BTB

BTB Real Estate Investment Trust

2015

Annual Report

Building Trust

Profile

BTB is a real estate investment trust listed on the Toronto Stock Exchange. It owns and manages a portfolio of 71 commercial, industrial and office properties, located primarily in the Montréal, Québec City and Ottawa areas. Its portfolio comprises more than 5.1 million square feet of leasable area.

Since BTB's inception in 2006, the total value of its assets has grown steadily and now stands at over $633 million, making BTB the second-largest real estate investment trust in the Province of Québec.

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

- generating stable monthly cash distributions that are reliable and tax-efficient;
- increasing the Trust's assets value through internal growth and acquisition strategies in order to increase available income and fund distributions;
- managing assets internally in a centralized and controlled fashion in order to reduce operating expenses, management fees and rental expenses;
- maximising the value of its assets through dynamic and responsible management so as to ensure the long-term value of its units.

TABLE OF CONTENTS

Highlights

71
Number of properties

5.1M
Number of square feet

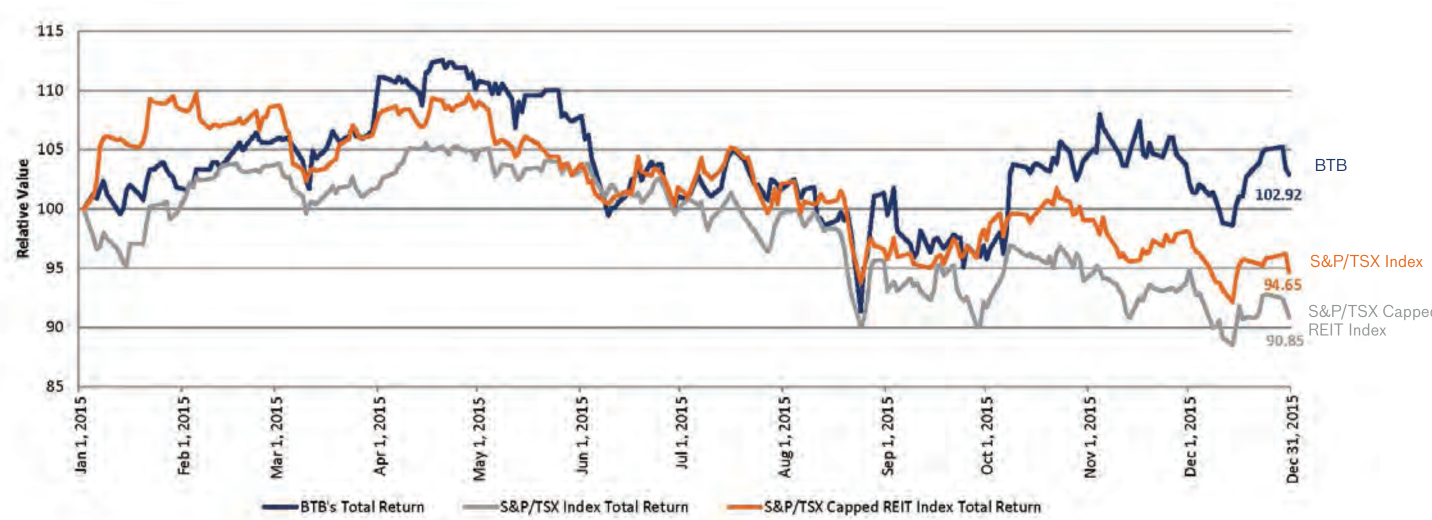
$633M
Total assets

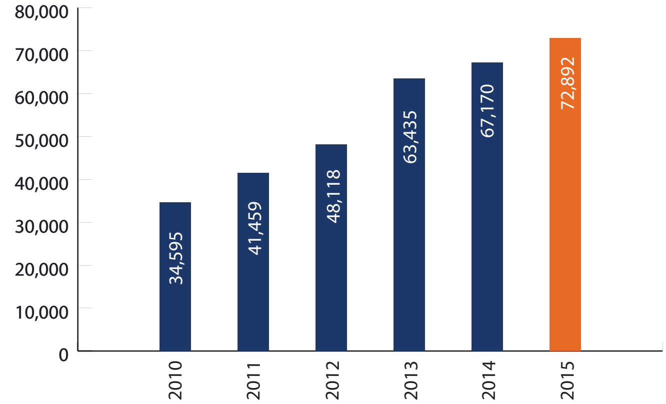
77.3 %
Payout ratio of recurring distributable income

$ 72.9M
Annual rental income

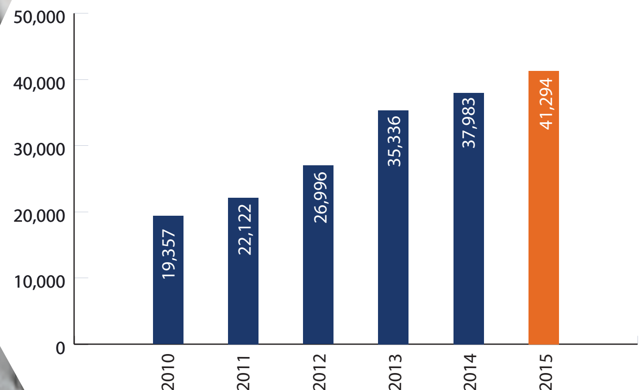
91.7 %
Occupancy rate

58.0 %
Mortgage debt ratio

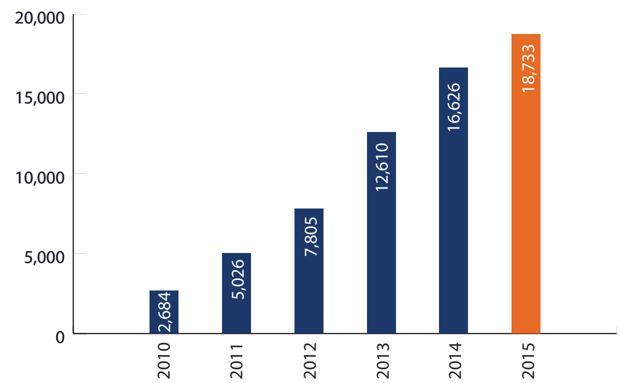




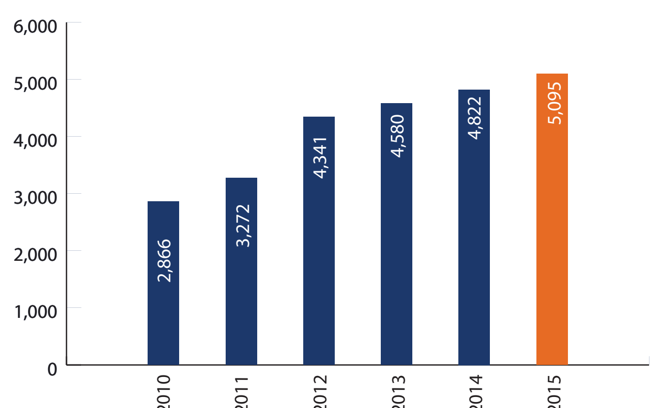
Evolution of rental income for the years ending December 31st
(in thousands of dollars)



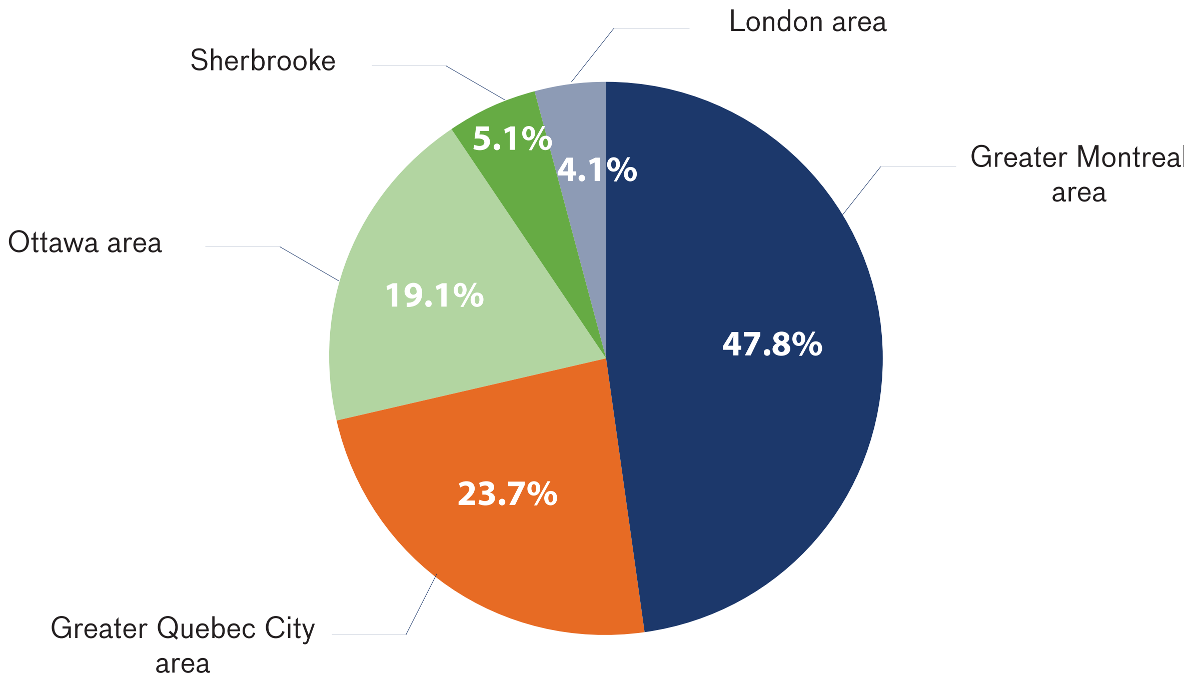
Evolution of net operating income for the years ending December 31st
(in thousands of dollars)



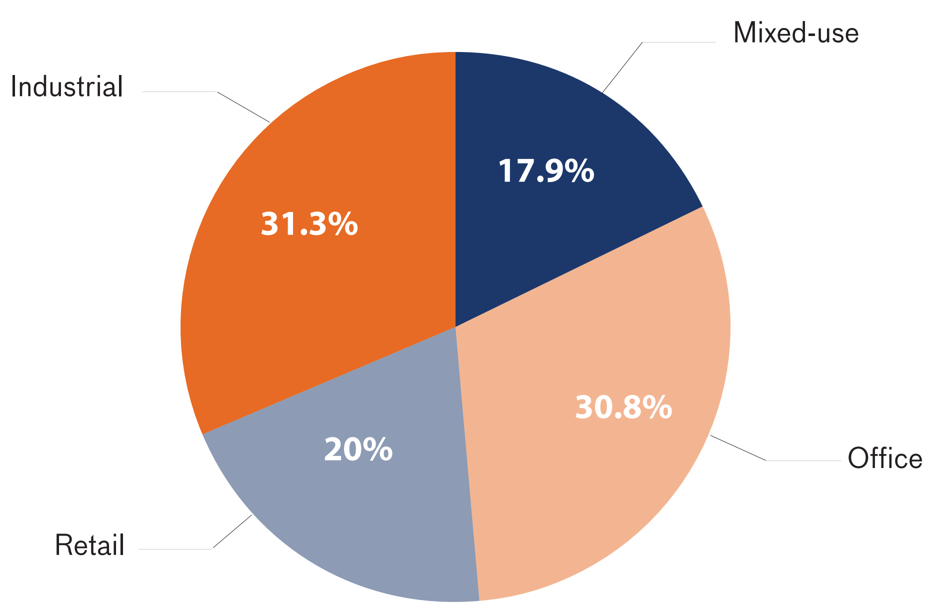
Evolution of recurring distributable income for the years ending December 31st
(in thousands of dollars)



Evolution of total leasable area for the years ending December 31st
(in thousands square feet)



Breakdown of portfolio by geographical region
December 31, 2015



Breakdown by asset type
December 31, 2015

Message from the Chairman of the Board of Trustees

The members of the Board of Trustees join me in recognizing the team's and management's leadership, more particularly for their focus on creating value

Jocelyn Proteau,
Chairman, Board
of Trustees

Building trust by sustaining growth and the return on investment

In 2015, BTB delivered on the commitments made to its unitholders, its tenants and its employees. While we cannot control the market, we can control how we respond to market conditions both in the short and long term. The decisions we make are always made with a view to building the trust you have placed in us. We are building trust by providing better than market returns for our unitholders, balanced against acceptable levels of risk, by meeting and exceeding the expectations of our tenants, and by recognizing and rewarding performance in our employees.

Solid performance

BTB once again performed well. We now own 71 properties that contain 5.1 M square feet and our total assets value stands at $633 M, making us the second largest real estate investment trust in Québec. BTB's returns exceeded the returns of the TSX and the Capped REIT Index Total Return, and that gap further increased in the fourth quarter.

