Series E convertible, unsecured, subordinated debentures, bearing 6.90% interest, in the amount of $23 million. Interest is payable semi-annually and the debentures mature on March 31, 2020. The debentures are convertible at the option of the holder at any time no later than March 31, 2020, subject to certain conditions. The conversion price is $6.15 per unit (the "Series E conversion price"). As at December 31, 2013, the closing market price of BTB units was $4.46.

As of March 31, 2016, but before March 31, 2018, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series E conversion price and, as of March 31, 2018, but before March 31, 2020, to a price equal to their principal amount plus accrued, unpaid interest.

The Trust may, at its option and subject to certain conditions, elect to satisfy its obligation to pay the principal amount of the Series E debentures by issuing freely tradable units to Series E debenture holders.

On the date of issuance, the debentures were recorded as a $22.7 million non-derivative liability component and a $0.3 million derivative financial instrument component.

The net proceeds from issue in the amount of $21.8 million were used as planned, i.e. $13 million allocated to the repayment of Series B debentures maturing on March 31, 2013 and the remainder to property acquisitions.

As at December 31, 2013, none of the three series met the conditions necessary for an authorized redemption.

	Series C	Series D	Series E	Total
Contractual interest rate	8%	7.25%	6.90%	
Effective interest rate	9.78%	8.47%	7.90%	
Date of issuance	January 2011	July 2011	February 2013	
Per-unit conversion price	$5.00	$6.10	$6.15	
Date of interest payment	January 31 and July 31	January 31 and July 31	March 31 and September 30	
Maturity date	January 2016	July 2018	March 31, 2020	
Balance as at December 31, 2013	**21,586**	**20,754**	**21,589**	**63,929**

Bank loans – Operating credit facility

BTB has an operating credit facility of $2 million with a Canadian chartered bank. This credit facility is guaranteed by a collateral mortgage on two properties and bears interest at the bank's prime rate, plus 1%. As at December 31, 2013, a total of $1.045 million was outstanding related to this credit facility.

Bank loans – Acquisition credit facility

The Trust's acquisition line of credit in the amount of $15,000 has matured in November 2013.

Debt ratio

The following table presents the Trust's debt ratios as at December 31, 2013 and 2012.

As at December 31
(in thousands of dollars)

	2013	2012
	$	$
Mortgage loans payable [1]	**314,173**	296,214
Convertible debentures [1]	**69,000**	59,020
Acquisition credit facility	**—**	15,000
Total long-term debt	**383,173**	370,234
Gross book value of the Trust	**547,147**	505,389
Debt ratio (excluding convertible debentures)	**57.6%**	61.6%
Total debt ratio	**70.0%**	73.3%

[1] Gross amounts

According to the table above, the debt ratio excluding the convertible debentures as at December 31, 2013, amounted to 57.6% compared to 61.6% as at December 31, 2012. The Trust seeks to finance its acquisitions with debt ratios of 60% to 70% because the cost of mortgage financings is lower than the capital cost of the Trust's equity. After including the convertible debentures, the ratio stood at 70.0% compared to 73.3% one year earlier.

Under the terms of its trust agreement, the Trust cannot contract a mortgage loan if, after having contracted the said loan, the total debt exceeds 75% of the gross carrying amount of the Trust. When establishing this calculation, the convertible debentures are not considered in the calculation of total indebtedness. Moreover, also under its trust agreement, in case of default with respect to this condition, the Trust has 12 months from the date of recognizing this default to perform the transactions necessary to remedy the situation.

Interest coverage ratio

The Trust calculates its interest coverage ratio by dividing net operating income by interest expense net of interest income. The interest coverage ratio is used to assess BTB's ability to pay interest on its debt using its operating revenues. For the quarter ended December 31, 2013, the interest coverage ratio stood at 1.89, up 18 points from the fourth quarter of 2012 and at 1.79, up 15 points for fiscal 2013 compared to fiscal 2012, showing the Trust's financial strength and ability to cover the cost of its debt.

Periods ended December 31
(in thousands of dollars, except for the ratios)

	Quarter		Year	
	2013	2012	2013	2012
	$	$	$	$
Net operating income	**9,061**	7,551	**35,336**	26,996
Interest expense, net of interest income	**4,790**	4,426	**19,723**	16,497
Interest coverage ratio	**1.89**	1.71	**1.79**	1.64

Unitholders' equity

Unitholders' equity consists of the following:

As at December 31
(in thousands of dollars)

	2013	2012
	$	$
Trust units	**157,207**	137,330
Cumulative profit	**20,680**	2,331
Cumulative distributions to unitholders	**(25,295)**	(14,883)
	152,592	124,778

Unit issue

On July 29, 2013, the Trust completed an issue of 4,328,600 units, including the over-allotment option of 15%, at an issue price of $4.65 per unit, for net proceeds of approximately $19 million. As specified in the prospectus dated July 22, 2013, $15 million were immediately used to reimburse the acquisition line of credit, and the residual amount was kept for future acquisitions of real estate properties.

Consolidation

On June 7, 2012, the Trust consolidated its outstanding units at a ratio of five pre-consolidation units for one post-consolidation unit. Prior period comparative figures were adjusted accordingly.

Distribution reinvestment plan

On October 1, 2011, the Trust implemented a distribution reinvestment plan under which unitholders may elect to receive distributions in units, with a 5% discount on their market value. Under the program, 66,682 units were issued during the last quarter (2012: 40,206 units) and 205,141 units were issued during the year (2012: 132,857).

The following table summarizes units issued and the weighted number of units for the specified periods:

Periods ended December 31
(in number of units)

	Quarter		Year	
	2013	2012	**2013**	2012
	$	$	$	$
Units outstanding, beginning of period	**28,258,856**	19,153,591	**23,791,797**	14,810,790
Units issued				
Public placement and warrants exercised	**—**	4,598,000	**4,328,600**	8,848,150
Distribution reinvestment plan	**66,682**	40,206	**205,141**	132,857
Units outstanding, end of period	**28,325,538**	23,791,797	**28,325,538**	23,791,797
Weighted average number of units outstanding	**28,291,857**	19,723,581	**25,735,696**	18,668,871

Unit options

The Trust may grant options to its trustees, senior officers, investor relations consultants and technical consultants. The maximum number of units reserved for issuance under the unit option plan may not exceed 10% of the total number of issued and outstanding units. The trustees have and will set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the quoted market price of the units, as determined under a related agreement. The options have a maximum term of five years from the date of grant.

Details of unit options granted during the reporting periods are as follows:

Years ended December 31

	2013		**2012**	
	Unit options	**Weighted average exercise price**	**Unit options**	**Weighted average exercise price**
		$		$
Outstanding, beginning of year	**227,000**	**5.07**	551,000	10.20
Expired	**(129,000)**	**5.55**	(324,000)	13.77
Outstanding, end of year	**98,000**	**4.51**	227,000	5.07
Options vested as at December 31	**98,000**	**4.51**	227,000	5.07
Weighted average remaining term to expiry (years)		**1.48**		1.59

The purpose of granting unit options is to encourage the holder to acquire an ownership interest that increases over time and provides a financial incentive for the holder to consider the long-term interests of BTB and its unitholders. Options also serve as non-cash compensation, thus preserving the cash resources of BTB during its early years.

Deferred unit compensation plan

The Trust has implemented a deferred unit compensation plan for trustees and certain officers. Under the program, beneficiaries may elect to receive their compensation in cash, deferred units or a combination of both.

The following table summarizes deferred units issued during the fourth quarter and fiscal 2013:

Periods ended December 31
(in number of units)

	Quarter		Year	
	2013	**2012**	**2013**	**2012**
	$	$	$	$
Deferred units outstanding, beginning of period	**26,206**	—	**15,981**	—
Deferred units issued	**3,075**	15,264	**11,948**	15,264
Distributions converted to deferred units	**490**	717	**1,842**	717
Deferred units outstanding, end of quarter	**29,771**	15,981	**29,771**	15,981

Employee unit purchase plan

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, pursuant to a maximum of 3% to 7% of their base salary depending of their years of experience with the Trust. For each two units purchased by an employee, the Trust shall issue one unit from treasury. As at December 31, 2013, the liability related to the plan was $33, representing a total of 7,456 units to issue. The related expenses recorded in profit and loss amount to $33 for the year ended December 31, 2013. The units have been issued after year-end.

Off-balance sheet arrangements and contractual commitments

BTB does not have any off-balance sheet arrangements that have or are likely to have an impact on its operating results or financial position, specifically its cash position and sources of financing.

During the quarter ended December 31, 2013, BTB complied with all of its loan commitments and was not in default with any covenant at the balance sheet date.

Use of proceeds of public offerings - fiscal 2013

Prospectus	Anticipated Use	Actual Use	Variation
February 2013 Series E debentures – $23 million	Repayment of Series B debentures and/or partial repayment of acquisition line of credit and/or future property acquisitions	Repayment of Series B debentures Property acquisitions	NIL
July 2013 3,764,000 units at $4.65 per unit	Repayment of acquisition line of credit and/or future property acquisitions	Repayment of acquisition line of credit Property acquisitions	NIL

Income Taxes

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The trustees intend to distribute or allocate all of the taxable income to its unitholders and to deduct these distributions for income tax purposes.

A special tax regime applies to trusts that are considered specified investment flow-through (SIFT) entities as well as those individuals who invest in SIFT entities. Under this regime, SIFT entities must generally pay taxes on their income at rates that are close to those of companies. In short, a SIFT entity is an entity (including a trust) that resides in Canada, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

However, for a given taxation year, BTB is not considered a SIFT entity and is therefore not subject to SIFT rules if, during that year, it constitutes a real estate investment trust (REIT).

Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions all year long: i) the total fair market value of all the ”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 the “non-portfolio assets” held by the trust ii) not less than 90% of its “gross REIT revenue” for the taxation year is from one or more of the following sources: 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” iii) not less than 75% of its “gross REIT revenue” for the taxation year comes from one or more of the following sources: rent from “real or immovable properties,” interest from mortgages on “real or immovable properties,” and dispositions of “real or immovable properties” that are capital properties iv) 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 “real or immovable property” which is a capital property, an “eligible resale property,” an indebtedness of a Canadian corporation represented by a banker’s acceptance, cash or, generally, an amount receivable from the Government of Canada or from certain other public agencies; and v) the investments that are made therein are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

As at December 31, 2013, BTB met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to BTB. BTB's management intends to take the necessary steps to meet the conditions for the REIT Exception on an on-going basis in the future.

Nonetheless, there is no guarantee that BTB will continue to meet all the required conditions to be eligible for the REIT exception for 2014 or any other subsequent year.