At the end of the last fiscal year, distributions to unitholders totalled $14.5M, an increase of 11.8% compared to 2014, and our payout ratio was below 77.3%, a 0.8% improvement over 2014.

BTB's equity totals more than $174.3M. Based on the number of units outstanding as at December 31, 2015 (34.1M), the book value of BTB's units was $5.02 per unit. These performance indicators reflect quality and efficiency throughout the organization. The members of the Board of Trustees join me in recognizing the team's and management's leadership, more particularly for their focus on creating value. The value chain links the whole organization, from employees on the front lines delivering services to our clients to the staff who work internally to ensure our systems stay operational, our environmental standards stay ahead of the pack and our technology provides us with the ability to continue to build trust at all levels.

Continuously reducing financing costs is key to maximizing returns

Our strategy for mortgage refinancing was to increase the term of our new mortgages where we could opt for a longer term. The average mortgage term went from 4.7 years to 5.5 years. During 2015, we refinanced and renewed $30M of mortgages. On average the refinancing and renewing activities allowed us to reduce the average interest rate and derived annual interest cost savings of over $400K in 2015. We also placed new financings during the year on the four properties we acquired. The average interest rate was 3.60% and for an average mortgage term of 12.7 years.

During the last quarter of 2015, we issued a new series of Debentures (Series "F") to reimburse the Series "C" that were initially coming to maturity on January 31st 2016. While issuing debentures was not our first choice, the market conditions that prevailed at the end of 2015 convinced us that it was the right approach. The new series was issued at a lower interest rate as compared to the Series "C", gleaning interest costs savings of $195K annually.

We wish to thank our unitholders for the trust they have placed in us and to confirm that we will continue to build that trust by building on profitability.

The arc of our growth has been constant since 2006 as we continue in our mission to be a major player in the Canadian real estate market. As we embark on our tenth year, we have every reason to believe our future is bright.

Message from the President and Chief Executive Officer

With your trust, we are committed to pursuing growth while ensuring the organization's longevity.

Michel Léonard,
President and Chief Executive Officer

Building trust by building on strong relationships

Building relationships of trust at all levels of the organization is the key to continuing to build BTB Real Estate Investment Trust into a superior investment vehicle for our unitholders.

With your trust comes great responsibility, a responsibility that impels us to consistently ensure we are making the right decisions at the right time to protect the future of BTB. Rest assured that we are.

We invest in quality so unitholders make an investment in a quality product. Our commitment to quality drives all levels of the organization and it especially drives our people, the decision makers and relationship builders who manage our capital assets, lease our buildings, manage and maintain our facilities, care for our clients and build on our asset base.

Our quest for quality also drives our decisions to cull underperforming assets from our mix of office, industrial, retail and mixed-use spaces, while we add new, higher quality better performing assets with good covenants and located in strong markets. This was the strategic thinking behind disposing of four smaller properties in Fiscal 2015 for total proceeds of $13 M and purchasing four larger, higher performing assets in the greater Ottawa and Montreal areas. This total investment of $63 M will provide greater economies of scale in terms of building management costs and will contribute to BTB's profitability.

Building trust means focusing on relationships

BTB has 700 clients in its properties in cities in the provinces of Quebec and of Ontario. Maintaining the highest levels of client service is a priority and continues to guide the implementation of the online access to services system we provide our clients but also how we select, train and manage the frontline people who serve our clients on a daily basis. That was the key to maintaining our occupancy rate at 91.7% on December 31st, 2015 and a roster of clients with the solidity of top tier businesses and government services. We renewed 62.5% of the leases that were expiring during 2015 and during the same period, we secured a total of approximately 475,000 square feet of new tenancy and lease renewals at an average rate increase of 5.9%.

Building on a sophisticated and scalable property management infrastructure has allowed us to reduce our dependency on third party managers and absorb our property management function into BTB's efficient, centralized internal operation. During 2015 we terminated the management agreement with a third party to assume ourselves the management of our Quebec City properties. This decision will produce operating costs savings for BTB.

At the end of the year our AFFO ratio stood at 89% while our FFO ratio was 88.6%.

With a portfolio of 71 commercial properties totalling 5.1M square feet and with total assets of $633M and total revenues of $72.9M, BTB is still on target to reach its goal of $1 billion in total assets in the near future.

With your trust, we are committed to pursuing growth while ensuring the organization's longevity.

Executive team

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

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

Our properties

Island of Montreal
1400-1440 Antonio-Barbeau Street, Montreal
5810 and 5878-5882 Sherbrooke Street East, Montreal
7001-7035 St-Laurent Blvd, 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
Marché de l'Ouest: 11600-11800 De Salaberry Blvd, Dollard-des-Ormeaux
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
4535 Louis B. Mayer Street, Laval
3695 Des Laurentides (Highway-15), Laval
81-83 Turgeon Street, Ste-Thérèse
5791 Laurier Blvd, Terrebonne
2175 Des Entreprises Blvd, Terrebonne
2205-2225 Des Entreprises Blvd, Terrebonne

South Shore of Montreal
4890-4898 Taschereau Blvd., Brossard
2340 Lapinière Blvd, Brossard
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
2111 Fernand-Lafontaine Blvd, Longueuil
2350 Chemin du Lac, Longueuil
Les Halles St-Jean: 145 St-Joseph Blvd, St-Jean-sur-Richelieu
Le Bougainvillier: 315-325 MacDonald Street, St-Jean-sur-Richelieu
Les galeries Richelieu: 1000 Du Séminaire Nord Blvd, St-Jean-sur-Richelieu
Plaza Delson: 15,19,21,35 et 41 Georges-Gagné Blvd, Delson

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
Edifice Brinks: 191 D'Amsterdam Street, St-Augustin-de-Desmaures
Terrasses des Lilas: 1100 and 1108-1136 St-Joseph Blvd, Drummondville
Complexe de Léry: 505 Des Forges Street and 1500 Royale Street, Trois-Rivières
665-669 Thibeau Blvd, Trois-Rivières
3885 Harvey Blvd, Saguenay
Promenades St-Noël: 100 1st Street West, Thetford Mines*
175 de Rotterdam Street, St-Augustin-de-Desmaures

Sherbrooke
2865-2885 De Portland Blvd, Sherbrooke
Place Fleurimont: 1635-1645 King Street East and 150-170 Duplessis Road, Sherbrooke
Place Jacques-Cartier: 1640-1650 King Street West, Sherbrooke
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

Greater London Area
311 Ingersoll Street, Ingersoll

Ottawa Area
80 Aberdeen Street, Ottawa
245 Stafford Road West, Ottawa
1-9 and 10 Brewer Hunt Way and 1260-1280 Teron Rd, Ottawa
400 Hunt Club Rd, Ottawa
7 and 9 Montclair Blvd, Gatineau
705 Boundary Road, Cornwall
725 Boundary Road, Cornwall
805 Boundary Road, Cornwall*
2901 and 2905 Marleau Avenue, Cornwall
2200 Walkley Road, Ottawa
2204 Walkley Road, Ottawa

**Properties in redevelopment*

Lucie Ducharme, Trustee

BUILDING TRUST

With Unitholders and the investment community

Building trust with our investors is all about profitability and value creation. Our returns are a reflection of the quality and efficiency of our team and our commitment to exceeding expectations in every aspect of the operation.

BUILDING TRUST

With employees

59

BTB now employs 59 people compared to 3 in 2006

Sylvain Moquin, an employee of BTB and Michel Léonard, CEO

BUILDING TRUST

With clients

For most businesses, a commercial space is a strategic asset that is key to competitiveness, profitability and company brand image. Our commitment to clients in every one of our properties is to provide great level of service at the right price—to ensure the investment in their facilities brings the returns they are projecting.

700 Tenants

91.7% Occupancy rate

Dominic Gilbert, Vice President, Property Management

When brokers recommend a property owned by BTB they are putting their own reputations on the line. Over the years BTB has built trust in the community of real estate professionals and their clients by acting with transparency, respect and understanding of the needs and concerns of all parties involved. After all, the goal is to make their clients our clients.

With brokers and the Real Estate Community

BUILDING TRUST

Frédéric Seigneur, Vice President Leasing and Michel Labbé, Broker

Employee recognition awards:

2015 winners

“I was actually BTB’s first employee when we were listed on the TSX Venture on October 3, 2006. I can tell you that a lot has changed since then. From an IT perspective, things have become more sophisticated and complex. My work is to ensure communications are up and running from the computer and the networks to the cellular phones. I am focussed on our clients even if my direct clients are actually BTB’s employees. Last year, we officially internalised the management of our Quebec City buildings and consequently we had to secure office space in one of our buildings. We also had to hire employees that were to assume the management functions for the area. We started from zero and had to be up and running rapidly. I can happily report that all systems were running on time and the official opening of this office was done as scheduled, all systems functioning. Although BTB has grown substantially, our core values have not changed. We are all about our clients. Treating people well, whether they are employees, tenants, suppliers or others we deal with has always been a priority. I think it’s the key to our success.”

Sylvie Hatotte
Director of Information System and Processes

“I’ve been with BTB for five years now and I’ve seen it grow. It’s a business with an open-door policy. I can reach every employee including the president. From the beginning we’ve always had access to people and to information. As we’ve grown, we’ve had to implement systems to accommodate our growth. I was responsible for creating a database that allows us to share information and understand the status of invoices from the day it is received to the day it has been paid. That allows me to provide information to suppliers, building managers and others who need to know where the invoice is in the system, and it also allows us to follow up if an invoice gets stalled anywhere in the approval and accounting process.”

Jean-Loup Brault
Accounts payable

“I have learned very early that one of the most important elements in BTB’s business is its tenants. They are our heart, and you can’t live without a heart. I remind myself of that every day. Together with a co-worker, we’re responsible for the day to day operations of four buildings located on the West Island suburb of Montreal. We work as a team. We can’t let our clients down. I have never seen my work as a problem. I look at it as an opportunity to keep the heart of our business healthy.”

Sergei Novitchi
Maintenance Technician

“I’ve been with BTB for about a year, after graduating in Environmental Studies receiving a Master’s degree. I have found early that the company puts its trust in employees and encourages them to propose projects, make decisions and take initiative. It’s a stimulating work environment. Some companies use outside consultant to do my job. But there are real advantages to having an in-house expert as we do. In the fall, I was involved in the process of obtaining BOMA Best Certification for eight of our buildings. I was proud to obtain the certification for the eight buildings we submitted. We take environmental risk reduction and sustainability very seriously and we know our clients also do. It is a social responsibility, and it makes business sense. This year I am looking to certify 14 buildings.”

Madeleine-Jane Brammer Lavoie
Administration and Sustainable Development

Management Discussion and Analysis

Quarter ended December 31, 2015

Table of Contents

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, 2015, 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 17, 2016 should be read together with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2015 and 2014. 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 years ended December 31, 2015 and 2014. Additional information about the Trust, including the 2014 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 dated March 17, 2016.

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 quarterly 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

“Net operating income,” “distributable income,” “recurring distributable income,” “funds from operations” ("FFO"), “adjusted funds from operations” ("AFFO") and “recurring AFFO” are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. These measures 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 up to December 31, 2015, it has acquired and owns 71 commercial, office and industrial properties in primary and secondary markets. BTB is an important real estate owner in geographical markets in Québec and eastern Ontario. The units and Series D, E and F convertible debentures are traded on the Toronto Stock Exchange under the symbols “BTB.UN”, “BTB.DB.D” “BTB.DB.E”, and “BTB.DB.F”, respectively. The Series C convertible debentures (BTB.DB.C) were redeemed on December 30, 2015.

Most of the Trust’s properties are managed internally, with 65 of the Trust’s 71 properties held as at December 31 entirely managed by the Trust’s employees. Management’s objective is to resume, when favourable circumstances prevail, internal management of the Trust’s properties under 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, 2015[(1)]	**71**	**5,094,866**	**622,651**

(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. More specifically, the objectives are as follows:

(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 acquire 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.

BTB’s management also regularly performs a strategic portfolio assessment to determine whether it is financially advisable to hold onto certain investments. BTB may dispose of certain assets if their size, location and/or profitability do not meet the Trust’s current criteria.

In such cases, BTB expects to use the proceeds from the sale of assets to reduce debt.