Taxation of Unitholders

For Canadian unitholders, distributions for taxation purposes are qualified as follows:

Periods ended December 31

	2013	**2012**
	%	%
Taxable as other income	**—**	—
Tax deferred	**100**	100
Total	**100**	**100**

Summary of Significant Accounting Policies and Estimates

BTB's significant accounting policies are described in Notes 2 and 3 to the audited annual consolidated financial statements for the year ended December 31, 2013 and the reader is invited to refer to these financial statements.

(a) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is BTB's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per unit amounts.

(b) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i) Judgments

The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Business combinations

The Trust acquires entities that own real estate. At the time of acquisition, the Trust considers whether the acquisition represents the acquisition of a business, i.e., where an integrated set of activities is acquired in addition to the investment property. More specifically, the following criteria are considered:

- The extent to which significant inputs and processes are acquired and in particular the extent of ancillary services provided by the acquiree.
- Whether the acquiree has allocated its own staff to manage the investment property and/or to deploy any processes.
- The number of investment properties owned by the acquiree.

An acquisition of a business is accounted for as a business combination under IFRS 3, *Business Combinations*.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values.

Operating lease contracts – Trust as lessor
The Trust enters into commercial property leases on its investment properties. The Trust has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the leases as operating leases.

(ii) Use of estimates
The key estimates made in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Valuation of investment properties
Investment properties are stated at fair value at each reporting date. Gains or losses arising from changes in the fair values are included in profit or loss in the period in which they arise. Fair value is determined by management using internally generated valuation models and by independent real estate valuation experts using recognized valuation techniques. These models and techniques comprise both the Discounted Cash Flow Method and the Direct Capitalization method. In some cases, the fair values are determined using the Comparable method which is based on recent real estate transactions with similar characteristics and location to those of the Trust's investment properties.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (including lease income and cost, future revenue streams, capital expenditures of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those cash flows. These estimates are based on local market conditions existing at the reporting date.

The significant methods and assumptions used by management and the valuators in estimating the fair value of investment properties are set out below:

Techniques used for valuing investment properties
The Direct Capitalization method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires estimation of future cash inflows and application of investor yield or return requirements.

The Discounted Cash Flow method involves the projection of a series of periodic cash flows either to an operating investment property or a development investment property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the investment property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value estimated of the investment property.

The Comparable method involves the comparison of the Trust's investment properties to similar investment properties that have transacted within a recent time frame from which a fair value is estimated based on the price per square foot of these comparable sales.

Derivative financial instruments
Derivative financial instruments, including embedded derivatives, are recognized on the consolidated statement of financial position at fair value. Subsequent to initial recognition, these derivatives are measured at fair value. The fair value of derivative instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument. Changes in estimated fair value at each reporting date are included in profit and loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

Unit options
The Trust has a unit option plan for the benefit of management. The plan does not provide for cash settlement. The Trust recognizes compensation expense on unit options granted, based on their fair value, which is calculated using the Black-Scholes model. The compensation expense is amortized using the graded vesting method. The valuation model requires management to make estimates for the expected life, volatility, the average dividend yield of distributions and the average risk-free interest rate.

(c) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and trust units issued by the Trust on the date control of the acquired entity is obtained. Acquisition-related costs, other than those associated with the issue of debt or trust units, are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Trust measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Trust elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Trust incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Trust. Control exists when the Trust has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. The consolidated financial statements include the Trust's proportionate share of the joint operations' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

(d) Financial instruments
Financial assets and liabilities are recognized when the Trust becomes party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Trust's designation of such instruments.

(i) Non-derivative financial assets
Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise restricted cash, receivables and cash and cash equivalents.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and term deposits with original maturities of three months or less.

Restricted cash
Restricted cash mainly includes amounts which are held in interest-bearing reserve accounts and are expected to be utilized over the coming years to fund certain expenses related to investments, as well as amounts provided in guarantee of mortgage loans.

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(ii) Non-derivative financial liabilities
The Trust classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Non-derivative financial liabilities comprise mortgage loans payable, convertible debentures, bank loans, trade and other payables and distributions payable to unitholders.

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iii) Trust units
Trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32 *Financial Instruments: Presentation* ("IAS 32"), in which case, the puttable instruments may be presented as equity.

BTB's trust units meet the conditions of IAS 32 and are therefore presented as equity.

(iv) Convertible debentures
The convertible debentures, which are considered financial liabilities, are convertible into trust units of the Trust. Since BTB's trust units meet the definition of a financial liability, the conversion and redemption options are considered embedded derivatives.

(v) Derivative financial instruments
Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

(e) Investment property
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. The Trust capitalizes into investment property the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. The Trust also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. Investment property includes income properties, properties under development and land held for future development if necessary.

Cost includes expenditures that are directly attributable to the acquisition of the investment property.

The Trust makes payments to agents for services in connection with negotiating lease contracts with the Trust's lessees. These leasing fees are capitalized within the carrying amount of the related investment property and then considered in the fair value adjustment of the investment property at the next reporting period.

Should the use of a property change and be reclassified as property and equipment, its fair value at the date of reclassification would become its cost for subsequent accounting.

(f) Property and equipment

(i) Recognition and measurement
Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses in accordance with the cost model.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within profit or loss on a net basis.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Owner-occupied building	40 years
Equipment, furniture and fixtures	2 - 12 years
Rolling stock	2 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted when appropriate.

(iii) Impairment

The carrying amount of the Trust's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

(g) Leases

All existing rental leases related to the Trust's investment properties have been assessed as operating leases. The tenants have a unilateral right to terminate within the statutory period.

(h) Provisions

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Trust expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in net earnings, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(i) Revenue recognition

Rental revenue from property includes rents from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees and incidental income. Rental revenue is recognized when service has been rendered and the amount of expected consideration can be reliably estimated.

The Trust commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date, or when the Trust is required to make additions to the leased property in the form of tenant improvements, upon substantial completion of the additions. Certain leases provide for tenant occupancy during periods for which no rent is due (“free rent period”) or where minimum rent payments change during the term of the lease. Accordingly, rental revenue is recognized in comprehensive income on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which user’s benefit derived from the leased asset is diminished. Any deferred amounts related to the straight-line lease adjustments are recognized within investment properties. Leases generally provide for the tenants’ payment of maintenance expenses of common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests.

Lease incentives which are mostly leasehold improvements and payments of monetary allowances to tenants, are amortized over the lease term as a reduction of rental revenue. The lease term is the non-cancellable period of the lease together with any further extension for which the tenant has the option to continue the lease, where, at the inception of the lease, the Trust is reasonably certain that the tenant will exercise that option. Lease incentives and amortization of lease incentives are recognized as adjustments to the carrying amount of investment properties.

Cancellation fees or premiums received to terminate leases are recognized in profit and loss when they arise.

(j) Government grants

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Trust will comply with the conditions associated with the grant. Grants that compensate the Trust for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Trust for the cost of an asset are deducted from the carrying amount of the asset.

(k) Earnings per unit

The Trust presents basic earnings per unit data for its Trust units. Basic earnings per unit are calculated by dividing the profit or loss attributable to unit holders of the Trust by the weighted average number of units outstanding during the period, adjusted for own units held.

(l) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest on mortgage loans payable, convertible debentures, bank loans and others, accretion of the non-derivative liability component of convertible debentures, accretion of

effective interest on mortgage loans payable, bank loans and convertible debentures and finance income.

Net financing costs comprise finance costs and changes in the fair value of derivative financial instruments.

(m) Operating segment
An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Trust's other components. All operating segments' operating results are reviewed regularly by the Trust's Chief Executive officer (''CEO'') to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(n) Unit-based compensation

(i) Unit option plan
The Trust uses the fair value-based method of accounting for its unit-based awards, under which compensation expense is measured at grant date and recognized over the vesting period. The units are considered financial liabilities and the awards are also considered financial liabilities and measured at fair-value at each reporting period and the change in the fair value is recognized as compensation expense in profit and loss.

(ii) Deferred unit compensation plan for trustees and certain executive officers
Compensation costs related to the deferred unit compensation plan for trustees and certain executive officers are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss.

(iii) Employee unit purchase plan
Compensation costs related to the employee unit purchase plan are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at settlement date. Any changes in fair value are recognized as compensation expense in profit or loss.

(o) Warrants
Since all the units are considered liabilities, the warrants are measured at fair-value at each reporting period and the change in the fair value is recognized in profit or loss. The warrants are presented as liabilities.

(p) Income taxes
BTB is a mutual fund trust and a Real Estate Investment Trust (''REIT'') pursuant to the Income Tax Act (Canada). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that, it is not liable to pay income tax provided that its taxable income is fully distributed to

unitholders. BTB has reviewed the proscribed conditions under the Income Tax Act (Canada) and has determined that it qualifies as a REIT for the year. BTB intends to continue to qualify as a REIT and to make distributions not less than the amount necessary to ensure that BTB will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

(q) Fair value measurement

The Trust measures financial instruments, such as derivatives, and non-financial assets,such as investment properties, at fair value at each reporting date. Fair value is 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 under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Trust. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

New Accounting Policies

The following paragraphs present new accounting standards that apply to BTB for the year ended December 31, 2013 as well as the new accounting standards and interpretations that are not yet effective for the year ended December 31, 2013.

(a) New standards adopted for year ended December 31, 2013
In 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including 'highest and best use' and 'principle markets' for non-financial assets and liabilities. There are additional disclosure requirements, including increased fair value disclosure for financial instruments for interim and annual financial statements and increased disclosures for non-financial assets and liabilities for annual financial statements. The Trust implemented this standard prospectively in the first quarter of 2013. There were no measurement impacts on the Trust's condensed consolidated interim financial statements as a result of the adoption of IFRS 13. The Trust has included the additional disclosures required by this standard in notes 4 and 14 to the annual consolidated financial statements.

In 2013, the Trust adopted IFRS 10, *Consolidated Financial Statements* and IFRS 12, *Disclosure of Interests in Other Entities*. The application of these standards had no impact on the Trust's consolidated financial statements. The Trust has included the additional disclosures required by this standard in note 23 to the annual consolidated financial statements.

In 2013, the Trust also adopted IFRS 11, *Joint Arrangements* ("IFRS 11"). IFRS 11 replaces IAS 31, *Interests in Joint Ventures*. Under IFRS 11, the Trust classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Trust's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Trust considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances

The Trust's interests in joint arrangements have been classified as joint operations. Notwithstanding the reclassification, the investments continue to be recognized by including the Trust's share of any assets, liabilities, revenue and expenses incurred jointly and therefore the application of this standard had no impact on the Trust's consolidated financial statements.

(b) New standards and interpretations not yet adopted
A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements.