Highlights of the Year as at December 31, 2015

- 71 properties
- More than 5 million leasable square feet
- More than $630 million in assets
- More than $153 million in market capitalization

Increase

- 8.5% in rental income
- 8.7% in net operating income
- 7.9% in assets
- 2.8% in recurring distributable income per unit
- 3.3% in recurring AFFO per unit

Improvement

- In the payout ratio from 77.9% to 77.3%
- In the weighted average interest rate on mortgage debt from 4.13% to 3.95%
- In the weighted average term on mortgage debt from 4.7 years to 5.5 years

Leasing activities

- 250,000 square feet of leases renewed
- 225,000 square feet of new leases signed
- 5.9% increase in the average rate of expired and renewed leases

Acquisitions

- A 116,415-square-foot industrial property adjacent to Ottawa's Macdonald-Cartier International Airport, for $12.5 million
- A 145,546-square-foot shopping centre in Delson, a Montréal suburb, for $21.5 million
- Two office properties with a combined leasable area of almost 159,000 square feet close to Ottawa International Airport on Walkley Road, for $28.5 million

Disposal

- Of four commercial properties totalling 135,000 square feet, which no longer met the Trust's current investment criteria. Proceeds of sale totalling $13.3 million were mainly used to repay mortgage debt and the credit facility.

Capital transactions

- Closing of an issuance of Series F convertible debentures bearing interest at 7.15% for total proceeds of $26.7 million. The net proceeds were mainly used to repay the Series C convertible debentures bearing interest at 8 % on December 30, 2015 for total proceeds of $22.8 million.

Event subsequent to December 31, 2015

- On February 15, 2016, BTB acquired an office building located in downtown Montréal for $11 million. The property, entirely leased to a single tenant under a long-term lease, has a leasable area of 52,500 square feet.

Selected Financial Information

As at December 31, 2015, the Trust owns 71 properties generating, on an annualized basis, revenues of close to $75 million.

The following table presents highlights and selected financial information for the quarters and years ended December 31, 2015 and December 31, 2014:

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

		Quarter		Year	
		2015	**2014**	**2015**	**2014**
	Reference	**$**	$	**$**	$
Financial information					
Rental income	Page 33	**18,539**	17,558	**72,892**	67,170
Net operating income[1]	Page 36	**10,020**	10,008	**41,294**	37,983
Net property income from the same-property portfolio[1]	Page 41	**5,043**	5,847	**22,223**	22,703
Recurring distributable income[1]	Page 44	**4,211**	4,734	**18,733**	16,626
Distributions	Page 45	**3,640**	3,581	**14,479**	12,953
Funds from operations (FFO) [1]	Page 47	**3,710**	4,214	**16,333**	15,226
Recurring adjusted funds from operations (AFFO)[1]	Page 48	**3,588**	4,153	**16,260**	14,363
Total assets	Page 54			**633,082**	586,737
Investment properties	Page 57			**622,651**	571,462
Mortgage loans payable	Page 60			**366,596**	329,943
Convertible debentures	Page 62			**68,866**	65,186
Mortgage liability ratio	Page 65			***58.0%***	*56.3%*
Debt-equity ratio – convertible debentures	Page 46			***11.5%***	*11.7%*
Debt-equity ratio – acquisition line of credit	Page 46			***1.5%***	—
Total debt ratio	Page 65			***71.0%***	*68.0%*
Weighted average interest rate on mortgage debt	Page 60			***3.95%***	*4.13%*
Unitholders' equity	Page 66			**174,359**	177,599
Market capitalization				**153,050**	161,454
Financial information per unit					
Units outstanding (000)	Page 67			**34,705**	34,134
Weighted average number of units outstanding (000)	Page 67	**34,649**	34,088	**34,450**	31,418
Recurring distributable income	Page 45	**12.2¢**	13.9¢	**54.4¢**	52.9¢
Distributions	Page 45	**10.5¢**	10.5¢	**42.0¢**	40.8¢
Payout ratio on recurring distributable income	Page 45	***86.4%***	*75.6%*	**77.3%**	*77.9%*
Cash payout ratio on recurring distributable income	Page 45	***74.9%***	*67.0%*	***67.6%***	*69.2%*
FFO	Page 47	**10.7¢**	12.4¢	***47.4¢***	48.5¢
Payout ratio on FFO	Page 47	***98.1%***	*85.0%*	**88.6%**	85.1%
Recurring AFFO	Page 48	**10.4¢**	12.2¢	**47.2¢**	45.7¢
Payout ratio on recurring AFFO	Page 49	***101.4%***	*86.2%*	***89.0%***	*90.2%*
Unitholders' equity	Page 66			**5.02**	5.20
Market price				**4.41**	4.73
Tax on distributions					
Revenue	Page 71			*0.0%*	*0,0 %*
Tax deferral	Page 71			*100%*	*100 %*
Operational information					
Number of properties	Page 55			**71**	71
Leasable area (thousands of sq. ft.)	Page 56			**5,095**	4,822
Occupancy rate	Page 51			***91.7%***	*92.7%*
Increase in average lease renewal rate	Page 51	***10.0%***	*10.7%*	***5.9%***	*8.7 %*

(1) Financial term not defined by IFRS

Selected Annual Information

The following table summarizes the Trust's financial information for the last three years.

Years ended December 31

(in thousands of dollars, except for ratios and per unit data)	**2015**	**2014**	**2013**
	$	$	$
Rental income	**72,892**	67,170	63,435
Net operating income[1], [5]	**41,294**	37,983	35,336
Fair value adjustment on investment properties	**(5,223)**	(1,860)	8,375
Net income	**8,669**	12,883	18,349
Recurring distributable income[5]	**18,733**	16,626	12,610
FFO[2], [5]	**16,333**	15,226	11,632
Recurring AFFO[3], [5]	**16,260**	14,363	10,462
Distributions	**14,479**	12,953	10,412
Total assets	**633,082**	586,737	546,559
Long-term debt	**445,262**	395,129	377,745
Per unit financial information			
Net income	**25.2¢**	41.0¢	71.3¢
Recurring distributable income[5]	**54.4¢**	52.9¢	49.0¢
FFO[2], [5]	**47.4¢**	48.5¢	45.2¢
Recurring AFFO[3], [5]	**47.2¢**	45.7¢	40.7¢
Distributions	**42.0¢**	40.8¢	40.0¢
Recurring payout ratio[4], [5]	***77.4%***	*77.9%*	*82.6%*

(1) Defined as rental income from investment properties less operating expenses.
(2) See "Funds from operations" on page 47 for definition and reconciliation to net income.
(3) See "Adjusted funds from operations" on page 48 for definition and reconciliation to FFO and net income.
(4) Represents total distributions divided by recurring distributable income.
(5) Non-IFRS measure.

Selected Quarterly Information

The following table summarizes the Trust's financial information for the last eight quarters.

As at December 31 (in thousands of dollars except for per unit data)	2015 Q-4	2015 Q-3	2015 Q-2	2015 Q-1	2014 Q-4	2014 Q-3	2014 Q-2	2014 Q-1
	$		$	$	$	$	$	$
Rental income	**18,539**	18,421	17,603	18,329	17,558	16,866	16,202	16,544
Net operating income[(1)]	**10,020**	10,958	10,184	10,132	10,008	9,643	9,348	8,984
Net income (loss) and comprehensive income	**(2,124)**	3,669	3,724	3,400	(1,405)	4,968	5,323	3,997
Net income (loss) per unit	**(6.1¢)**	10.6¢	10.8¢	9.9¢	(4.1¢)	14.6¢	18.3¢	14.1¢
Recurring distributable income[(1)]	**4,211**	5,286	4,739	4,497	4,734	4,224	3,990	3,677
Recurring distributable income per unit[(1)]	**12.2¢**	15.3¢	13.8¢	13.1¢	13.9¢	12.4¢	13.7¢	13.0¢
Funds from operations (FFO)[(1)]	**3,710**	4,321	4,236	4,066	4,214	3,838	3,786	3,388
FFO per unit[(1)]	**10.7¢**	12.5¢	12.7¢	11.9¢	12.4¢	11.3¢	13.0¢	11.9¢
Recurring adjusted funds from operations (AFFO)[(1)]	**3,588**	4,663	4,132	3,876	4,153	3,657	3,436	3,117
Recurring AFFO per unit[(1)]	**10.4¢**	13.5¢	12.0¢	11.3¢	12.2¢	10.8¢	11.8¢	11.0¢
Distributions	**3,640**	3,628	3,615	3,596	3,581	3,514	3,023	2,834
Distributions per unit	**10.5¢**	10.5¢	10.5¢	10.5¢	10.5¢	10.3¢	10.0¢	10.0¢

[(1)]Non-IFRS measure.

Real Estate Portfolio

BTB owns 71 quality properties which have a fair value of $623 million representing a total leasable area of more than 5 million square feet. A concise description of the properties owned as at December 31, 2015 can be found in the Trust's Annual Information Form available at www.sedar.com. The properties acquired in 2015 are described on page 55 of this MD&A.

Summary of properties as at December 31, 2015

Operating segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	22	1,515,435	*83.9*
Commercial	15	981,006	*92.8*
Industrial	20	1,537,242	*97.2*
General purpose	11	878,623	*94.3*
Subtotal	68	**4,912,306**	*91.7*
Properties under redevelopment	3	**182,560**	—
Total	**71**	**5,094,866**	*91.7*

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, reduce its operating costs and generate organic growth;
- **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 other non-cash items as well as investments in 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.
- The **payout ratios,** which enable investors to assess the stability of distributions against distributable income, FFO and AFFO**.**
- The **increase in average rate of renewed leases**, which measures organic growth and the Trust's ability to increase its rental income.

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

Operating Results

The following table summarizes financial results for the quarters and years ended December 31, 2015 and December 31, 2014. The table should be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31
(in thousands of dollars)

		Quarter		Year	
		2015	2014	**2015**	2014
	Reference	**$**	$	**$**	$
Rental income	Page 33	**18,539**	17,558	**72,892**	67,170
Operating expenses	Page 34	**8,519**	7,550	**31,598**	29,187
Net operating income	Page 36	**10,020**	10,008	**41,294**	37,983
Financial income	Page 45	**(19)**	(50)	**(52)**	(77)
Financial expenses	Page 37	**5,948**	7,680	**23,203**	19,108
Trust administration expenses	Page 38	**992**	1,127	**4,044**	4,209
Expenses for abandoned transaction	Page 36	**—**	—	**207**	—
Net income before following item:		**3,099**	1,251	**13,892**	14,743
Fair value adjustment on investment properties	Page 40	**5,223**	2,656	**5,223**	1,860
Net income and comprehensive income	Page 40	**(2,124)**	(1,405)	**8,669**	12,883

Rental income

BTB acquired and sold properties in 2014 and 2015. Acquisitions and sales completed in 2015 are presented in the “Investment Properties” section of this MD&A. Due to this acquisition activity, rental income increased by $981 or 5.6% for the fourth quarter of 2015 and $5,722 or 8.5% for fiscal 2015 compared to the same periods of 2014.

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

Some of the Trust’s leases include clauses providing for the recovery of rental income based on amounts that increase every few years. These increases are negotiated when the leases are signed. Under IFRS, these increases must be recognized on a straight-line basis over the terms of the leases.

In the fourth quarter of 2015, rent adjustments of $141 (2014: $143) were recorded on a straight-line basis. For the year ended December 31, 2015, these adjustments totalled $702 (2014: $610).

In the fourth quarter of 2015, BTB recorded amortization of $552 (2014: $476) as a reduction in rental income, which represents amortization of lease incentives afforded to lessees. For the year ended December 31, 2015, amortization totalled $2,084 (2014: $1,793).

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	
	2015	2014	**2015**	2014
	$	$	**$**	$
Rental income on the basis of in-place leases	**18,950**	17,891	**74,274**	68,353
Straight-line rental income adjustment	**141**	143	**702**	610
Amortization of lease incentives	**(552)**	(476)	**(2,084)**	(1,793)
Rental income from investment properties	**18,539**	17,558	**72,892**	67,170

Operating expenses

Operating expenses are expenses directly related to real estate operations and are generally charged back to tenants 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 tenants depends on the occupancy rate of the properties and the nature of the existing leases containing clauses regarding the recovery of expenses. Most of BTB's leases are net rental leases under which tenants are required to pay their share of the properties' operating expenses. BTB pays particular attention to compliance with existing leases and the recovery of these operating expenses.

BTB recorded an increase in operating expenses of $969 or 12.8% between the fourth quarter of 2014 and the fourth quarter of 2015, and $2,411 or 8.3% for fiscal 2015 compared to last year. The significant increase in operating expenses in the fourth quarter of 2015 compared to the fourth quarter of 2014 is due to higher maintenance costs and repairs. These were expected during the year, but were mainly paid in the past quarter. On an annual basis, the 7.1% increase in maintenance costs and repairs is lower than the 8.5% growth in revenues.

The following table shows the breakdown of operating expenses for the quarters and years ended December 31, 2015 and 2014.

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2015	2014	**2015**	2014
	$	$	**$**	$
Operating expenses				
Operating costs	**3,418**	2,907	**11,748**	10,970
Property taxes and public utilities	**5,101**	4,643	**19,850**	18,217
Total operating expenses	**8,519**	7,550	**31,598**	29,187
% of rental income	***46.0***	*43.0*	***43.3***	*43.5*

As a percentage of rental income, operating expenses increased 3.0% over the quarter, from 43.0% for the fourth quarter of 2014 to 46.0%, primarily due to maintenance costs and repairs mainly paid in the last quarter. On an annual basis, operating expenses as a percentage of rental income decreased 0.2%, from 43.5% for fiscal 2014 to 43.3% for fiscal 2015.