(i) IFRS 9, *Financial Instruments* ("IFRS 9")
IFRS 9 as issued reflects the IASB's work to date on the replacement of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. In November 2013, the IASB issued a new version of IFRS 9 (IFRS 9 (2013)) which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7, Financial Instruments: Disclosures. IFRS 9 (2013) does not have a mandatory effective date. The impact of

this ongoing project will be assessed by the Trust as remaining phases of the project are completed.

(ii) Amendments to IAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* ("IAS 32")

In December 2011, the IASB issued certain amendments to IAS 32, which establishes disclosure requirements that are intended to help clarify for financial statement users the effect or potential effect of offsetting arrangements on a company's financial position. These amendments are effective for the Trust's annual period beginning on January 1, 2014. The Trust has determined that the adoption of these amendments will not have a material impact on its consolidated financial statements.

(iii) IFRIC 21, *Levies* ("IFRIC 21")

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs, as identified by the relevant legislation. The IFRIC 21 does not apply to accounting for income taxes, fines and penalties or for the acquisition of assets from governments. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

Risks and Uncertainties

Like all real estate entities, the BTB REIT is exposed, in the normal course of business, to various risk factors that may have an impact on its capacity to attain its strategic objectives. Accordingly, unitholders should consider the following risks and uncertainties when assessing the Trust's outlook in terms of investment potential.

BTB has not identified any significant changes to the risks and uncertainties to which it is exposed in its business.

Access to capital and debt financing, and current global financial conditions

The real estate industry is capital-intensive. BTB will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that BTB will have access to sufficient capital (including debt financing) on terms favorable to BTB for future property acquisitions and developments, including for the financing or refinancing of properties, for funding operating expenses or for other purposes. In addition, BTB may not be able to borrow funds under its credit facilities due to limitations on BTB's ability to incur debt set forth in the Contract of Trust. Failure by BTB to access required capital could adversely impact BTB's financial position and results of operations and reduce the amount of cash available for distributions.

New market events and conditions, including disruptions in international and regional credit markets and in other financial systems and deteriorating global economic conditions, could impede BTB's access to capital (including debt financing) or increase the cost of such capital. Failure to raise capital in a timely manner or under favourable terms could have a material adverse effect on BTB's financial position and results of operations, including on its acquisition and development program.

Debt financing

BTB has and will continue to have substantial outstanding consolidated borrowings comprised primarily of hypothecs, property mortgages, debentures, and borrowings under its acquisition and operating credit facilities. BTB intends to finance its growth strategy, including acquisitions and developments, through a combination of its working capital and liquidity resources, including cash f lows from operations, additional borrowings and public or private sales of equity or debt securities. BTB may not be able to refinance its existing debt or renegotiate the terms of repayment at favourable rates. In addition, the terms of BTB's indebtedness in general contain customary provisions that, upon an event of default, result in accelerated repayment of the amounts owed and that restrict the distributions that may be made by BTB. Therefore, upon an event of default under such borrowings or an inability to renew same at maturity, BTB's ability to make distributions will be adversely affected.

A portion of BTB's cash flows is dedicated to servicing its debt, and there can be no assurance that BTB will continue to generate sufficient cash flows from operations to meet required interest or principal payments, such that it could be required to seek renegotiation of such payments or obtain additional financing, including equity or debt financing.

BTB is exposed to debt financing risks, including the risk that the existing hypothecary borrowings secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of the existing loans. In order to minimize this risk, BTB tries to appropriately structure the timing of the renewal of significant tenant leases on its respective properties in relation to the times at which the hypothecary borrowings on such properties become due for refinancing.

Ownership of immovable property

All immovable property investments are subject to risk exposures. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other vacant premises, municipal valuations and assessments, and various other factors.

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of tenants and the economic environment in which they operate. BTB's income and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their lease obligations or if a significant portion of vacant space in the properties in which BTB has an interest cannot be leased on economically favorable lease terms. In the event of default by a tenant, delays or limitations may be experienced in enforcing BTB's rights as a lessor and substantial costs may be incurred to protect BTB's investment. The ability to rent unleased space in the properties in which BTB has an interest will be affected by many factors, including the level of general economic activity and competition for tenants by other properties. Costs may need to be incurred to make improvements or repairs to property as required by a new tenant. The failure to rent unleased space on a timely basis or at all or at rents that are equivalent to or higher than current rents would likely have an adverse effect on BTB's financial position and the value of its properties.

Certain significant expenditures, including property taxes, maintenance costs, hypothecary payments, insurance costs and related charges must be made throughout the period of ownership of immovable property regardless of whether the property is producing any income. If BTB is unable to meet mortgage payments on a property, a loss could be sustained as a result of the mortgage creditor's exercise of its hypothecary remedies.

Immovable property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with the demand for and the perceived desirability of such investments. Such illiquidity may tend to limit BTB's ability to make changes to its portfolio promptly in response to changing economic or investment conditions. If BTB were to be required to liquidate its immovable property investments, the proceeds to BTB might be significantly less than the aggregate carrying value of its properties.

Leases for BTB's properties, including those of significant tenants, will mature from time to time over the short and long term. There can be no assurance that BTB will be able to renew any or all of the leases upon maturity or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact BTB's financial position and results of operations and decrease the amount of cash available for distribution.

Competition

BTB competes for suitable immovable property investments with individuals, corporations and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future immovable property investments similar to those desired by BTB. Many of those investors have greater financial resources than BTB, or operate without the investment or operating restrictions of BTB or under more flexible conditions.

An increase in the availability of investment funds and heightened interest in immovable property investments could increase competition for immovable property investments, thereby increasing the purchase prices of such investments and reducing their yield.

In addition, numerous property developers, managers and owners compete with BTB in seeking tenants. The existence of competing developers, managers and owners and competition for the BTB's tenants could have an adverse effect on the BTB's ability to lease space in its properties and on the rents charged, and could adversely affect the BTB's revenues and, consequently, its ability to meet its debt obligations.

Acquisitions

BTB's business plan focuses on growth by identifying suitable acquisition opportunities, pursuing such opportunities, completing acquisitions and effectively operating and leasing such properties. If BTB is unable to manage its growth effectively, this could adversely impact BTB's financial position and results of operations, and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that BTB will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to unitholders will increase in the future.

Development program

Information regarding our re-development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items including, but not limited to, tenant rents, building sizes, leasable areas, and project completion timelines and costs are updated periodically based on revised plans, our cost tendering process, continuing tenant negotiations, demand for leasable space in our markets, our ability to obtain the required building permits, ongoing discussions with municipalities and successful property re-zonings. There can be no assurance that any assumptions in this regard will materialize as expected and changes could have a material adverse effect on our development program, asset values and financial performance.

Recruitment and retention of employees and executives

Competition for qualified employees and executives is intense. If BTB is unable to attract and retain qualified and capable employees and executives, the conduct of its activities may be adversely affected.

Government regulation

BTB and its properties are subject to various government statutes and regulations. Any change in such statutes or regulations that is adverse to BTB and its properties could affect BTB's operating results and financial performance.

In addition, environmental and ecological legislation and policies have become increasingly important in recent decades. Under various laws, BTB could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations, or for the costs of other remedial or preventive work. The failure to remove or remediate such substances, or to effect such remedial or preventive work, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs or governmental agencies. Notwithstanding the above, BTB is not aware of any material non-compliance, liability or other claim in connection with any of its properties, nor is BTB aware of any environmental condition with respect to any of its properties that it believes would involve material expenditure by BTB.

Limit on activities

In order to maintain its status as a "mutual fund trust" under the *Income Tax Act*, BTB cannot carry on most active business activities and is limited in the types of investments it may make. The Contract of Trust contains restrictions to this effect.

Tax-related risks

Legislation (the "SIFT Rules") relating to the income taxation of publicly listed or traded trusts (such as income trusts and Real Estate Investment Trusts) and partnerships changes the manner in which certain flow-through entities and the distributions from such entities are taxed. Under the SIFT Rules, certain publicly listed or traded flow-through trusts and partnerships referred to as "specified investment flow-through" or "SIFT" trusts and partnerships are taxed in a manner similar to the taxation of corporations, and investors in SIFTs are taxed in a manner similar to shareholders of a corporation.

The taxation regime introduced by the SIFT Rules is not applicable to funds that qualify for the exemption under the SIFT Rules applicable to certain Real Estate Investment Trusts (the "REIT Exemption"). If the Trust fails to qualify for the REIT Exemption, it will be subject to certain tax consequences including taxation in a manner similar to corporations and taxation of certain distributions in a manner similar to taxable dividends from a taxable Canadian corporation.

In order to qualify for the REIT Exemption in respect of a taxation year, the REIT must meet the following conditions: i) the total fair market value of all the "non-portfolio properties" that are "qualified REIT properties" held by the trust is always at least 90% of the total fair market value at that time of all the "non-portfolio assets" held by the trust; (ii) not less than 90% of the REIT's gross revenues for that year come from one or more of the following sources: 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," (iii) not less than 75% of the REIT's gross revenues for that year must come from one or more of the following sources: rent from "real or immovable properties," interest from mortgages on "real or immovable properties" and dispositions of "real or immovable properties" that are capital properties; (iv) the REIT must, throughout the year, hold properties, each of which is a "real or immovable property" which is a capital property, an "eligible resale property," debt from a Canadian company represented by a banker's acceptance, cash, or generally a Canadian

government debt instrument or one from another government agency with a total fair market value that is not less than 75% of the REIT's equity value at that time; and v) the investments that are made therein are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

As at December 31, 2013, based on a review of BTB's assets and revenues from its regular business activities, management believes the Trust currently meets all the conditions to qualify for the REIT Exemption. Accordingly, management does not expect the SIFT tax rules to apply to BTB.

Management intends to conduct the REIT's business so that it continues to qualify for the REIT Exemption at all times. However, as the requirements of the REIT Exemption include complex revenue and asset tests, no assurance can be given that the REIT will in fact qualify for the REIT Exemption at all times.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of BTB are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in Canadian Securities Administrators Multilateral Instrument 52-109.

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of BTB concluded that the DC&P were effective as at the end of the year ended December 31, 2013 and that the current controls and procedures provide reasonable assurance that material information about the Trust, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of the Trust concluded that ICFR was effective as at the end of the period ended December 31, 2012, and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During the fourth quarter of 2013, no changes were made in internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.

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Audited Consolidated Financial Statements

Year ended December 31, 2013

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Management's responsibility for Financial Reporting

The accompanying consolidated financial statements of BTB Real Estate Investment Trust ("BTB") were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

Financial information appearing throughout our MD&A is consistent with these consolidated financial statements. In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2013, the President and Chief Executive Officer and the Vice President and Chief Financial Officer of BTB had an evaluation carried out, under their direct supervision, of the effectiveness of the controls and procedures used for the preparation of filings, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based on that evaluation, they concluded that the disclosure controls and procedures were effective.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of Trustees who are not members of BTB's management or personnel. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the trustees on auditing matters and financial reporting issues.