Net operating income

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.

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2015	**2014**	**2015**	**2014**
	$	$	**$**	$
Net operating income	**10,020**	10,008	**41,294**	37,983
% of rental income	***54.0%***	*57.0%*	***56.7%***	*56.5%*

Net operating income was stable for the fourth quarter of 2015 compared to 2014 and increased by 8.7% during fiscal 2015 compared to 2014.

Net operating income is reduced by non-cash rental income adjustments. Before adjustments, net operating income increased by 0.9% for the quarter and 9.0% for the full fiscal year, and was as follows:

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2015	**2014**	**2015**	**2014**
	$	$	**$**	$
Net operating income	**10,020**	10,008	**41,294**	37,983
Straight-line rental income adjustments	**(141)**	(143)	**(702)**	(610)
Adjustments related to amortization of lease incentives	**552**	476	**2,084**	1,793
Net operating income before rental income adjustments	**10,431**	10,341	**42,676**	39,166
% of rental income on the basis of in-place leases	***55.0***	*57.8*	***57.5***	*57.3*

Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans payable contracted or assumed totalling approximately $368 million as at December 31, 2015, compared to $331 million as at December 31, 2014. The increase resulted from the financing of acquisitions and refinancing of certain properties during the last 12 months.

- Series D, E and F convertible debentures for a total par value of $72.7 million. Series F debentures with a par value of $26.7 million were issued on December 4, 2015 and the proceeds were used to redeem the Series C debentures with a par value of $22.8 million on December 30, 2015.

- Operating and acquisition lines of credit used as needed, which allowed primarily for the acquisition of properties during fiscal 2014 and 2015.

- 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.

The following table shows the breakdown of financial expenses for the reporting periods:

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2015	2014	**2015**	2014
	$	$	**$**	$
Interest expense on mortgage loans payable	**3,688**	3,469	**14,360**	13,523
Interest expense on debentures	**1,412**	1,274	**5,228**	5,096
Interest expense on acquisition line of credit	**212**	—	**675**	161
Interest expense on operating line of credit and other interest expenses	**38**	32	**125**	77
Interest expenses	**5,350**	4,775	**20,388**	18,857
Early repayment fees	—	—	**625**	—
Accretion of effective interest	**378**	290	**1,273**	1,069
Accretion of non-derivative liability component of convertible debentures	**178**	145	**629**	561
Financial expenses before following item:	**5,906**	5,210	**22,915**	20,487
Fair value adjustment on derivative financial instruments (debenture conversion options and interest rate swap)	**42**	2,470	**288**	(1,379)
Financial expenses	**5,948**	7,680	**23,203**	19,108

Before recognition of fair value adjustments on derivative financial instruments (debenture conversion options and interest rate swap), financial expenses increased by $696 during the fourth quarter of 2015 compared to the same quarter in 2014, and by $2,428 during fiscal 2015 compared to fiscal 2014. The increases are due to financings related to acquisitions completed in the last 12 months.

During the third quarter of 2015, BTB refinanced before term mortgage loans in the amount of $12.1 million bearing interest at an average rate of 5.64%, with a new $17.5 million loan bearing interest at 4.06% for a 10-year term. To complete this transaction, the Trust had to assume $625 in early repayment fees fully expensed during the third quarter of 2015. Refinancings and new financings put in place in 2015 are described in more detail in the “Capital Resources” section on page 60 of this MD&A.

Financial expenses can be allocated among interest expenses amounting to $5,350 for the quarter (2014: $4,775) and $20,388 for the year (2014: $18,857) and non-monetary items. Non-monetary items include, but are not limited to, fair value adjustments on derivative financial instruments in the amount of $42 for the quarter (2014: $2,470) and $288 for the year (2014: credit positions of $1,379). Fair values fluctuate from one quarter to another. These adjustments result from changes in the value of the Trust’s units on stock exchanges during the reporting quarters and changes in the value of conversion options and interest rate swaps compared with the amounts recorded at the end of previous quarters.

As at December 31, 2015, the average weighted contractual rate of interest on mortgage loans payable was 3.95%, 18 basis points lower than the rate in effect at December 31, 2014 and equivalent to the rate in effect at September 30, 2014. For 29 consecutive quarters, the weighted average interest rate has remained stable or declined. Interest rates on first-ranking mortgage financings ranged from 2.83% to 6.8% as at December 31, 2015. The weighted average term of financing in place as at December 31, 2015 was 5.5 years (4.7 years as at December 31, 2014).

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, office expenses and bad debts and related legal fees. These administrative expenses were up 1.3% for the quarter and down 2.9% for the year compared to the same periods last year. Trust administration expenses include amortization of the head office building and property and equipment, as well as unit-based compensation, a non-monetary item that affects the volatility of administrative expenses from quarter to quarter.

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2015	2014	**2015**	2014
	$	$	**$**	$
Administrative expenses	**907**	895	**3,696**	3,808
Amortization	**17**	32	**69**	117
Unit-based compensation	**68**	200	**279**	284
Trust administration expenses	**992**	1,127	**4,044**	4,209

Expenses for abandoned transaction

In the normal course of business, the Trust's management assesses various investment property acquisition projects. Some of these are not completed and the costs incurred are expensed during the quarter in which the decision not to go through with the acquisition is made.

Due diligence expenses of $207 were incurred during the fiscal year for the proposed acquisition of a major property portfolio. As certain preliminary conditions were not met, management decided to terminate the acquisition project and write off any expenses incurred during the year.

As the costs were high due to the size of the valued portfolio, they will be treated as an unusual item in the performance indicators.

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 periods 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.

At year-end, the Trust also uses professional valuators to perform an independent external valuation of a portion of its portfolio. The portfolio's 10 largest properties and approximately a third of the remaining properties were subject to an independent external valuation. The Trust thus intends to ensure that the entire portfolio has been valued by independent valuators every three years. As at December 31, 2015 63% (2014:67%) of the portfolio's market value was subject to an independent external valuation. However, as at December 31, 2015, five properties with a total fair value of $15.7 million had not been subject to an independent external valuation over the past three years.

Market conditions in the Trust's geographical market remained relatively stable during the fourth quarter and fiscal 2015.

However, management determined that a downward fair value adjustment to the portfolio as at December 31, 2015 was required. Accordingly, management recognized a decline in value of $ 4,947 as at December 31, 2015 (2014: $1,860) and incurred transaction fees on disposal of $276 for a total of $5,223. This decline in value was mainly due to the following factors:

- Office properties: "Complexe de Léry" in Trois-Rivières, Québec and "1001 Sherbrooke Est" in Montréal, Québec, which lost major tenants during the year and have high vacancy rates, and "Complexe Lebourgneuf Phase 1" in Québec City, Québec, where the occupancy rate has been slow to stabilize.

- Commercial properties: "1100-1136 St-Joseph" in Drummondville, Québec, which was partially redeveloped but has not yet attracted the interest of potential tenants as expected, "Marché de l'Ouest" in Dollard-des-Ormeaux, Québec, where major renovations have been budgeted, and "Galeries Richelieu" in St-Jean-sur-Richelieu, Québec which, due to the impending expiry of certain leases, is a more significant risk.

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

	Commercial	Office	Industrial	General purpose
As at December 31, 2015				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	6.50% - 9.75%	7.00% - 8.25%
Terminal capitalization rate	7.00% - 8.50%	6.75% - 7.75%	7.75% - 9.75%	7.25% - 8.00%
Discount rate	7.75% - 9.00%	7.50% - 8.50%	8.25% - 10.50%	7.75% - 8.50%
As at December 31, 2014				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	7.00% - 10.00%	7.00% - 8.25%
Terminal capitalization rate	7.25% - 8.00%	7.00% - 7.75%	7.25% - 9.75%	7.25% - 8.25%
Discount rate	7.75% - 8.75%	7.50% - 8.50%	7.75% - 10.50%	7.75% - 9.00%

The weighted average capitalization rate for the entire portfolio as at December 31, 2015 was 7.34% (2014: 7.45%), up/down 5 basis points since September 30, 2015 and down 11 basis points from a year earlier.

As at December 31, 2015, BTB has estimated that a 0.25% change in the capitalization rate applied to the overall portfolio would change the fair value of the investment properties by approximately $22 million.

Net income (loss) and comprehensive income

For the fourth quarter, the fair value adjustment on investment properties presented a $ 5.2 million decline in value in 2015, compared to a $2.7 million decline in value in 2014. The fair value adjustment on derivative financial instruments showed a $42 expense in 2015 compared to a $2.5 million expense in 2014.

Consequently, BTB incurred a net loss of $2.1 million for the fourth quarter of 2015 and generated net income of $8.7 million for the year, down $0.7 million from the fourth quarter of 2014 and $4.2 million for the year.

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

	Quarter		Year	
	2015	2014	**2015**	2014
	$	$	**$**	$
Net income (loss) and comprehensive income	**(2,124)**	(1,405)	**8,669**	12,883
Per unit	**(6.1¢)**	(4.1¢)	**25.2¢**	41.0¢

Adjusted net income and comprehensive income

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 derivative 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 and capitalization rates of the property portfolio.

The following table presents adjusted net 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	
	2015	2014	**2015**	2014
	$	$	**$**	$
Net income (loss) and comprehensive income	**(2,124)**	(1,405)	**8,669**	12,883
Volatile non-monetary items				
±Fair value adjustment on investment properties	**5,223**	2,656	**5,223**	1,860
±Fair value adjustment on derivative financial instruments	**42**	2,470	**288**	(1,379)
Adjusted net income and comprehensive income	**3,141**	3,721	**14,180**	13,364
Per unit	**9.1¢**	10.9¢	**41.2¢**	42.5¢

This table shows a decrease of 15.6% in quarterly adjusted net income and an increase of 6.1% in annual adjusted net income, before the non-monetary items mentioned above. Quarterly adjusted net income per unit decreased 16.5% and annual adjusted net income, 3.1%.

Operating Results – Same-Property Portfolio

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2014, but does not include the financial spin-offs of disposals, acquisitions and developments completed in 2014 and 2015.

The Trust is planning to completely demolish and redevelop the "Promenades St-Noël" commercial property in Thetford Mines. The Trust is waiting for the required authorizations to proceed. As such, the property is excluded from the same-property portfolio data.

The following table summarizes the results of the same-property portfolio.

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2015	2014	**2015**	2014
	$	$	**$**	$
Rental income	**15,047**	15,764	**61,245**	62,011
Operating expenses	**7,007**	6,820	**27,027**	26,767
Net operating income	**8,040**	8,944	**34,218**	35,244
Interest expense on mortgage loans payable	**2,997**	3,097	**11,995**	12,541
Net property income	**5,043**	5,847	**22,223**	22,703
Increase in net property income from the same-property portfolio	***(13.7%)***		***(2.1%)***	

Net property income from the same-property portfolio provides an indication of the profitability of existing portfolio operations and BTB's ability to increase its revenues and reduce its costs. It is defined as rental income from properties from the same-property portfolio, less operating expenses and interest on mortgage financing of the same portfolio.

Rental Income

Rental income from the same-property portfolio decreased by 4.5% in the fourth quarter ended December 31, 2015 compared to the same quarter of 2014. For fiscal year 2015, rental income from the same-property portfolio decreased by 1.2%. The decrease was mainly felt in the office segment, both for the quarter and the year. Two properties were responsible for substantially all of the decrease: "1001 Sherbrooke Est" in Montréal, which had a 36% occupancy rate as at December 31, 2015, and "50 St-Charles Ouest" in Longueuil, which had a 33% occupancy rate as at December 31, 2015.

The following table provides a reconciliation of income from the same-property portfolio and the total portfolio.

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2015	**2014**	**Δ%**	**2015**	**2014**	**Δ%**
	$	$		**$**	$	
Same-property portfolio	**15,047**	15,764	*(4.5)*	**61,245**	62,010	*(1.2)*
Acquisitions, disposals and development	**3,492**	1,794	*n/a*	**11,647**	5,160	*n/a*
Rental income	**18,539**	17,558	*5.6*	**72,892**	67,170	*8.5*

Operating expenses

Operating expenses of the same-property portfolio were up 2.7% for the fourth quarter of 2015 compared to the same quarter of 2014, and 1.0% for the year. Higher operating expenses for the quarter were due to an increase of almost 6% in maintenance and repair expenses, while taxes and utilities remained stable in the fourth quarter.

The following table provides a reconciliation of operating expenses from the same-property portfolio and the total portfolio.

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2015	**2014**	**Δ%**	**2015**	**2014**	**Δ%**
	$	$		**$**	$	
Same-property portfolio	**7,007**	6,820	*2.7*	**27,027**	26,767	*1.0*
Acquisitions, disposals and development	**1,512**	730	*n/a*	**4,571**	2,420	*n/a*
Operating expenses	**8,519**	7,550	*12.8*	**31,598**	29,187	*8.3*

Net operating income

Net operating income from the same-property portfolio was down 10.1% for the fourth quarter of 2015 compared to the same quarter of 2014, and 2.9% for the year.

The following table provides a reconciliation of net operating income from the same-property portfolio and the total portfolio.

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2015	**2014**	**Δ%**	**2015**	**2014**	**Δ%**
	$	$		**$**	$	
Same-property portfolio	**8,040**	8,944	*(10.1)*	**34,218**	35,244	*(2.9)*
Acquisitions, disposals and development	**1,980**	1,064	*n/a*	**7,076**	2,739	*n/a*
Net operating income	**10,020**	10,008	*0.1*	**41,294**	37,983	*8.7*

Net operating income of the same-property portfolio before non-cash adjustments was as follows:

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2015	2014	*Δ%*	**2015**	2014	*Δ%*
	$	$		**$**	$	
Net operating income	**8,040**	8,944	*(10.1)*	**34,218**	35,244	*(2.9)*
Straight-line rental income adjustments	**(46)**	(115)	*n/a*	**(466)**	(563)	*n/a*
Adjustment related to amortization of lease incentives	**496**	451	*n/a*	**1,961**	1,716	*n/a*
Net operating income before rental income adjustments	**8,490**	9,280	*(8.5)*	**35,713**	36,397	*(1.9)*

The Trust is currently making a considerable effort to attract new tenants and fill these new vacancies as quickly as possible.

Interest expense

As shown by the following table, interest expense on mortgage loans payable in the same-property portfolio decreased by 3.2% in the fourth quarter of 2015 and 4.4% for the year compared to the same periods of 2014, due to the refinancing of loans that matured at more advantageous rates, despite increased financing on certain properties.

The following table reconciles the interest expense of the same-property portfolio with the interest expense of the total portfolio.

Periods ended December 31
(in thousands of dollars)

	Quarter			Year		
	2015	2014	*Δ%*	**2015**	2014	*Δ%*
	$	$		**$**	$	
Same-property portfolio	**2,997**	3,097	*(3.2)*	**11,995**	12,541	*(4.4)*
Acquisitions and development	**691**	372	*n/a*	**2,365**	982	*n/a*
Interest expense on mortgage loans payable	**3,688**	3,469	*6.3*	**14,360**	13,523	*6.2*

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 fair value adjustments of investment properties and derivative financial instruments, accretion of the liability component of convertible debentures, rental income 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	
	2015	2014	**2015**	2014
	$	$	**$**	$
Net income (loss) and comprehensive income (IFRS)	**(2,124)**	(1,405)	**8,669**	12,883
± Fair value adjustment on investment properties	**5,223**	2,656	**5,223**	1,860
+ Amortization of an investment property and other property and equipment	**35**	45	**158**	165
+ Unit-based compensation expense	**68**	200	**279**	284
+ Accretion of the liability component of convertible debentures	**178**	145	**629**	561
± Fair value adjustment on derivative financial instruments	**42**	2,470	**288**	(1,379)
+ Amortization of lease incentives	**552**	476	**2,084**	1,793
- Straight-line rental income adjustment	**(141)**	(143)	**(702)**	(610)
+ Accretion of effective interest	**378**	290	**1,273**	1,069
Distributable income	**4,211**	4,734	**17,901**	16,626
Unusual items				
Early repayment fees[1]	—	—	**625**	—
Expenses for abandoned transaction[2]	—	—	**207**	—
Recurring distributable income	**4,211**	4,734	**18,733**	16,626

(1) Early repayment fees incurred for a transaction as part of a refinancing before term - see page 37
(2) Due diligence expenses incurred for an unrealized acquisition – see page 38

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)

	Quarter		Year	
	2015	**2014**	**2015**	**2014**
	$	$	**$**	$
Cash flows from operating activities (IFRS)	**12,157**	13,552	**38,238**	36,678
+ Financial revenues	**19**	50	**52**	77
+ Net change in operating items	**(2,615)**	(4,093)	**624**	(1,272)
- Interest expense on mortgage loans payable	**(3,688)**	(3,469)	**(14,360)**	(13,523)
- Interest expense on convertible debentures	**(1,412)**	(1,274)	**(5,228)**	(5,096)
- Interest expense on acquisition line of credit	**(212)**	—	**(675)**	(161)
- Interest expense on operating line of credit and other interest expenses	**(38)**	(32)	**(125)**	(77)
- Early repayment fees	**—**	—	**(625)**	—
Distributable income	**4,211**	4,734	**17,901**	16,626

Distributions and per unit data

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

	Quarter		Year	
	2015	**2014**	**2015**	**2014**
	$	$	**$**	$
Distributions				
Cash distributions	**3,154**	3,170	**12,668**	11,505
Distributions reinvested under the distribution reinvestment plan	**486**	411	**1,811**	1,448
Total distributions to unitholders	**3,640**	3,581	**14,479**	12,953
Percentage of reinvested distributions	***13.4%***	*11.5%*	***12.5%***	*11.2%*
Per unit data				
Distributable income	**12.2¢**	13.9¢	**52.0¢**	52.9¢
Recurring distributable income	**12.2¢**	13.9¢	**54.4¢**	52.9¢
Distributions	**10.5¢**	10.5¢	**42.0¢**	40.8¢
Payout ratio [1]	***86.4%***	75.6%	***77.3%***	*77.9%*
Cash payout ratio[2]	***74.9%***	*67.0%*	***67.6%***	*69.2%*

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

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

Recurring distributable income for the fourth quarter decreased by $523, from $4,734 to $4,211, between 2014 and 2015. The decrease reflects the same-property portfolio's underperformance for the fourth quarter, as explained on page 38. Nonetheless, distributable income for fiscal 2015 amounted to $18,733, up $2,107 from fiscal 2014. Recurring distributable income per unit for the fourth quarter of 2015 was 12.2¢ compared to 13.9¢ in 2014, a 12.2% decrease, and 54.4¢ for fiscal 2015 compared to 52.9¢ for fiscal 2014, a 2.8% increase.

Distributions to unitholders totalled 10.5¢ per issued unit in the fourth quarter of 2015 and 42¢ for the year, compared to 10.5¢ and 40.8¢ for the same periods in 2014.

The payout ratio for recurring distributable income was 86.4% in the fourth quarter of 2015 compared to 75.6% in the fourth quarter of 2014, and 77.3% for the 2015 fiscal year compared to 77.9% for 2014, reflecting a surplus of recurring distributable income over distributions.

In the fourth quarter of 2015, 13.4% of distributions (2014: 11.5%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. More than $1.8 million (2014: $1.4 million) of the Trust's cash has thereby been preserved through unit conversions since the beginning of the year.

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 following is a list of some of the 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

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, 2015 and 2014:

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

	Quarter		Year	
	2015	**2014**	**2015**	**2014**
	$	$	**$**	$
Net income (loss) and comprehensive income (IFRS)	**(2,124)**	(1,405)	**8,669**	12,883
± Fair value adjustment on investment properties	**5,223**	2,656	**5,223**	1,860
+ Amortization of a property recognized at cost	**17**	17	**69**	69
+ Amortization of lease incentives	**552**	476	**2,084**	1,793
± Fair value adjustment on derivative financial instruments	**42**	2,470	**288**	(1,379)
FFO	**3,710**	4,214	**16,333**	15,226
FFO per unit	**10.7¢**	12.4¢	**47.4¢**	48.5¢
FFO payout ratio(1)	***98.1%***	*85.0%*	***88.6%***	*85.1%*
FFO cash payout ratio(2)	***85.0%***	*75.2%*	***77.6%***	*75.6%*

(1) The FFO payout ratio corresponds to total distributions divided by FFO.

(2) The FFO cash payout ratio corresponds to cash distributions divided by FFO.

FFO decreased by 12.0% for the fourth quarter of 2015 compared to 2014. As explained on page 38, the decrease is due to the same-property portfolio's under-performance and, more specifically, the high vacancy rate of two office properties during the year. FFO per unit for the fourth quarter amounted to 10.7¢ in 2015 compared to 12.4¢ in 2014. The FFO payout ratio stood at 98.1% for the fourth quarter of 2015 compared to 85.0% for the same period of 2014.

For 2015, FFO per unit stood at 47.4¢ compared to 48.5¢ in 2014, a 2.3% decrease, and the payout ratio stood at 88.6% compared to 85.1% in 2014.

Unusual items totalling $832 for the year were not deducted in calculating FFO, FFO per unit and the payout ratios. These unusual items are described in the recurring distributable income calculation on page 44. If they had been included, FFO per unit would have been 49.8¢ for the year, and the FFO payout ratio would have been 84.4% for the year, a significant increase compared to the previous year.

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 and equipment
- Unit-based compensation expenses

Furthermore, the Trust deducts a provision for non-recoverable 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. The allocation for non-recoverable capital expenses is calculated on the basis of 2% of rental revenues.

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, 2015 and 2014:

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

	Quarter		Year	
	2015	**2014**	**2015**	**2014**
	$	$	**$**	$
FFO	**3,710**	4,214	**16,333**	15,226
- Straight-line rental income adjustment	**(141)**	(143)	**(702)**	(610)
+ Accretion of effective interest	**378**	290	**1,273**	1,069
+ Accretion of the liability component of convertible debentures	**178**	145	**629**	561
+ Amortization of other property and equipment	**18**	28	**89**	96
+ Unit-based compensation expenses	**68**	200	**279**	284
- Provision for non-recoverable capital expenses	**(371)**	(351)	**(1,456)**	(1,343)
- Provision for rental fees	**(252)**	(230)	**(1,017)**	(920)
AFFO	**3,588**	4,153	**15,428**	14,363
Unusual items				
Early repayment fees [1]	**—**	—	**625**	—
Expenses for abandoned transaction[2]	**—**	—	**207**	—
Recurring AFFO	**3,588**	4,153	**16,260**	14,363
AFFO per unit	**10.4¢**	12.2¢	**44.8¢**	45.7¢
Recurring AFFO per unit	**10.4¢**	12.2¢	**47.2¢**	45.7¢
Recurring AFFO payout ratio[3]	***101.4%***	*86.2%*	**89.0%**	*90.2%*
Recurring AFFO cash payout ratio[4]	***87.9%***	*76.3%*	***77.9%***	*80.1%*

(1) Early repayment fees incurred as part of a mortgage refinancing before term – see page 37.
(2) Due diligence expenses incurred for an unrealized acquisition – see page 38.
(3) The recurring AFFO payout ratio corresponds to total distributions divided by recurring AFFO.
(4) The recurring AFFO cash payout ratio corresponds to cash distributions divided by recurring AFFO.

Recurring AFFO per unit amounted to 10.4¢ in the fourth quarter of 2015 compared to 12.2¢ in 2014, a 14.8% decrease. The recurring AFFO payout ratio stood at 101.4% at the end of the fourth quarter of 2015 compared to 86.2% at the end of the fourth quarter of 2014.

For the year, recurring AFFO per unit stood at 47.2¢ compared to 45.7¢ in 2014, a 3.3% increase. The recurring AFFO payout ratio improved by 1.3%, from 90.2% to 89.0%.

Segmented Information

The Trust's operations are derived from four categories of properties located in Québec and Ontario. The following tables present each category's contribution to revenues and net operating income for the quarters and years ended December 31, 2015 and 2014.

Quarters ended December 31 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	$	%	$	%	$	%	$	%	$
Quarter ended December 31, 2015									
Investment properties	155,838	*25.0*	229,288	*36.8*	124,125	*20.0*	113,400	*18.2*	622,651
Rental income from properties	4,517	*24.4*	7,555	*40.7*	2,698	*14.6*	3,769	*20.3*	18,539
Net operating income	2,687	*26.8*	3,379	*33.7*	2,241	*22.4*	1,713	*17.1*	10,020
Quarter ended December 31, 2014									
Investment properties	137,362	*24.0*	209,200	*36.6*	109,025	*19.1*	115,875	*20.3*	571,462
Rental income from properties	4,327	*24.6*	7,175	*40.9*	2,601	*14.8*	3,455	*19.7*	17,558
Net operating income	2,594	*25.9*	3,558	*35.6*	2,147	*21.5*	1,709	*17.1*	10,008

Year ended December 31 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	$	%	$	%	$	%	$	%	$
Year ended in 2015									
Rental income from properties	17,670	*24.2*	28,014	*38.5*	11,242	*15.4*	15,966	*21.9*	72,892
Net operating income	10,801	*26.2*	12,930	*31.3*	9,422	*22.8*	8,141	*19.7*	41,294
Year ended in 2014									
Rental income from properties	14,087	*21.0*	27,771	*41.3*	9,946	*14.8*	15,366	*22.9*	67,170
Net operating income	8,687	*22.9*	13,500	*35.5*	8,083	*21.3*	7,713	*20.3*	37,983

Real Estate Operations

Leasing activities

The following table summarizes changes in available leasable area during the quarters and years ended December 31.