KPMG s.r.l./S.E.N.C.R.L., independent auditors appointed by the unitholders of BTB upon the recommendation of the Board, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2013 and 2012 and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

Michel Léonard
President and Chief Executive Officer

Benoit Cyr, CPA, CA, MBA
Vice President and Chief Financial Officer

Montreal, March 25th 2014

KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500
Tour KPMG
Montréal (Québec) H3A 0A3

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the unitholders of BTB Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of BTB Real Estate Investment Trust, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes, comprising 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.

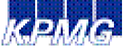
Auditors' Responsibility

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 our 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, we consider 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.



Opinion

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

KPMG LLP*

March 25, 2014

Montréal, Canada

*FCPA auditor, FCA, public accountancy permit No. A106087

BTB Real Estate Investment Trust

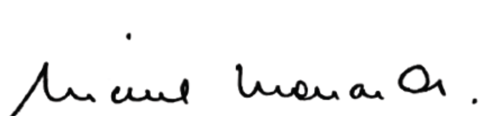
Consolidated Statements of Financial Position

As at December 31, 2013 and 2012
(Audited - in thousands of CAD dollars)

	Notes	2013	2012
		$	$
ASSETS			
Investment properties	4, 5, 6	529,432	488,521
Property and equipment	7	2,384	2,163
Derivative financial instrument	14	251	—
Restricted cash	8	5,832	1,857
Other assets	9	3,671	5,036
Receivables	10	2,459	2,744
Cash and cash equivalents		2,530	4,606
Total assets		**546,559**	**504,927**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	11	313,816	296,523
Convertible debentures	12	63,929	54,272
Bank loans	13	1,045	14,825
Derivative financial instruments	14	1,723	927
Unit-based compensation	15	187	22
Trade and other payables		12,324	12,788
Distributions payable to unitholders		943	792
Total liabilities		**393,967**	**380,149**
Unitholders' equity		**152,592**	**124,778**
		546,559	**504,927**

See accompanying notes to consolidated financial statements.

Approved by the Board on March 25, 2014



Michel Léonard, Trustee

Jocelyn Proteau, Trustee

BTB Real Estate Investment Trust

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012
(Audited - in thousands of CAD dollars)

	Notes	2013	2012
		$	$
Operating revenues			
Rental revenues from properties	17	63,435	48,118
Operating expenses			
Property taxes and public utilities		17,729	13,412
Other operating costs		10,370	7,710
		28,099	21,122
Net operating income		**35,336**	**26,996**
Finance costs		21,416	18,507
Net adjustment to fair value of derivative financial instruments		113	(5,286)
Net financing costs	18	21,529	13,221
Trust administration expenses		3,833	3,519
Net income before the following item		**9,974**	**10,256**
Increase in fair value of investment properties		8,375	7,711
Net income being total comprehensive income for the year		**18,349**	**17,967**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2013 and 2012
(Audited - in thousands of CAD dollars)

	Notes	Unitholder's contributions	Cumulative distributions	Cumulative comprehensive income (loss)	Total
Balance at January 1, 2013		**137,330**	**(14,883)**	**2,331**	**124,778**
Issuance of units	16	19,877	—	—	19,877
Distributions to unitholders		—	(10,412)	—	(10,412)
Comprehensive income		—	—	18,349	18,349
Balance as at December 31, 2013		**157,207**	**(25,295)**	**20,680**	**152,592**
Balance at January 1, 2012		**99,503**	**(7,227)**	**(15,636)**	**76,640**
Issuance of units		37,827	—	—	37,827
Distribution to unitholders		—	(7,656)	—	(7,656)
Comprehensive income		—	—	17,967	17,967
Balance as at December 31, 2012		**137,330**	**(14,883)**	**2,331**	**124,778**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012
(Audited - in thousands of CAD dollars)

	Notes	2013	2012
		$	$
Operating activities			
Net income for the year		18,349	17,967
Adjustment for:			
Increase in fair value of investment properties		(8,375)	(7,711)
Depreciation of property and equipment	7	126	97
Unit-based compensation		90	(76)
Straight-line lease adjustment	17	(866)	(661)
Lease incentive amortization	17	1,480	1,240
Net financing costs	18	21,529	13,221
		32,333	24,077
Net change in non-cash operating items		(165)	(3,651)
Net cash from operating activities		**32,168**	**20,426**
Investing activities			
Additions to investment properties	4, 5	(30,928)	(89,103)
Net proceeds from disposal of investment properties	6	2,300	1,266
Additions to property and equipment	7	(347)	(173)
Additions to investment properties under development		—	(383)
Net cash used in investing activities		**(28,975)**	**(88,393)**
Financing activities			
Mortgage loans, net of financing costs		56,600	89,533
Repayment of mortgage loans		(42,607)	(47,135)
Bank loans, net of financing costs		—	14,790
Repayment of bank loans		(13,963)	—
Net proceeds from issue of convertible debentures		21,756	—
Repayment of convertible debentures		(13,020)	—
Net proceeds from issue of units		18,996	36,938
Net distributions to unitholders		(9,382)	(6,778)
Additions to restricted cash	8	(3,975)	(1,857)
Interest paid		(19,674)	(16,365)
Net cash (used in) from financing activities		**(5,269)**	**69,126**
Net (decrease) increase in cash and cash equivalents		**(2,076)**	**1,159**
Cash and cash equivalents, beginning of year		**4,606**	**3,447**
Cash and cash equivalents, end of year		**2,530**	**4,606**

See accompanying notes to consolidated financial statements.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012
(Audited - in thousands of CAD dollars, except per unit amounts)

1. Reporting Entity

BTB Real Estate Investment Trust ("BTB") is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Quebec pursuant to a trust agreement and is domiciled in Canada. The address of BTB's registered office is 2155, Crescent street, Montreal, Quebec, Canada. The consolidated financial statements of BTB for the years ended December 31, 2013 and 2012 comprise BTB and its wholly owned subsidiaries (together referred to as the "Trust") and the Trust's interest in joint operations.

2. Basis of Preparation

(a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors on March 25, 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Investment properties are measured at fair value;
- Derivative financial instruments are measured at fair value;
- Unit-based compensation is measured using a fair value-based method of accounting.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is BTB's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per unit amounts.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i) Judgments

The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Business combinations

The Trust acquires entities that own real estate. At the time of acquisition, the Trust considers whether the acquisition represents the acquisition of a business, i.e., where an integrated set of activities is acquired in addition to the investment property. More specifically, the following criteria are considered:

- The extent to which significant inputs and processes are acquired and in particular the extent of ancillary services provided by the acquiree.
- Whether the acquiree has allocated its own staff to manage the investment property and/or to deploy any processes.
- The number of investment properties owned by the acquiree.

An acquisition of a business is accounted for as a business combination under IFRS 3, *Business Combinations.*

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values.

Operating lease contracts – Trust as lessor

The Trust enters into commercial property leases on its investment properties. The Trust has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the leases as operating leases.

(ii) Use of estimates

The key estimates made in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Valuation of investment properties

Investment properties are stated at fair value at each reporting date. Gains or losses arising from changes in the fair values are included in profit or loss in the period in which they arise. Fair value is determined by management using internally generated valuation models and by independent real estate valuation experts using recognized valuation techniques. These models and techniques comprise both the Discounted Cash Flow Method and the Direct Capitalization method. In some cases, the fair values are determined using the Comparable method which is based on recent real estate transactions with similar characteristics and location to those of the Trust's investment properties.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (including lease income and cost, future revenue streams, capital expenditures of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those cash flows. These estimates are based on local market conditions existing at the reporting date.

The significant methods and assumptions used by management and the valuators in estimating the fair value of investment properties are set out below:

Techniques used for valuing investment properties
The Direct Capitalization method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires estimation of future cash inflows and application of investor yield or return requirements.

The Discounted Cash Flow method involves the projection of a series of periodic cash flows either to an operating investment property or a development investment property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the investment property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value estimated of the investment property.

The Comparable method involves the comparison of the Trust's investment properties to similar investment properties that have transacted within a recent time frame from which a fair value is estimated based on the price per square foot of these comparable sales.

Derivative financial instruments
Derivative financial instruments, including embedded derivatives, are recognized on the consolidated statement of financial position at fair value. Subsequent to initial recognition, these derivatives are measured at fair value. The fair value of derivative instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument. Changes in estimated fair value at each reporting date are included in profit and loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

Unit options
The Trust has a unit option plan for the benefit of management. The plan does not provide for cash settlement. The Trust recognizes compensation expense on unit options granted, based on their fair value, which is calculated using the Black-Scholes model. The compensation expense is amortized using the graded vesting method. The valuation model requires management to make estimates for the expected life, volatility, the average dividend yield of distributions and the average risk-free interest rate.

(e) Change in accounting policy
In 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including

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'highest and best use' and 'principle markets' for non-financial assets and liabilities. There are additional disclosure requirements, including increased fair value disclosure for financial instruments for interim and annual financial statements and increased disclosures for non-financial assets and liabilities for annual financial statements. The Trust implemented this standard prospectively in the first quarter of 2013. There were no measurement impacts on the Trust's consolidated financial statements as a result of the adoption of IFRS 13. The Trust has included the additional disclosures required by this standard in notes 4 and 14.

In 2013, the Trust adopted IFRS 10, *Consolidated Financial Statements* and IFRS 12, *Disclosure of Interests in Other Entities.* The application of these standards had no impact on the Trust's consolidated financial statements. The Trust has included the additional disclosures required by this standard in note 23.

In 2013, the Trust also adopted IFRS 11, *Joint Arrangements* ("IFRS 11"). IFRS 11 replaces IAS 31, *Interests in Joint Ventures.* Under IFRS 11, the Trust classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Trust's rights to the assets, and obligations for the liabilities, of the arrangements. When making this assessment, the Trust considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances

The Trust's interests in joint arrangements have been classified as joint operations. Notwithstanding the reclassification, the investments continue to be recognized by including the Trust's share of any assets, liabilities, revenue and expenses incurred jointly and therefore the application of this standard had no impact on the Trust's consolidated financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and trust units issued by the Trust on the date control of the acquired entity is obtained. Acquisition-related costs, other than those associated with the issue of debt or trust units, are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Trust measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

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The Trust elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Trust incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries
Subsidiaries are entities controlled by the Trust. Control exists when the Trust has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. The consolidated financial statements include the Trust's proportionate share of the joint operations' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

(b) Financial instruments
Financial assets and liabilities are recognized when the Trust becomes party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Trust's designation of such instruments.

(i) Non-derivative financial assets
Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise restricted cash, receivables and cash and cash equivalents.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and term deposits with original maturities of three months or less.

Restricted cash
Restricted cash mainly includes amounts which are held in interest-bearing reserve accounts and are expected to be utilized over the coming years to fund certain expenses related to investments, as well as amounts provided in guarantee of mortgage loans.

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The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(ii) Non-derivative financial liabilities
The Trust classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Non-derivative financial liabilities comprise mortgage loans payable, convertible debentures, bank loans, trade and other payables and distributions payable to unitholders.

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iii) Trust units
Trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32 *Financial Instruments: Presentation* ("IAS 32"), in which case, the puttable instruments may be presented as equity.

BTB's trust units meet the conditions of IAS 32 and are therefore presented as equity.

(iv) Convertible debentures
The convertible debentures, which are considered financial liabilities, are convertible into trust units of the Trust. Since BTB's trust units meet the definition of a financial liability, the conversion and redemption options are considered embedded derivatives.

(v) Derivative financial instruments
Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

(c) Investment property
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. The Trust capitalizes into investment property the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. The Trust also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. Investment property

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includes income properties, properties under development and land held for future development if necessary.

Cost includes expenditures that are directly attributable to the acquisition of the investment property.

The Trust makes payments to agents for services in connection with negotiating lease contracts with the Trust's lessees. These leasing fees are capitalized within the carrying amount of the related investment property and then considered in the fair value adjustment of the investment property at the next reporting period.

Should the use of a property change and be reclassified as property and equipment, its fair value at the date of reclassification would become its cost for subsequent accounting.

(d) Property and equipment

(i) Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses in accordance with the cost model.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within profit or loss on a net basis.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Owner-occupied building	40 years
Equipment, furniture and fixtures	2 - 12 years
Rolling stock	2 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted when appropriate.

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(iii) Impairment
The carrying amount of the Trust's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

(e) Leases
All existing rental leases related to the Trust's investment properties have been assessed as operating leases. The tenants have a unilateral right to terminate within the statutory period.

(f) Provisions
Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Trust expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in net earnings, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(g) Revenue recognition
Rental revenue from property includes rents from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees and incidental income. Rental revenue is recognized when service has been rendered and the amount of expected consideration can be reliably estimated.

The Trust commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date, or when the Trust is required to make additions to the leased property in the form of tenant improvements, upon substantial completion of the additions. Certain leases provide for tenant occupancy during periods for which no rent is due ("free rent period") or where minimum rent payments change during the term of the lease. Accordingly, rental revenue is recognized in comprehensive income on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which user's benefit derived from the leased asset is diminished. Any deferred amounts related to the straight-line lease adjustments are recognized within investment properties. Leases generally provide for the tenants' payment of maintenance expenses of common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests.

Lease incentives which are mostly leasehold improvements and payments of monetary allowances to tenants, are amortized over the lease term as a reduction of rental revenue. The lease term is the non-cancellable period of the lease together with any further extension for which the tenant has the option to continue the lease, where, at the inception of the lease, the Trust is reasonably certain that the tenant will

exercise that option. Lease incentives and amortization of lease incentives are recognized as adjustments to the carrying amount of investment properties.

Cancellation fees or premiums received to terminate leases are recognized in profit and loss when they arise.

(h) Government grants
Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Trust will comply with the conditions associated with the grant. Grants that compensate the Trust for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Trust for the cost of an asset are deducted from the carrying amount of the asset.

(i) Earnings per unit
The Trust presents basic earnings per unit data for its Trust units. Basic earnings per unit are calculated by dividing the profit or loss attributable to unit holders of the Trust by the weighted average number of units outstanding during the period, adjusted for own units held.

(j) Finance income and finance costs
Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest on mortgage loans payable, convertible debentures, bank loans and others, accretion of the non-derivative liability component of convertible debentures, accretion of effective interest on mortgage loans payable, bank loans and convertible debentures and finance income.

Net financing costs comprise finance costs and changes in the fair value of derivative financial instruments.

(k) Operating segment
An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Trust's other components. All operating segments' operating results are reviewed regularly by the Trust's Chief Executive officer (''CEO'') to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(l) Unit-based compensation

(i) Unit option plan
The Trust uses the fair value-based method of accounting for its unit-based awards, under which compensation expense is measured at grant date and recognized over the vesting period. The units are considered financial liabilities and the awards are also considered financial liabilities and

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measured at fair-value at each reporting period and the change in the fair value is recognized as compensation expense in profit and loss.

(ii) Deferred unit compensation plan for trustees and certain executive officers
Compensation costs related to the deferred unit compensation plan for trustees and certain executive officers are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss.

(iii) Employee unit purchase plan
Compensation costs related to the employee unit purchase plan are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at settlement date. Any changes in fair value are recognized as compensation expense in profit or loss.

(m) Warrants

Since all the units are considered liabilities, the warrants are measured at fair-value at each reporting period and the change in the fair value is recognized in profit or loss. The warrants are presented as liabilities.

(n) Income taxes

BTB is a mutual fund trust and a Real Estate Investment Trust (''REIT'') pursuant to the Income Tax Act (Canada). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that, it is not liable to pay income tax provided that its taxable income is fully distributed to unitholders. BTB has reviewed the proscribed conditions under the Income Tax Act (Canada) and has determined that it qualifies as a REIT for the year. BTB intends to continue to qualify as a REIT and to make distributions not less than the amount necessary to ensure that BTB will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

(o) Fair value measurement

The Trust measures financial instruments, such as derivatives, and non-financial assets,such as investment properties, at fair value at each reporting date. Fair value is 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 under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Trust. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the

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asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(p) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements.

(i) IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 as issued reflects the IASB's work to date on the replacement of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. In November 2013, the IASB issued a new version of IFRS 9 (IFRS 9 (2013)) which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7, Financial Instruments: Disclosures. IFRS 9 (2013) does not have a mandatory effective date. The impact of this ongoing project will be assessed by the Trust as remaining phases of the project are completed.

(ii) Amendments to IAS 32, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ("IAS 32")

In December 2011, the IASB issued certain amendments to IAS 32, which establishes disclosure requirements that are intended to help clarify for financial statement users the effect or potential

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effect of offsetting arrangements on a company's financial position. These amendments are effective for the Trust's annual period beginning on January 1, 2014. The Trust has determined that the adoption of these amendments will not have a material impact on its consolidated financial statements.

(iii) IFRIC 21, Levies ("IFRIC 21")
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs, as identified by the relevant legislation. The IFRIC 21 does not apply to accounting for income taxes, fines and penalties or for the acquisition of assets from governments. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

4. Investment Properties

For the years ended December 31,	2013	2012
	$	$
Balance beginning of year	488,521	343,383
Acquisition of investment properties (note 5)	29,614	128,446
Disposal of investment properties (note 6)	(2,300)	(1,266)
Capital expenditures	3,663	3,378
Government grants	(176)	—
Capitalized leasing fees	478	678
Capitalized lease incentives	1,833	2,454
Lease incentives amortization	(1,480)	(1,240)
Straight-line lease adjustment	904	661
Net transfer from investment properties under development	—	4,316
Increase in fair value of investment properties	8,375	7,711
Balance end of year	**529,432**	**488,521**

The fair value is determined annually on the basis of valuations made by independent external appraisers having appropriate professional qualifications, using recognized valuation techniques, comprising the Discounted Cash Flow, the Direct Capitalization and Comparable methods for a subset of the Trust's investment properties comprised of the ten most significant investment properties and approximately 1/3 of the remaining investment properties. The selection of investment properties subject to external valuation is determined by management based on its assessment of circumstances that in its view, may impact the value of a particular individual investment property. The fair value of the remaining investment properties is determined by management using internally generated valuations based on the Discounted Cash Flow method.

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At December 31, 2013 external appraisals were obtained for investment properties with an aggregate fair value of $349,282 (December 31, 2012 - $361,021) and management's valuation model was used for investment properties with an aggregate fair value of $180,150 (December 31, 2012 - $127,500).

The fair value of investment properties is based on Level 3 inputs. There have been no transfers during the year between levels. The significant inputs used to determine the fair value of the Trust's investment properties are as follows:

	Commercial	Office	Industrial	General purpose
As at December 31, 2013				
Capitalization rate	6.25% - 10.00%	6.75% - 10.25%	6.50% - 10.50%	7.00% - 8.25%
Terminal capitalization rate	6.50% - 8.25%	6.50% - 9.25%	7.00% - 10.50%	7.25% - 8.50%
Discount rate	7.25% - 9.00%	7.50% - 9.75%	7.25% - 10.75%	8.25% - 9.25%
As at December 31, 2012				
Capitalization rate	7.00% - 12.00%	6.50% - 10.50%	7.00% - 9.75%	7.25% - 8.75%
Terminal capitalization rate	7.25% - 8.75%	6.50% - 9.50%	7.00% - 11.50%	7.50% - 9.25%
Discount rate	7.25% - 9.75%	7.50% - 9.25%	7.00% - 10.75%	8.25% - 9.00%

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of income properties. Significant increases (decreases) in long-term vacancy rate and exit yield in isolation would result in significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by:

- A directionally similar change in the rent growth per annum and discount rate and exit yield
- An opposite change In the long term vacancy rate

Valuations determined by the Discounted Cash Flow method are most sensitive to changes in discount rate. The following table summarizes the sensitivity of the fair value of investment properties to changes in discount rate assuming all properties were valued under a Discounted Cash Flow method:

Discount rate sensitivity **Increase (decrease)**	**Fair Value**	**Change in fair value**
	$	$
(0.50%)	550,004	20,572
(0.25%)	539,598	10,166
Base rate	529,432	—
0.25%	519,343	(10,089)
0.50%	509,619	(19,813)

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As shown in the sensitivity analysis above, an increase in the discount rate, other things being equal, will result in a decrease in fair value of the investment properties and vice-versa.

5. Acquisitions

(a) 2013 Asset acquisitions

In December 2013, the Trust acquired the residual 50% interest in a general purpose building located in the city of Saint-Lazare for a purchase price of $2,552, $1,555 through the assumption of a mortgage loan, $475 through the assumption of trade and other payables and $522 in cash.

In October 2013, the Trust acquired an office property and an industrial property located in the city of Longueuil and an industrial property located in the city of Sherbrooke for a purchase price of $12,700 in cash.

In March 2013, the Trust acquired an industrial property located in the city of Laval for a purchase price of $11,000 in cash.