Periods ended December 31 (in square feet)	Quarter		Year	
	2015	**2014**	**2015**	**2014**
Available leasable area at beginning of period	**462,131**	329,970	**340,348**	367,166
Available leasable area purchased (sold)	**(22,119)**	—	**(19,053)**	5,296
Leasable area of properties under redevelopment	**(8,020)**	—	**(8,020)**	(46,938)
Leasable area of expired leases	**29,651**	154,390	**427,668**	531,266
Leasable area of leases terminated before term	**7,297**	46,661	**150,399**	117,062
Leasable area of renewed leases	**(15,286)**	(127,183)	**(248,567)**	(427,218)
Leasable area of new leases signed	**(37,027)**	(60,164)	**(224,399)**	(204,005)
Other	**(8,384)**	(3,326)	**(10,133)**	(2,281)
Available leasable area at end of period	**408,243**	340,348	**408,243**	340,348

The Trust's leasing operations were significant during the fourth quarter of 2015. More than 52,000 square feet of leases were signed with new tenants or renewed during the quarter (2014: 187,000). At the end of 2015, close to 475,000 square feet (2014: 631,000) were signed with new tenants or renewed.

The average rental rate of expired and renewed leases rose 10.0% during the fourth quarter (2014: 10.7%). The average rate for the year increased by 5.8% (2014: 8.7%).

Occupancy rates

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

	December 31, 2015	**September 30, 2015**	**June 30, 2015**	**March 31, 2015**	**December 31, 2014**
	%	**%**	%	%	%
Operating segment					
Office	***83.9***	82.4	81.6	86.8	86.6
Commercial	***92.8***	92.6	92.1	91.2	92.3
Industrial	***97.2***	96.7	96.7	98.5	98.3
General purpose	***94.3***	94.4	94.0	94.5	93.7
Total portfolio	***91.7***	91.0	90.8	92.8	92.7

The overall occupancy rate is up by 0.7% since September 30, 2015 but down by 1.0% since December 31, 2014. It stood at 91.7% at the end of the fourth quarter of 2015.

The decrease in the industrial segment's occupancy rate was mainly due to the closing of Groupe Épicia's warehouse.

Retention rate

The retention rate for leases expired in 2015 was 62.5% (2014: 70.0%).

Lease maturity

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

	2016	2017	2018	2019	2020	2021
Office						
Leasable area (sq. ft.)	206,673	128,124	120,545	275,212	122,939	125,225
Average lease rate/square foot ($)	$15.15	$13.04	$13.05	$14.10	$13.97	$12.04
% of office portfolio	*13.6%*	*8.4%*	*7.9%*	*18.1%*	*8.1%*	*8.3%*
Commercial						
Leasable area (sq. ft.)	23,008	104,947	116,678	161,825	83,364	56,721
Average lease rate/square foot ($)	$15.21	$12.84	$14.35	$12.64	$13.15	$12.08
% of commercial portfolio	*2.3%*	*10.7%*	*11.9%*	*16.5%*	*8.5%*	*5.8%*
Industrial						
Leasable area (sq. ft.)	92,013	540,417	—	77,072	37,310	393,937
Average lease rate/square foot ($)	$9.46	$4.82	—	$4.00	$4.91	$5.50
% of industrial portfolio	*6.0%*	*35.1%*	—	*5.0%*	*2.4%*	*25.6%*
General purpose						
Leasable area (sq. ft.)	126,453	37,506	122,305	110,222	80,380	147,440
Average lease rate/square foot ($)	$8.81	$14.83	$11.76	$11.64	$12.96	$9.82
% of general purpose portfolio	*14.4%*	*4.3%*	*13.9%*	*12.5%*	*9.1%*	*16.8%*
Total portfolio						
Leasable area (sq. ft.)	448,147	810,994	359,528	624,331	323,993	723,323
Average lease rate/square foot ($)	$12.20	$7.62	$13.04	$12.04	$12.47	$8.03
% of total portfolio	*9,1%*	*16.5%*	*7.3%*	*12.7%*	*6.6%*	*14.7%*

Top 10 tenants

As at December 31, 2015, BTB managed more than 600 leases, with an average area of more than 8,000 square feet. The three largest tenants are Société québécoise des infrastructures (SQI), Public Works Canada and Provigo Distribution Inc., accounting respectively for 3.6%, 2.9% and 2.2% of revenues, generated by a number of leases whose maturities are spread over time. Approximately 32% 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 tenants as a percentage of revenues as at December 31, 2015:

	% of revenue	Leased area (square feet)
Client		
Société québécoise des infrastructures (SQI)	3.6	123,851
Canada Public Works	2.9	205,836
Provigo Distribution Inc.	2.2	107,642
Shoppers Realty Inc.	2.0	64,304
Atis Portes et Fenêtres Corp.	1.9	219,941
Strongco	1.8	81,442
Flextronics	1.8	48,731
Le Groupe SM inc.	1.6	109,185
Germain Larivière Inc.	1.6	101,194
City of Ottawa	1.5	29,768

Financial Position

The following table presents the Trust's balance sheet as at December 31, 2015 and December 31, 2014. It should be read in conjunction with the Trust's audited annual financial statements and the notes thereto.

(in thousands of dollars)

		December 31, 2015	December 31, 2014
	Reference	**$**	$
Assets			
Investment properties	Page 57	**622,651**	571,462
Amounts receivable from tenants and other receivables	Page 59	**1,981**	1,342
Other assets	Page 59	**4,261**	5,788
Cash, cash equivalents and reserved cash	Page 59	**4,189**	8,145
Total assets		**633,082**	586,737
Liabilities			
Mortgage loans payable	Page 60	**366,596**	329,943
Convertible debentures	Page 62	**68,866**	65,186
Bank loans	Page 65	**9,800**	—
Accounts payable and other liabilities	Page 66	**13,461**	14,009
Total liabilities		**458,723**	409,138
Equity			
Unitholders' equity	Page 66	**174,359**	177,599
Total liabilities and equity		**633,082**	586,737

The main changes in the balance sheet as at December 31, 2015 compared to the balance sheet as at December 31, 2014 reflect the acquisition and disposal of investment properties in fiscal 2015 and the related mortgage financings, as well as the issuance of Series F debentures mainly used to reimburse the Series C debentures.

Assets

Investment properties

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.

The real estate portfolio consists of direct interests in wholly-owned investment properties and the Trust's share of the assets, liabilities, revenues and expenses of jointly-controlled investment properties.

The fair value of investment properties stood at $623 million as at December 31, 2015 compared to $571 million as at December 31, 2014.

Acquisition of investment properties

Since the beginning of 2015, the Trust acquired the following properties:

- On January 28, 2015, a 116,415-square-foot industrial building, adjacent to Ottawa's Macdonald-Cartier International Airport, for $12.5 million. Built in 2006 on a six-acre lot, the building is occupied by a single tenant, Lowe-Martin, one of Canada's largest printers. The sale and leaseback transaction included a 15-year lease.

- On January 30, 2015, a major shopping centre in Delson, a Montréal suburb, for $21.5 million. The 145,546-square-foot centre houses several major national retail businesses and restaurants including Loblaws, Pharmaprix, SAQ, National Bank, Tim Hortons, Harvey's and Subway.

- On August 27, 2015, two office buildings on Walkley Road, close to the Ottawa International Airport, for $28.5 million. The buildings, which have a combined leaseable area totalling approximately 159,000 square feet, house mainly Canadian government offices.

Disposal of investment properties

In November 2015, the Trust disposed of two commercial properties, a 27,537-square-foot property located in Boucherville and a 50,258-square-foot property located in St-Bruno-de-Montarville, for proceeds of sale totalling $7.2 million.

In December 2015, the Trust disposed of two commercial properties, a 29,967-square-foot property located in Montréal and a 27,450-square-foot property located in Laval, for proceeds of sale of $3.0 million and $3.1 million, respectively.

Proposed disposal of investment properties

Following strategic deliberations, the Trust has agreed to sell certain assets when the circumstances are right. The proceeds of disposal from the sale of these assets will be used to repay debt.

Summary by operating segment

As at December 31	2015			2014		
	Number of properties	Leasable area (sq. ft.)	%	Number of properties	Leasable area (sq. ft.)	%
Office	**22**	**1,515,435**	***29.7***	22	1,443,881	*29.9*
Commercial	**15**	**981,006**	***19.3***	15	892,704	*18.5*
Industrial	**20**	**1,537,242**	***30.2***	19	1,420,827	*29.5*
General purpose	**11**	**878,623**	***17.2***	13	937,323	*19.4*
Subtotal	**68**	**4,912,306**	***96.4***	69	4,694,735	*97.4*
Properties under redevelopment	**3**	**182,560**	***3.6***	2	126,546	*2.6*
Total	**71**	**5,094,866**	***100.0***	71	4,821,281	*100.0*

Investments in investment properties held

BTB invests in permanent capital improvement projects to preserve the quality of infrastructure and services provided to tenants. These disbursements include value-maintenance investments corresponding to expenditures required to keep properties in their current operating condition, as well as property improvement and redevelopment projects intended to increase leasable area, occupancy rates or rental space quality. In some cases, capital expenditures can be recovered from rent.

Capital expenditures for the quarter and year ended December 31, 2015 totalled $623 and $4,046 respectively, compared to $2,335 and $5,452 for the same periods of 2014, of which $(115) for the quarter and $1,183 for the year was recoverable (compared to $1,143 and $2,470 for the same periods of 2014). Capital expenditures do not include repair and maintenance costs. Capital expenditures vary from one period to another depending on the activities required or planned for each property.

Upon the signing of several leases, the Trust makes disbursements for leasehold improvements or incentives applicable to the leased areas to meet the specific needs of tenants. Leasing fees are also paid to independent brokers. These disbursements amounted to $652 for the fourth quarter and $3,142 for the year ended December 31, 2015, compared to $1,845 and $4,225 for the same periods of 2014. The leasing fees and leasehold improvements apply to both new tenants and tenants whose leases are renewed for all properties. The amount of leasing fees and leasehold improvements varies depending on the renewal schedule, vacancy rates and tenancy profile.

The following table summarizes expenditures in maintenance capital expenditures, as well as incentives and leasing fees, for the periods ended December 31, 2015 and 2014.

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2015	2014	**2015**	2014
	$	$	**$**	$
Recoverable maintenance capital expenditures	**39**	1,263	**1,469**	2,590
Grants	**(154)**	(120)	**(286)**	(120)
Recoverable maintenance capital expenditures net of grants	**(115)**	1,143	**1,183**	2,470
Non-recoverable maintenance capital expenditures	**738**	1,192	**2,863**	2,982
Total maintenance capital expenditures	**623**	2,335	**4,046**	5,452
Leasing fees and leasehold improvements	**652**	1,845	**3,142**	4,225
Total	**1,275**	4,180	**7,188**	9,677

The following table shows changes in the fair value of investment properties during the quarters and years ended December 31.

Periods ended December 31
(in thousands of dollars)

	Quarter		Year	
	2015	2014	**2015**	2014
	$	$	**$**	$
Balance, beginning of period	**639,787**	570,271	**571,462**	529,432
Additions:				
Acquisitions	**—**	—	**63,383**	40,121
Disposals	**(13,053)**	—	**(13,053)**	(4,725)
Capital expenditures net of grants	**623**	2,335	**4,046**	5,452
Leasing fees and leasehold improvements	**652**	1,845	**3,142**	4,225
Fair value loss	**(4,947)**	(2,656)	**(4,947)**	(1,860)
Other non-monetary changes	**(411)**	(333)	**(1,382)**	(1,183)
Balance, end of period	**622,651**	571,462	**622,651**	571,462

Investment properties under redevelopment

The Trust decided to invest significant amounts in redeveloping and repositioning three properties:

- **1863-1865 Transcanadienne, Montréal – Québec** - This industrial property is currently completely vacant. To date, the Trust has invested approximately $1 million to repurpose this property.

- **805 Boundary Road, Cornwall – Ontario** - The Trust plans to divide this industrial property into two, with one section fully rented under a long-term lease with Canada Post. The Trust plans to significantly redevelop the other section, which is subject to a few short-term leases. The Trust intends to invest approximately $1 million and is waiting for the municipal permits to begin the work.

- **100, 1ère rue Ouest, Thetford Mines – Québec –** The Trust is planning to completely demolish this building and redevelop this property into a modern retail business site. The Trust is waiting for the required authorizations.