In February 2013, the Trust acquired a 50% interest in a general purpose building located in the city of Saint-Lazare for a purchase price of $2,563, $1,586 through the assumption of a mortgage loan, $69 through the assumption of trade and other payables and $908 in cash.

In addition to the purchase price, transaction costs of $799 were recognized in 2013.

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2013 were as follows:

	Fair value recognized on acquisition
	$
Investment properties, including transaction costs	29,614
Mortgage loans payable	(3,141)
Trade and other payables, including transaction costs	(1,343)
Total cash consideration paid	**25,130**

(b) 2012 Asset acquisitions

In December 2012, the Trust acquired a general purpose building located in the city of Saint-Jean-sur-Richelieu for a purchase price of $17,025, $7,630 through the assumption of a mortgage loan, $2,384 through the assumption of trade and other payables and $7,011 in cash.

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In December 2012, the Trust acquired a general purpose building located in the city of Ottawa for a purchase price of $18,286, $345 through the assumption of trade and other payables and $17,941 in cash.

In December 2012, the Trust acquired a commercial building located in the city of Dollard-des-Ormeaux for a purchase price of $27,260, $8,809 through the assumption of a mortgage loan, $8,767 through the assumption of trade and other payables and $9,684 in cash.

In November 2012, the Trust acquired an industrial building located in the town of Ingersoll for a purchase price of $10,532, $6,774 through the assumption of a mortgage loan, $53 through the assumption of trade and other payables and $3,705 in cash.

In October 2012, the Trust acquired a 50% interest in a general purpose building located in the city of Gatineau for a purchase price of $6,050, $629 through the assumption of trade and other payables and $5,421 in cash.

In October 2012, the Trust acquired an office building located in the city of Ottawa for a purchase price of $6,580, $60 through the assumption of trade and other payables and $6,520 in cash.

In September 2012, the Trust acquired a supplemental 50% interest in Complexe Lebourgneuf Phase II Inc., which owns and operates an office building located in Québec City for a purchase price of $12,089, $6,384 through the assumption of a mortgage loan, $1,830 through the assumption of trade and other payables and $3,875 in cash.

In May 2012, the Trust acquired an office building located in the city of Ottawa for a purchase price of $14,100, $212 through the assumption of trade and other payables and $13,888 in cash.

In April 2012, the Trust acquired three industrial buildings located in the cities of St-Laurent and Laval for a purchase price of $14,700, $152 through the assumption of trade and other payables and $14,548 in cash.

In addition to the purchase price, transaction costs of $1,824 were incurred for these acquisitions.

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2012 were as follows:

	Fair value recognized on acquisition
	$
Investment properties, including transaction costs	128,446
Mortgage loans payable	(29,597)
Trade and other payables, including transaction costs	(16,256)
Total cash consideration paid	**82,593**

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6. Disposal

In May 2013, the Trust disposed of a general purpose building located in the city of Brossard for net proceeds of $2,300.

In March 2012, the Trust disposed of a commercial building located in the city of Montréal for net proceeds of $1,266.

7. Property and Equipment

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
	$	$	$	$	$
Cost					
Balance at December 31, 2011	494	1,715	129	—	**2,338**
Additions	—	9	105	59	**173**
Balance at December 31, 2012	494	1,724	234	59	**2,511**
Additions	—	200	124	23	**347**
Balance at December 31, 2013	494	1,924	358	82	**2,858**
Accumulated Depreciation					
Balance at December 31, 2011		187	64	—	**251**
Depreciation for the year		58	32	7	**97**
Balance at December 31, 2012		245	96	7	**348**
Depreciation for the year		65	49	12	**126**
Balance at December 31, 2013		310	145	19	**474**
Net carrying amount					
Balance at December 31, 2012	494	1,479	138	52	**2,163**
Balance at December 31, 2013	494	1,614	213	63	**2,384**

8. Restricted Cash

Restricted cash consists of an amount of $3,522 (December 31, 2012 - $1,272) provided in guarantee of the existing mortgage loan on the buildings disposed in March 2012 and May 2013 (see note 6) and an amount of $2,310 (December 31, 2012 - $585) provided in guarantee of mortgage loans.

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9. Other Assets

As at December 31,	2013	2012
	$	$
Prepaid expenses	3,273	3,605
Deposits	398	1,431
Total	**3,671**	**5,036**

10. Receivables

As at December 31,	2013	2012
	$	$
Rents receivable	2,619	2,996
Provision for doubtful accounts	(263)	(271)
Net rents receivable	2,356	2,725
Other receivable	103	19
Total	**2,459**	**2,744**

11. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $525,342 as at December 31, 2013 (December 31, 2012 – $484,641) and by restricted cash (see note 8).

As at December 31,	2013	2012
	$	$
Fixed rate mortgage loans payable	305,794	280,313
Floating rate mortgage loans payable	8,379	15,901
Unamortized fair value assumption adjustments	1,642	2,111
Unamortized financing costs	(1,999)	(1,802)
Mortgage loans payable	**313,816**	**296,523**
Weighted average interest rate	4.44%	4.69%
Weighted average term to maturity (years)	4.44	4.51
Annual rated ranging	2.55% - 6.80%	3.18% - 8.50%

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As at December 31, 2013, mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	$	$	$
2014	8,260	60,731	68,991
2015	7,567	20,362	27,929
2016	6,864	70,038	76,902
2017	4,173	57,527	61,700
2018	2,309	35,493	37,802
Thereafter	21,226	19,623	40,849
	50,399	**263,774**	**314,173**
Unamortized fair value assumption adjustments			1,642
Unamortized financing costs			(1,999)
			313,816

In March 2013, the Trust entered into an interest rate swap agreement on a floating interest rate mortgage to hedge the variability in cash flows attributed to fluctuating interest rates. Settlement on both the fixed and variable portion of the interest rate swap occurs on a monthly basis. The original principal amount of the interest rate swap was $7,150, the maturity date is April 2023 and the effective fixed interest rate is 4.02%. The Trust does not apply hedge accounting to such cash flow hedging relationships.

12. Convertible Debentures

As at December 31, 2013, the Trust had three series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	$		
Series C	23,000	8.00	9.78	5.00	Semi-annual	January 2016
Series D	23,000	7.25	8.47	6.10	Semi-annual	July 2018
Series E	23,000	6.90	7.90	6.15	Semi-annual	March 2020

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The components of the subordinated convertible debentures on the issue date were allocated as follows:

	Series C	Series D	Series E
	$	$	$
Non-derivative liability component	21,592	21,346	22,690
Conversion and redemption options liability component	1,408	1,654	310
	23,000	**23,000**	**23,000**

The accretion of the non-derivative liability component of the subordinated convertible debentures, which increases as of the initial allocation on the issuance date to the final amount repayable, is recorded under finance costs. The conversion and redemption options liability component is measured at fair value.

	Series C	Series D	Series E	Total
	$	$	$	$
As at December 31,2013				
Non-derivative liability component upon issuance	21,592	21,346	22,690	65,628
Accretion of non-derivative liability component	754	472	30	1,256
	22,346	21,818	22,720	66,884
Unamortized financing costs	(760)	(1,064)	(1,131)	(2,955)
Non-derivative liability component	**21,586**	**20,754**	**21,589**	**63,929**
Conversion and redemption options liability component at fair value	**780**	**361**	**582**	**1,723**

	Series B	Series C	Series D	Total
	$	$	$	$
As at December 31,2012				
Non-derivative liability component upon issuance	12,339	21,592	21,346	55,277
Accretion of non-derivative liability component	639	477	270	1,386
	12,978	22,069	21,616	56,663
Unamortized financing costs	(65)	(1,079)	(1,247)	(2,391)
Non-derivative liability component	**12,913**	**20,990**	**20,369**	**54,272**
Conversion and redemption options liability component at fair value	**—**	**598**	**329**	**927**

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Series B
In March 2008, the Trust issued Series B subordinated convertible, redeemable, unsecured debentures, bearing 8.5% interest payable semi-annually which were repaid at maturity in March 2013, in the amount of $13,020.

Series C
In January 2011, the Trust issued Series C subordinated convertible, redeemable, unsecured debentures bearing 8% interest payable semi-annually and maturing in January 2016, in the amount of $23,000. The debentures are convertible at the holder's option at any time before January 2016, at a conversion price of $5.00 per unit ("Series C Conversion Price").

As of January 31, 2014, but before January 31, 2015, under certain conditions, the debentures are redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of January 31, 2015, but before January 31, 2016, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

Series D
In July 2011, the Trust issued Series D subordinated convertible, redeemable, unsecured debentures bearing 7.25% interest payable semi-annually and maturing in July 2018, in the amount of $23,000. The debentures are convertible at the holder's option at any time before July 2018, at a conversion price of $6.10 per unit ("Series D Conversion Price").

These debentures are not redeemable before July 31, 2014, except in the case of a change in control. As of July 31, 2014, but before July 31, 2016, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of July 31, 2016, but before July 31, 2018, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

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Series E
In February 2013, the Trust issued Series E subordinated convertible, redeemable, unsecured debentures bearing 6.90% interest payable semi-annually and maturing in March 2020, in the amount of $23,000. The debentures are convertible at the holder's option at any time before March 2020, at a conversion price of $6.15 per unit ("Series E Conversion Price").

These debentures are not redeemable before March 31, 2016, except in the case of a change in control. As of March 31, 2016, but before March 31, 2018, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of March 31, 2018, but before March 31, 2020, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

13. Bank Loans

The Trust's acquisition line of credit in the amount of $15,000 has matured in November 2013.

As at December 31, 2012, $15,000 was due under the acquisition line of credit and the unamortized financing costs amounted to $175.

The Trust also has access to an operating credit facility for a maximum amount of $2,000. This facility bears interest at a rate of 1% above the prime rate. This credit facility is secured by an immoveable hypothec on two properties having a value of $4,308 (December 31, 2012 - $4,224). As at December 31, 2013, $1,045 was due under the operating credit facility (December 31, 2012 - $nil).

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14. Fair Value Measurement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include the fair value of the cash and cash equivalents, restricted cash, receivables, other assets, trade and other payables and distributions payable to unitholders, which approximated their carrying amount as at December 31, 2013 and 2012 because of their short-term maturity.

As at December 31, 2013	Carrying amount		Fair value	
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 12)	1,723	—	—	1,723
Interest rate swap asset	(251)	—	(251)	—
For which fair values are disclosed				
Mortgage loans payable	313,816	—	317,816	—
Convertible debentures, including their conversion and redemption features	65,652	67,505	—	—
Bank loans	1,045	—	1,045	—

As at December 31, 2012	Carrying amount		Fair value	
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 12)	927	—	—	927
For which fair values are disclosed				
Mortgage loans payable	296,523	—	300,046	—
Convertible debentures, including their conversion and redemption features	55,199	59,882	—	—
Bank loans	14,825	—	15,030	—

The fair value of mortgage loans payable was calculated by discounting cash flows from future payments of principal and interest using the year end market rate for various loans with similar risk and credit profiles. The year end market rates have been estimated by reference to published mortgage rates by major financial institutions for similar maturity.

The fair value of convertible debentures, including their conversion and redemption features, was determined with reference to the last quoted trading price preceding the year end.

The fair value of bank loans was calculated by discounting cash flows from financial obligations using the year end market rate for similar instruments.

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The fair value of derivative instruments, which comprise conversion and redemption options of convertible debentures and an interest rate swap, is based respectively on the partial differential equation method and the discounted future cash flows method. The assumptions used in the partial differential equation method are estimated by reference to the Trust unit price and its volatility, and take into account the credit risk of the financial instrument. The assumptions used in the discounted future cash flows method are estimated by reference to the Canadian Dealer Offered Rate ("CDOR") forward rates.

Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

The following tables provide a reconciliation of Level 3 fair value measurements on the consolidated statements of financial position:

	Conversion and redemption options of convertible debentures
	$
Year ended December 31, 2013	
Balance beginning of year	927
Losses for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	486
Issue of Series E subordinated convertible redeemable debentures	310
Balance end of year	**1,723**

	Warrants	**Conversion and redemption options of convertible debentures**
	$	$
Year ended December 31, 2012		
Balance beginning of year	265	6,256
(Gains) Losses for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	42	(5,329)
Exercise of warrants	(307)	—
Balance end of year	**—**	**927**

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The following table provides a sensitivity analysis for the volatility applied in fair value valuation of the conversion and redemption options of convertible debentures at December 31, 2013:

	CONVERSION AND REDEMPTION OPTIONS OF CONVERTIBLE DEBENTURES	VOLATILITY
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	1,594	19.25
December 31, 2013	1,723	19.75
0.50%	1,971	20.25

As shown in the sensitivity analysis above, the fair value of the conversion and redemption options of convertible debentures is impacted by a change in the volatility used in the valuation model. Generally, an increase in the volatility, other things being equal, will result in an increase in fair value of the conversion and redemption options of convertible debentures and vice-versa. In some cases, when the fair value of the redemption option component is increasing more than the fair value of the conversion option component, an increase in volatility will result in a decrease in fair value of the conversion and redemption options.

15. Unit-based Compensation and Warrants

(a) Unit-based compensation

(i) Unit option plan

The Trust may grant options to its trustees, senior officers, investor relations consultants, and technical consultants. The maximum number of units reserved for issuance under the unit option plan is limited to 10% of the total number of issued and outstanding units. The trustees set the exercise price at the time that the units are granted under the plan; the exercise price may not be less than the discounted market price of the units as determined under the policies of the Toronto Stock Exchange on the date of grant. The options have a minimum term of five years as of the grant date and vest over a period of up to 18 months.

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Unit-based compensation expense and the assumptions used in the calculation thereof using the Black & Scholes option valuation model are as follows:

As at December 31,	2013	2012
Unit-based compensation expense	(8)	(76)
Liability recognized for unit-based compensation	14	22
Unit options granted	—	—
Remaining life (years)	1.40 - 2.22	0.69 - 3.53
Volatility rate	17.54 - 16.41%	17.35 - 32.07%
Distribution yield	8.97%	9.44%
Risk-free interest rate	1.10 - 1.13%	1.01 - 1.33%

The following tables present relevant information on options outstanding at year-end and changes in the balances during the year:

	Number of units	Maturity date	Exercise price
Grant date			
March 25, 2011	10,000	March 21, 2016	$4.60
June 22, 2011	88,000	May 26,2015	$4.50
	98,000		

For the years ended December 31,		**2013**		**2012**
	Units options	**Weighted average exercise price**	**Units options**	**Weighted average exercise price**
Outstanding, beginning of year	227,000	$5.07	551,000	$10.20
Forfeited/Cancelled	(129,000)	$5.55	(324,000)	$13.17
Outstanding, end of year	**98,000**	**$4.51**	**227,000**	**$5.07**
Options vested	**98,000**	**$4.51**	**227,000**	**$5.07**
Weighted average remaining life (years)		**1.48**		**1.59**

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(ii) Deferred unit compensation plan for trustees and certain executive officers
The Trust offers a deferred unit compensation plan for its trustees and certain executive officers. Under this plan, the trustees and certain executive officers may elect to receive as compensation either cash, deferred units, or a combination of both.

The following table presents relevant information on changes in the unit balances:

For the years ended December 31,	2013	2012
	Units	Units
Outstanding, beginning of year	15,981	—
Trustees' compensation	11,948	15,264
Distributions paid in units	1,842	717
Outstanding, end of year	**29,771**	**15,981**

As at December 31, 2013, the liability related to the plan was $140 (December 31, 2012 - $75). The related expenses recorded in profit and loss amount to $65 for the year ended December 31, 2013 (for the year ended December 31, 2012 - $75). No amount was paid under this plan for the years ended December 31, 2013 and 2012.

(iii) Employee unit purchase plan
The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, pursuant to a maximum of 3% to 7% of their base salary depending of their years of experience with the Trust. For each two units purchased by an employee, the Trust shall issue one unit from treasury. As at December 31, 2013, the liability related to the plan was $33, representing a total of 7,456 units to issue. The related expenses recorded in profit and loss amount to $33 for the year ended December 31, 2013. The units have been issued after year-end.

(b) Warrants
In March 2012, all the 500,000 outstanding warrants were exercised at a price of $3.822 per unit, for proceeds of $1,911.

The warrants had a fair value of $307 before being exercised. The related expenses recorded in profit and loss amount to $42 for the year ended December 31, 2012.

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16. Trust Units Issued and Outstanding

BTB is authorized to issue an unlimited number of trust units. Each trust unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require BTB to redeem their trust units on demand. Upon receipt of the redemption notice, all rights to and under the trust units tendered for redemption are surrendered and the holder thereof is entitled to receive a price per trust unit ("Redemption Price"), as determined by a market formula. The Redemption Price is to be paid in accordance with the conditions provided for in the Declaration of Trust. BTB trust units are considered liability instruments under IFRS because the units are redeemable at the option of the holder, however they are presented as equity in accordance with IAS 32.

In July 2013, the Trust completed a public issue of 4,328,600 units, including the over-allotment option, for total net proceeds of $18,996.

In December 2012, the Trust completed a public issue of 4,598,000 units for total net proceeds of $18,914.

In June 2012, the Trust completed a five to one unit consolidation. All references to unit and per unit amounts in the consolidated financial statements and accompanying notes to the consolidated financial statements have been retroactively restated to reflect the five to one unit consolidation.

In February 2012, the Trust completed a public issue of 3,750,150 units, including the over-allotment option, for total net proceeds of $16,113.

Trust units issued and outstanding are as follows:

For the years ended December 31,		2013		2012
	Units	Value	Units	Value
		$		$
Units outstanding, beginning of year	23,791,797	137,330	14,810,790	99,503
Issue pursuant to a public issue	4,328,600	20,128	8,348,150	37,252
Unit issue costs	—	(1,132)	—	(2,225)
	28,120,397	156,326	23,158,940	134,530
Issue pursuant to the distribution reinvestment plan	205,141	881	132,857	582
Issue pursuant to the exercise of warrants	—	—	500,000	2,218
Units outstanding, end of year	**28,325,538**	**157,207**	**23,791,797**	**137,330**

(a) Distribution reinvestment plan

BTB offers a distribution reinvestment plan for its trust unitholders. Participation in the plan is optional and under the terms of the plan, cash distributions on trust units are used to purchase additional trust units. The trust units are issued from BTB’s treasury at an average market price based on the last five trading days before the distribution date, less a discount of 5%.

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17. Rental Revenues from Properties

For the years ended December 31,	2013	2012
	$	$
Rental income contractually due from tenants	64,049	48,697
Lease incentive amortization	(1,480)	(1,240)
Straight-line lease adjustment	866	661
	63,435	**48,118**

18. Net Financing Costs

For the years ended December 31,	2013	2012
	$	$
Financial income	(105)	(141)
Interest on mortgage loans payable	13,861	11,822
Interest on convertible debentures	5,146	4,622
Interest on bank loans	776	87
Other interest expense	45	107
Accretion of non-derivative liability component of convertible debentures	551	598
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	1,142	1,412
Net adjustment to fair value of derivative financial instruments	113	(5,286)
	21,529	**13,221**

19. Expenses by Nature

For the years ended December 31,	2013	2012
	$	$
Depreciation	126	97
Employee benefits expense	3,665	2,856

20. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32 (see note 16), the Trust is not required to report a profit or loss per unit figure on its consolidated statements of comprehensive income. However, for disclosure purposes only, the Trust has determined basic earnings per unit using the same basis that would apply in accordance with IAS 33, *Earnings per Share*.

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Net earnings per unit are calculated based on the weighted average number of units outstanding as follows:

For the years ended December 31,	2013	2012
	$	$
Net income	18,349	17,967
Weighted average number of units outstanding – basic	25,735,969	18,668,871
Earnings per unit – basic	**0.71**	**0.96**

21. Operating Lease Income

The Trust as lessor has entered into leases on its property portfolio. Initial lease terms are generally between three and ten years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to terminate before the end of the lease term.

Future minimum base rentals receivable under non-cancellable operating leases as at December 31, 2013 are as follows:

	2013
	$
Within one year	40,424
Over one year but within five years	117,451
Over five years	70,396
	228,271

22. Capital Management

The Trust's capital consists of contributions by unitholders, convertible debentures, mortgage loans and bank loans, excluding issuance costs. In managing its capital, the Trust's objectives are to ensure that it has adequate resources for its operations and development, while maximizing returns for unitholders and maintaining a balance between debt and equity.

The Trust manages its capital structure based on changes in its operations, the economic climate and the availability of capital.

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The Trust's capital is as follows:

As at December 31,	2013	2012
	$	$
Mortgage loans payable[1]	314,173	296,214
Convertible debentures[1]	69,000	59,020
Bank loans[1]	1,045	15,000
	384,218	**370,234**
Unitholders' equity	152,592	124,778
	536,810	**495,012**

(1) Excluding issue costs

As at December 31,	2013	2012
	%	%
Mortgage loans payable, Convertible debentures and Bank loans / total asset value ratio	70.3	73.3
Mortgage loans payable and Bank loans/ total asset value ratio	57.7	61.6

Financial Risk Management

The Trust has exposure to the following risks from its use of financial instruments:

- credit risk
- interest rate risk
- liquidity risk
- fair value risk (see note 14)

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk, and the Trust's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(a) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates this risk by varying its tenant mix and staggering lease terms; avoiding dependence on a single tenant for a significant portion of the Trust's operating revenues and conducting credit assessments for all major new tenants. The Trust analyzes its trade receivable on a regular basis and records a provision for doubtful accounts when there is a significant risk of non-recovery. As at December 31, 2013, overdue rent receivable amounted to $1,037 (December 31, 2012 - $953), of which a provision for doubtful account of $263 (December 31, 2012 - $271) has been recorded.