Event subsequent to December 31, 2015

On February 15, 2016, BTB acquired an office building located in downtown Montréal for $11 million. The property, entirely leased to a single tenant under a long-term lease, has a leasable area of 52,500 square feet.

Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from $1,342 as at December 31, 2014 to $1,981 as at December 31, 2015. The increase is mainly due to a balance of sale receivable of $600 following the sale of a property in December 2015. These amounts are summarized below:

(in thousands of dollars)

	December 31, 2015	December 31, 2014
	$	$
Amounts receivable from tenants	**1,125**	1,195
Allowance for doubtful accounts	**(329)**	(312)
	796	883
Recovery from unbilled tenants	**105**	65
Balance of sale receivable	**600**	—
Other receivables	**480**	394
	1,981	1,342

Other assets

Other assets include property and equipment net of accumulated depreciation required for the Trust's operations, prepaid expenses and derivative financial instruments in debit positions. They are summarized below:

(in thousands of dollars)

	December 31, 2015	December 31, 2014
	$	$
Property and equipment	**3,203**	3,049
Accumulated depreciation	**(911)**	(753)
	2,292	2,296
Prepaid expenses	**1,285**	2,599
Derivative financial instruments	**—**	53
Other	**684**	840
	4,261	5,788

Cash, cash equivalents and reserved cash

(in thousands of dollars)

	December 31, 2015	December 31, 2014
	$	$
Available cash	**4,138**	6,428
Reserved cash	**51**	1,717
	4,189	8,145

Capital Resources

Long-term debt

The following table shows the balances of BTB's indebtedness as at December 31, 2015, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

As at December 31, 2015 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	$	$	%
Year of maturity			
2016	—	72,742	4.07
2017	—	60,864	3.85
2018	23,000	38,941	5.00
2019	—	42,281	3.57
2020	49,700	20,433	6.11
2021 and thereafter	—	132,692	4.14
Total	**72,700**	**367,953**	**4.47**

Weighted average contractual interest rate

As at December 31, 2015, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.47%, i.e. 3.95% for mortgages payable and 7.10% for convertible debentures.

Mortgage loans payable

As at December 31, 2015, the Trust's mortgage loans payable amounted to $368 million compared to $330.8 million as at December 31, 2014, before deferred financing costs and valuation adjustments, an increase of $37.2 million due to acquisition financings completed in 2015, certain refinancings and principal repayments on monthly payments.

As at December 31, 2015, the weighted average interest rate was 3.95%, compared to 4.13% for mortgage loans on the books as at December 31, 2014, a drop of 18 basis points. As at December 31, 2015, all mortgages payable bear interest at fixed rates or are coupled with an interest rate swap.

The weighted average term of existing mortgage financings was 5.5 years as at December 31, 2015 and 4.7 years as at December 31, 2014.

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 quarters and years ended December 31, 2015:

As at December 31, 2015
(in thousands of dollars)

	Quarter	Year
	$	**$**
Balance at beginning of period	**373,143**	330,784
Mortgage loans contracted or assumed	**7,000**	79,875
Balance repaid at maturity or upon disposal	**(9,339)**	(31,634)
Monthly principal repayments	**(2,851)**	(11,072)
Balance as at December 31, 2015	**367,953**	367,953

Note: Before unamortized financing costs and valuation adjustments.

Except for two properties under redevelopment valued at $4.3 million, and two properties partially securing the acquisition and operating lines of credit as at December 31, 2015, all of the Trust's other properties were mortgaged as at December 31, 2015. Unamortized loan financing costs totalled $2,383 and are amortized under the effective interest method over the term of the loans.

The following table, as at December 31, 2015, shows future mortgage loan repayments for the next few years:

As at December 31, 2015
(in thousands of dollars)

	Principal repayment	Balance at maturity	Total	% of total
	$	$	$	
Maturity				
2016	**11,174**	70,408	81,582	22.2
2017	**8,317**	57,226	65,543	17.8
2018	**6,574**	35,493	42,067	11.4
2019	**5,165**	37,872	43,037	11.7
2020	**4,640**	17,577	22,217	6.0
2021 and thereafter	**35,197**	78,310	113,507	30.9
Total	**71,067**	**296,886**	**367,953**	**100.0**
+ Valuation adjustments on assumed loans			1,026	
- Unamortized financing costs			(2,383)	
Balance as at December 31, 2015			**366,596**	

Since the beginning of 2015, the Trust has entered into the following financing agreements:

- In January 2015, a loan of $8.3 million for a 15-year term, bearing interest at a rate of 3.58%, for the sale and leaseback acquisition of an industrial property in the city of Ottawa, at a cost of $12.5 million.

- In January 2015, a loan of $14.0 million for a 15-year term, bearing interest at a rate of 3.55%, for the acquisition of a shopping centre in Delson, a Montréal suburb, at a cost of $21.5 million.
- In July 2015, a refinancing of $17.5 million for a 10-year term, bearing interest at a rate of 4.06%, on two properties. The total amount was used to repay two outstanding financings of $12.1 million bearing interest at an average rate of 5.64% and for general Trust purposes.
- In August 2015, a loan of $18.5 million for a 10-year term, bearing interest at a rate of 3.64%, for the acquisition of two office buildings in Ottawa, at a cost of $28.5 million.
- In October 2015, a refinancing of two properties for a total amount of $7 million, at an interest rate of 3.77% maturing in 10 years, to reimburse two financings on these properties, one at 5.26% and the other at 4.0%.
- During the year, renewal of three mortgage loans totalling $14 million on six properties, at similar terms and conditions as previously established.

Event subsequent to December 31, 2015

In February 2016, a loan of $7.3 million for a 5-year term, bearing interest at rate of 2.77% and a second ranking loan of $2.6 million for a 2 year-term, bearing interest at 5.9%. These two loans were used to acquire an office building in Montréal, Québec for $11 million.

In February 2016, BTB entered into a refinancing agreement for $1.6 million for a 5-year term, bearing interest at a rate of 3.30%, on an office property that is 75% owned.

Convertible debentures

(a) Series C

In January 2011, the Trust had issued Series C convertible, unsecured, subordinated debentures, bearing 8% interest, in the amount of $23 million. Interest was payable semi-annually and the debentures matured on January 31, 2016. The debentures were also convertible at the option of the holder at any time no later than January 31, 2016, subject to certain conditions. The conversion price was $5.00 per unit (the "Series C conversion price"). An amount of $146 was converted in 2015.

On December 4, 2015, the Trust refinanced the Series C debentures in the amount of $23 million by issuing new Series F debentures, and the Series C subordinated debentures were fully repaid on December 30 2015.

(b) 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, 2015, the closing market price of BTB units was $4.41.

Since 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.

(c) 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, 2015, the closing market price of BTB units was $4.41.

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.

(d) Series F

In December 2015, the Trust issued Series F subordinated, convertible, unsecured debentures, bearing 7.15% interest, in the amount of $26.7 million. Interest is payable semi-annually and the debentures mature on December 31, 2020. The debentures are convertible at the holder’s option at any time before December 31, 2020, subject to certain conditions. The conversion price is $5.65 per unit (the "Series F conversion price"). As at December 31, 2015, the closing market price of BTB units was $4.41.

As of December 31, 2018, but before December 31, 2019, 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 F conversion price and, as of December 31, 2019, but before December 31, 2020, at a redemption price equal to their principal amount plus accrued and unpaid interest.

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

In 2015, only the Series C debentures met the conditions necessary for an authorized redemption. Debentures totalling $146 were converted in the second quarter of 2015.

As at December 31, 2015
(in thousands of dollars)

	Series D	**Series E**	**Series F**	**Total**
Contractual interest rate	7.25%	6.90%	7.15%	
Effective interest rate	8.47%	7.90%	8.47%	
Date of issuance	July 2011	February 2013	December 2015	
Per-unit conversion price	$6.10	$6.15	$5.65	
Date of interest payment	January 31 and	March 31 and	June 30 and	
	July 31	September 30	December 31	
Maturity date	July 2018	March 2020	December 2020	
Balance as at December 31, 2015	**21,627**	**21,968**	**25,271**	**68,866**

Bank loan – operating credit facility

BTB has an operating credit facility of $2 million with a Canadian chartered bank. This credit facility is partially secured by a first-ranking collateral mortgage on three properties, a second-ranking collateral mortgage on three properties, and by a third-ranking mortgage. The facility bears interest at the bank's base rate, plus 0.75%. As at December 31, 2015, the operating credit facility had not been used.

Bank loans – acquisition credit facility

BTB has an acquisition credit facility of $15 million with a Canadian chartered bank. This credit facility is partially secured by a first-ranking collateral mortgage on three properties, a second-ranking collateral mortgage on three properties, and a third-ranking mortgage on one property. The facility bears interest at the bank's base rate, plus 3.25%. As at December 31, 2015, $9.8 million of the acquisition credit facility had been used.

The Trust intends to repay the acquisition credit facility in full through the issuance of units as soon as circumstances permit.

Debt ratio

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.

The following table presents the Trust's debt ratios as at December 31, 2015 and December 31, 2014.

As at December 31 (in thousands of dollars)	2015	2014
	$	$
Mortgage loans payable [1]	**367,953**	330,784
Convertible debentures [1]	**72,700**	69,000
Acquisition credit facility	**9,800**	—
Total long-term debt	**450,453**	399,784
Gross book value of the Trust	**633,993**	587,490
Mortgage liability ratio (excluding convertible debentures and acquisition credit facility)	***58.0%***	*56.3%*
Debt-equity ratio – convertible debentures	***11.5%***	*11.7%*
Debt-equity ratio – acquisition line of credit	***1.5%***	*—%*
Total debt ratio	***71.0%***	*68.0%*

(1) Gross amounts

According to the table above, the mortgage liability ratio, excluding the convertible debentures and acquisition credit facility as at December 31, 2015, amounted to 58.0%, an increase of 1.7% compared to December 31, 2014. Including the convertible debentures and the acquisition credit facility, the ratio stood at 71.0%, up 3.0% from December 31, 2014. This increase reflects two factors: use of $9.8 million of the acquisition credit facility to purchase accretive properties and a decline in the fair value of investment properties. Management intends to repay the acquisition credit facility through a contingent unit issue as soon as circumstances permit.

The Trust seeks to finance its acquisitions with mortgage debt ratios of 60% to 70% because the cost of financings is lower than the capital cost of the Trust's equity.

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, 2015, the interest coverage ratio stood at 1.88, down 24 points from the fourth quarter of 2014. Despite the decrease, this ratio shows 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	
	2015	**2014**	**2015**	**2014**
	$	$	**$**	$
Net operating income	**10,020**	10,008	**41,294**	37,983
Interest expense, net of interest income[(1)]	**5,331**	4,725	**20,336**	18,780
Interest coverage ratio	***1.88***	*2.12*	***2.03***	*2.02*

(1) Interest expense excludes accretion of effective interest, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments.

Accounts payable and other liabilities

(in thousands of dollars)	**December 31 2015**	**December 31 2014**
	$	**$**
Trade and other payables	**11,693**	12,457
Distributions payable	**1,215**	1,194
Unit-based compensation	**173**	213
Derivative financial instruments	**380**	145
	13,461	14,009

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	**December 31, 2015**	**December 31, 2014**
	$	**$**
Trust units	**184,853**	182,284
Cumulative profit	**42,232**	33,563
Cumulative distributions to unitholders	**(52,726)**	(38,248)
Unitholders' equity	**174,359**	177,599

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, 114,253 units were issued during the fourth quarter of 2015 (2014: 91,789 units) and 408,625 units were issued during the year (2014: 318,482). Approximately 12.5% of the distributions paid in 2015 have been reinvested under the plan, compared to 11.2% in 2014.

Units outstanding

The following table summarizes units issued and the weighted number of units for the same periods.

Periods ended December 31
(in number of units)

	Quarter		Year	
	2015	**2014**	**2015**	**2014**
	Units	**Units**	**Units**	**Units**
Units outstanding, beginning of period	**34,590,898**	34,042,178	**34,133,967**	28,325,538
Units issued				
Public offering	—	—	**—**	5,436,000
Distribution reinvestment plan	**114,253**	91,789	**408,625**	318,482
Awards under employee unit purchase plan	—	—	**7,758**	7,456
Awards under the restricted unit compensation plan	—	—	**51,601**	10,000
Awards under the deferred unit compensation plan	—	—	**—**	36,491
Unit options exercised	—	—	**74,000**	—
Conversion of Series C debentures	—	—	**29,200**	—
Units outstanding, end of period	**34,705,151**	34,133,967	**34,705,151**	34,133,967
Weighted average number of units outstanding	**34,648,520**	34,088,813	**34,449,596**	31,418,057

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.