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Management expects to recover the amounts not provisioned as all lease agreements are signed, and they are in continuous discussions for collections with the tenants.

The Trust places its cash and cash equivalent investments with Canadian financial institutions with high credit ratings. Credit ratings are actively monitored and these financial institutions are expected to meet their obligation.

(b) Interest rate risk

Interest rate risk reflects the risk of changes in the fair value or future cash flows of a financial instrument because of fluctuations in market interest rates.

Except for one mortgage loan outstanding of $1,380 as at December 31, 2013, all other mortgage loans payable and convertible debentures bear interest at fixed rates or are covered by an interest rate swap agreement, accordingly a 100-basis point increase or decrease in the average interest rates for the fiscal year, assuming that all other variables remain constant, would have an impact of approximately $14 on the Trust's comprehensive income for the year ended December 31, 2013.

(c) Liquidity risk

Liquidity risk is managed by:

- maximizing cash flows from operations;
- adopting an investment property acquisition and improvement program that takes account of available liquidity;
- using credit facilities on the market;
- staggering mortgage loan maturities;
- maximizing the value of investment properties, thus increasing mortgage financing on renewal of loans; and
- issuing debt securities or BTB's units on the financial markets.

Management believes that the Trust will be able to obtain the financing required to make the payments coming due in the next year. However, there is a risk that changes affecting market conditions and access to financing may invalidate this assumption.

Some mortgage loans include subjective and restrictive covenant clauses under which the Trust must comply with financial conditions and ratios.

As at December 31, 2013, the Trust was in compliance with all the covenants to which it was subject.

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The Trust's cash position is regularly monitored by management. The following are contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2013

			Estimated payment schedule					
	Carrying amount	**Total contractual cash flows**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 and thereafter**
	$	$	$	$	$	$	$	$
Trade and other payables	12,357	12,357	12,357	—	—	—	—	—
Distributions payable to unitholders	943	943	943	—	—	—	—	—
Bank loans	1,045	1,045	1,045	—	—	—	—	—
Mortgage loans payable and convertible debentures	377,745	455,083	86,132	43,033	111,917	70,223	66,170	77,608
	392,090	**469,428**	**100,477**	**43,033**	**111,917**	**70,223**	**66,170**	**77,608**

As at December 31, 2012

			Estimated payment schedule					
	Carrying amount	**Total contractual cash flows**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 and thereafter**
	$	$	$	$	$	$	$	$
Trade and other payables	12,788	12,788	12,788	—	—	—	—	—
Distributions payable to unitholders	792	792	792	—	—	—	—	—
Bank loans	14,825	16,031	16,031	—	—	—	—	—
Mortgage loans payable and convertible debentures	350,795	419,307	76,441	85,176	30,486	93,522	65,219	68,463
	379,200	**448,918**	**106,052**	**85,176**	**30,486**	**93,522**	**65,219**	**68,463**

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012
(Audited - in thousands of CAD dollars, except per unit amounts)

23. Subsidiaries and Joint Arrangements

(a) Subsidiaries

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

Entity	Type	Relationship
BTB Real Estate Investment Trust ("BTB REIT")	Trust	Parent
BTB, Fiducie d'acquisitions et d'exploitation ("BTB FA&E")	Trust	100% owned by BTB REIT
Gestion immobilière BTB Inc.	Corporation	100% owned by BTB FA&E
Corporation immobilière Cagim ("CIC")	Corporation	100% owned by BTB FA&E
Lombard SEC	Limited Partnership	99.9% owned by BTB FA&E 0.1% owned by CIC
Place d'affaire Lebourgneuf Phase II, SENC ("PAL II")	General Partnership	99.9% owned by BTB FA&E 0.1% owned by CIC
Société immobilière Cagim, SEC	Limited Partnership	70.4% owned by BTB FA&E 29.5% owned by PAL II 0.1% owned by CIC

(b) Joint arrangements

The Trust has investments in joint arrangements whereby the parties that have joint control of the arrangements have rights to the assets, and obligations for the liabilities, relating to the arrangements. Therefore, the joint arrangements are classified as joint operations. The joint operations included in the Trust's consolidated financial statement are as follows:

As at December 31,	2013	2012
	%	%
Property*		
Immeuble BTB/Laplaine	50	50
Huntington/BTB Montclair	50	50
Complexe Lebourgneuf Phase II**	75	75

* The three investments properties are located in Quebec.

** Structured through a separate vehicle. The legal form of the separate vehicle gives the parties rights to the assets, and obligations for the liabilities, relating to the arrangement. Accordingly, the joint arrangement is classified as a joint operation.

BTB Real Estate Investment Trust

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The consolidated financial statements include the Trust's proportionate share of the assets, liabilities, revenues and expenses of these three joint arrangements.

As at and for the years ended December 31,	**2013**	**2012**
	$	$
Assets	45,615	45,587
Liabilities	31,273	32,153
Revenues	4,852	4,572
Expenses	1,860	1,888

24. Operating Segments

For investment properties, discrete financial information is provided to the Chief Executive Officer (''CEO'') on an aggregated investment property basis. The information provided is net rentals (including gross rent and property expenses), valuation gains/losses and the net value of investment properties. The individual investment properties are aggregated into segments with similar economic characteristics. The CEO considers that this is best achieved by aggregating into commercial, office, industrial and general purpose segments.

Consequently, the Trust is considered to have four reportable operating segments, as follows:

- Commercial
- Office
- Industrial
- General purpose

	Commercial	**Office**	**Industrial**	**General purpose**	**Total**
	$	$	$	$	$
Year ended December 31, 2013					
Investment properties	101,675	208,793	100,561	118,403	**529,432**
Rental revenue from properties	11,684	27,007	8,855	15,889	**63,435**
Net operating income	7,163	13,058	7,324	7,791	**35,336**
Year ended December 31, 2012					
Investment properties	98,608	200,092	79,236	110,585	**488,521**
Rental revenue from properties	7,898	23,584	6,841	9,795	**48,118**
Net operating income	5,360	11,418	5,517	4,701	**26,996**

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012
(Audited - in thousands of CAD dollars, except per unit amounts)

25. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the years ended December 31,	2013	2012
	$	$
Salaries and short-term benefits	1,654	1,527
Unit-based compensation	83	(21)
Total	**1,737**	**1,506**

Key management personnel are comprised of the Company's executive officers.

26. Commitments and Contingencies

(a) Contractual obligations on real estate
The Trust entered into a binding agreement under which the Trust is committed to pay, up to a maximum of $1,275, for the refurbishment work of one investment property recently acquired. The execution of this obligation will not require any net cash disbursement as $1,275 presented as restricted cash will be available for the payment of the refurbishment work.

(b) Litigation
The Trust is involved with litigation and claims which arise from time to time in the normal course of business. These litigation and claims are generally covered by insurance. In the opinion of management, any liability that may arise from such contingencies will not have a significant adverse effect on the Trust's consolidated financial statements.

27. Subsequent Events

In February 2014, the Trust concluded a refinancing agreement for six of its properties for a total amount of $26,395, at an interest rate of 3.34%. The amount has been used to reimburse two existing financings of $ 24,857 bearing a weighted average interest rate of 5.74% and for general Trust purposes.

Corporate Information

Board of Trustees

Jocelyn Proteau[2]
President of the Board of Trustees
BTB Real Estate Investment Trust
Corporate director

Luc Lachapelle[1][3]
Secretary of the Board of Trustees
BTB Real Estate Investment Trust
President and Chief Executive Officer
Corlac Immobilier Inc.

Michel Léonard
President and Chief Executive Officer
BTB Real Estate Investment Trust

Normand Beauchamp[2][3]
President and Chief Executive Officer
Capital NDSL inc.

Claude Garcia[1][3]
Corporate director

Jean-Pierre Janson[2]
Executive Vice-President
Partenaires Financiers Richardson Limited

Richard Lord[1][2]
Corporate director

Fernand Perreault[1][3]
Corporate director

Peter Polatos
President
Gestion AMTB inc.

(1) Member of the Audit Committee
(2) Member of the Human Resources and Governance Committee
(3) Member of the Investment Committee

Executive Team

Michel Léonard
President and Chief Executive Officer

Benoit Cyr, CPA, CA, MBA
Vice-President and Chief Financial Officer

Frédéric Seigneur
Vice-President, Leasing

Dominic Gilbert, B.A.A.
Vice-President, Property Management

Unitholders Information

Head Office
BTB Real Estate Investment Trust
2155 Crescent
Montreal, Quebec, H3G 2C1
T 514 286-0188
F 514 286-0011
www.btbreit.com

Listing
The units and convertible debentures of BTB Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbols:
BTB.UN
BTB.DB.C
BTB.DB.D
BTB.DB.E

Transfer Agent
Computershare trust company of Canada
1500 University St.
Suite 700
Montreal, Quebec, H3A 3S8
Canada
T 514 982-7555
T Toll free: 1 800 564-6253
F 514 982-7850
service@computershare.com

Taxability of distributions
In 2013, for all Canadian unitholders, the distributions are fiscally treated as follow:

- Other revenues: 0%
- Fiscal Deferral: 100%

Auditors
KPMG s.r.l. / S.E.N.C.R.L.
600 De Maisonneuve Blvd. West
Suite 1500
Montreal, Quebec, H3A 0A3

Legal Counsel
De Grandpré Chait s.e.n.c.r.l.
1000 De la Gauchetière St. West
Suite 2900
Montreal, Quebec, H3B 4W5

Unitholder distribution reinvestment plan
BTB Real Estate Investment trust offers a distribution reinvestment plan to unitholders whereby the participants may elect to have their monthly cash distribution reinvested in additional units of BTB at a price based on the weighted average price for BTB's Units on the Toronto Stock Exchange for the five trading days immediately preceding the distribution date, discounted by 5%.

For further information about the DRIP, please refer to the Investor relations section of our website at www.btbreit.com or contact the Plan agent: Computershare Trust Company of Canada.

Copywriting: Figaro Communications
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BTB Real Estate Investment Trust
2155, Crescent
Montreal, Quebec, H3G 2C1
T 514 286 0188
F 514 286 0011
www.btbreit.com