The following table provides details on unit options granted:

Periods ended December 31
(in number of options)

	2015		2014	
	Unit options	Weighted average exercise price	Unit options	Weighted average exercise price
		$		$
Outstanding, beginning of period	**74,000**	**—**	**98,000**	4.51
Expired	**—**	**—**	**(24,000)**	4.54
Exercised	**(74,000)**	**4,50**	—	—
Outstanding, end of period	**—**	**—**	**74,000**	4.50
Options vested as at December 31	**—**	**—**	**74,000**	4.50
Weighted average remaining term to expiry (years)	**—**	**—**	**—**	0.40

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.

Deferred unit compensation plan

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

The following table summarizes deferred units outstanding during the quarters and years ended December 31, 2015 and 2014:

Periods ended December 31
(in number of units)

	Quarter		Year	
	2015	2014	2015	2014
Deferred units outstanding, beginning of period	**—**	—	**—**	29,771
Deferred units issued	**—**	—	**—**	5,619
Distributions converted to deferred units	**—**	—	**—**	1,649
Deferred units paid	**—**	—	**—**	(37,039)
Deferred units outstanding, end of period	**—**	—	**—**	—

Restricted unit compensation plan

Under this plan, beneficiaries are awarded restricted units that become fully vested over a period of up to three years. The purpose of the plan is to encourage senior officers to achieve the Trust's long-term growth objectives and align their interests with the interests of unitholders. The plan is also an executive retention tool.

The following table summarizes restricted units outstanding during the quarters and years ended December 31, 2015 and 2014.

Periods ended December 31
(in number of units)

	Quarter		Year	
	2015	**2014**	**2015**	**2014**
Restricted units outstanding, beginning of period	**51,083**	—	**39,816**	—
Restricted units issued	**—**	39,816	**62,868**	49,816
Restricted units settled	**—**	—	**(51,601)**	(10,000)
Restricted units outstanding, end of period	**51,083**	39,816	**51,083**	39,816

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, a maximum of 3% to 7% of their base salary depending on their years of experience with the Trust. For each two units purchased by an employee, the Trust shall issue one unit from treasury. During the quarter, no units were issued under the plan (December 31, 2014: nil) and as at December 31, 2015, a liability of 37$ was recorded for the contingent issuance of 8,340 units (2014: $37 for 7,758 units).

Off-balance sheet arrangements and contractual commitments

BTB does not have any other 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, 2015, BTB complied with all of its loan commitments and was not in default with any covenant at the balance sheet date.

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, disposals of "real or immovable properties" that are capital properties, dividends, royalties and disposals 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 disposals 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, 2015, 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 2015 or any other subsequent year.

Taxation of Unitholders

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

Quarters ended December 31	**2015**	**2014**
	%	%
Taxable as other income	**—**	—
Tax deferred	***100***	*100*
Total	***100***	***100***

Summary of Significant Accounting Policies and Estimates

BTB’s significant accounting policies and estimates are described in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2015 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. 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) Critical judgements in applying accounting policies
The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

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 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) Key sources of estimation uncertainty
The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

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 costs, 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
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

(i) Trust as lessor
All existing rental leases related to the Trust's investment properties have been assessed as operating leases.

(ii) Trust as lessee
Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

(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 profit or loss, 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, property 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 profit or loss 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, property 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 other payables, as well as accretion of the non-derivative liability component of convertible debentures, and accretion of effective interest on mortgage loans payable, convertible debentures and bank loans, 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.

(iv) Restricted unit compensation plan

Compensation costs related to the restricted unit compensation 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 the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss. The compensation expense is amortized using the graded vesting method.

(o) 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.

(p) 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 but that have not been adopted yet.

IFRS 9, *Financial Instruments* ("IFRS 9")
On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The new standard is effective for the Trust's annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 11, *Joint Arrangements* ("IFRS 11")
In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*. The amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business combination as defined in IFRS 3. Acquirers of such interests are to apply the relevant principals on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016 and should be applied prospectively. The Trust does not expect this amendment to significantly impact the consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers ("IFRS 15")*
In May 2014 the IASB issued IFRS 15 in replacement of IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard is effective for the Trust's annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16, *Leases* ("IFRS 16")
In January 2016, the IASB issued IFRS 16, *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. This standard would be effective for the Trust's annual periods beginning after January 1, 2019 with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

IAS 1, *Presentation of Financial Statements* (“IAS 1”)

During December 2014, the IASB issued an amendment to IAS 1 clarifying certain existing IAS 1 requirements. The amendments include the following: the materiality requirements in IAS 1; that specific line items in the consolidated statements of earnings and OCI and the consolidated balance sheets may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of OCI of associates and joint ventures accounted for using the equity method be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to earnings. The amendments also clarify the requirements that apply when additional subtotals are presented in the consolidated balance sheets and the consolidated statement of earnings and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. These amendments are not expected to have any significant impact on our consolidated financial statements.

Risks and Uncertainties

Like all real estate entities, BTB 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 redevelopments, 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. At this time, low oil prices have had and continue to have an adverse effect on Canada's economy. 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.

The operating credit facility in the stated amount of $2 million and acquisition credit facility for $15 million are repayable on demand with at least 60 days' notice. The credit facilities are subject to review on or around June 1 of each year.

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.

Retail sector

Since the beginning of 2015, the retail sector has suffered economic difficulties that have led to the closing of certain chains and to the bankruptcy of certain companies in Canada. Even though none of these occupied any rental space in BTB's properties, their disappearance has led to an important increase in available space on the markets. This availability might lead to a downward pressure on leasable space and to an increase in competition to fill the vacant spaces.

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 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.

Environmental matters

Environmental and ecological related policies have become increasingly important in recent years. As an owner or operator of real property, BTB could, under various federal, provincial and municipal laws, become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in our properties or disposed of at other locations. The failure to remove or remediate such substances, or address such matters through alternative measures prescribed by the governing authority, may adversely affect BTB's ability to sell such real estate or to borrow using such real estate as collateral, and could, potentially, also result in claims against BTB by private plaintiffs or governmental agencies. BTB is not currently aware of any material non-compliance, liability or other claim in connection with any of our properties, nor is BTB aware of any environmental condition with respect to any properties that it believes would involve material expenditures by BTB.

Pursuant to BTB's operating policies, BTB shall obtain or review a Phase I environmental audit of each immovable property to be acquired by it.

Legal Risks

BTB's operations are subject to various laws and regulations across all of its operating jurisdictions and BTB faces risks associated with legal and regulatory changes and litigation.

General Uninsured Losses

BTB subscribed a blanket comprehensive general liability including insurance against fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) which are either uninsurable or not insurable on an economically viable basis. BTB also carries insurance for earthquake risks, subject to certain policy limits and deductibles, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, BTB could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but BTB would continue to be obligated to repay any mortgage loans on such properties.

Many insurance companies have eliminated coverage for acts of terrorism from their policies, and BTB may not be able to obtain coverage for terrorist acts at commercially reasonable rates or at any price. Damage to a property sustained as a result of an uninsured terrorist or similar act would likely adversely impact BTB's financial condition and results of operation and decrease the amount of cash available for distribution.

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, disposals of "real or immovable properties" that are capital properties, dividends, royalties and disposals 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 disposals 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, 2015, 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 consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer concluded that the DC&P were effective as at the end of the year ended December 31, 2015 and that the current controls and procedures provide reasonable assurance that material information about BTB 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 BTB concluded that ICFR was effective as at the end of the year ended December 31, 2015, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During fiscal year 2015, management made no changes to internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.

Audited Consolidated Financial Statements

Year ended December 31, 2015

Table of Contents

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, 2015, 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, 2015 and 2014 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 17th 2016

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INDEPENDENT AUDITORS' 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, 2015 and December 31, 2014, 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.

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, 2015 and December 31, 2014, 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 17, 2016

Montréal, Canada

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

BTB Real Estate Investment Trust

Consolidated Statements of Financial Position

As at December 31, 2015 and 2014
(Audited - in thousands of CAD dollars)

	Notes	2015	2014
		$	$
ASSETS			
Investment properties	4, 5, 6	622,651	571,462
Property and equipment	7	2,292	2,296
Derivative financial instruments	14	—	53
Restricted cash	8	51	1,717
Other assets	9	1,969	3,439
Receivables	10	1,981	1,342
Cash and cash equivalents		4,138	6,428
Total assets		**633,082**	**586,737**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	11	366,596	329,943
Convertible debentures	12	68,866	65,186
Bank loans	13	9,800	—
Derivative financial instruments	14	380	145
Unit-based compensation	15	173	213
Trade and other payables		11,693	12,457
Distributions payable to unitholders		1,215	1,194
Total liabilities		**458,723**	**409,138**
Unitholders' equity		**174,359**	**177,599**
		633,082	**586,737**

See accompanying notes to consolidated financial statements.

Approved by the Board on March 17, 2016.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

BTB Real Estate Investment Trust

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars)

	Notes	2015	2014
		$	$
Operating revenues			
Rental revenues from properties	17	72,892	67,170
Operating expenses			
Property taxes and public utilities		19,850	18,217
Other operating costs		11,748	10,970
		31,598	29,187
Net operating income		**41,294**	**37,983**
Finance costs		22,863	20,410
Net adjustment to fair value of derivative financial instruments		288	(1,379)
Net financing costs	18	23,151	19,031
Trust administration expenses		4,044	4,209
Expenses for abandoned transaction	19	207	—
Net income before the following item		**13,892**	**14,743**
Net changes in fair value of investment properties and disposals transaction costs	20	(5,223)	(1,860)
Net income being total comprehensive income for the year		**8,669**	**12,883**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distributions	Cumulative comprehensive income	Total
Balance at January 1, 2015		**182,284**	**(38,248)**	**33,563**	**177,599**
Issuance of units	16	2,569	—	—	2,569
Distributions to unitholders	16	—	(14,478)	—	(14,478)
		184,853	(52,726)	33,563	165,690
Comprehensive income		—	—	8,669	8,669
Balance as at December 31, 2015		**184,853**	**(52,726)**	**42,232**	**174,359**

Balance at January 1, 2014		**157,207**	**(25,295)**	**20,680**	**152,592**
Issuance of units		25,077	—	—	25,077
Distributions to unitholders	16	—	(12,953)	—	(12,953)
		182,284	(38,248)	20,680	164,716
Comprehensive income		—	—	12,883	12,883
Balance as at December 31, 2014		**182,284**	**(38,248)**	**33,563**	**177,599**

See accompanying notes to consolidated financial statements.

BTB Real Estate Investment Trust

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars)

	Notes	2015	2014
		$	$
Operating activities			
Net income for the year		8,669	12,883
Adjustment for:			
Decrease in fair value of investment properties and disposals transaction costs	20	5,223	1,860
Depreciation of property and equipment	7	158	165
Unit-based compensation		279	284
Straight-line lease adjustment	17	(702)	(610)
Lease incentive amortization	17	2,084	1,793
Net financing costs	18	23,151	19,031
		38,862	35,406
Net change in non-cash operating items		(624)	1,272
Net cash from operating activities		**38,238**	**36,678**
Investing activities			
Additions to investment properties	4, 5	(68,735)	(49,553)
Net proceeds from disposal of investment properties		12,087	4,656
Additions to property and equipment	7	(154)	(77)
Net cash used in investing activities		**(56,802)**	**(44,974)**
Financing activities			
Mortgage loans, net of financing costs		78,326	66,113
Repayment of mortgage loans		(42,708)	(50,264)
Bank loans, net of financing costs		18,959	2,246
Repayment of bank loans		(9,159)	(3,291)
Net proceeds from issue of convertible debentures		25,251	—
Repayment of convertible debentures		(22,854)	—
Net proceeds from issue of units		333	23,429
Net distributions to unitholders		(12,685)	(11,301)
Reduction in restricted cash	8	1,666	4,115
Interest paid		(20,855)	(18,853)
Net cash from financing activities		**16,274**	**12,194**
Net (decrease) increase in cash and cash equivalents		**(2,290)**	**3,898**
Cash and cash equivalents, beginning of year		**6,428**	**2,530**
Cash and cash equivalents, end of year		**4,138**	**6,428**

See accompanying notes to consolidated financial statements.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(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, 2015 and 2014 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 audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Trustees on March 17, 2016.

(b) Basis of presentation and 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.

The Trust presents its consolidated statements of financial position based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity.

(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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. 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)Critical judgements in applying accounting policies
The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

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 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) Key sources of estimation uncertainty
The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assest and liabilities within the next financial year:

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

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 costs, 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.

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.

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.

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 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.

Notes to Consolidated Financial Statements

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.

(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

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

(e) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

(i) Trust as lessor

All existing rental leases related to the Trust's investment properties have been assessed as operating leases.

(ii) Trust as lessee

Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

(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 profit or loss, 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, property 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 profit or loss on a straight-line basis over the term of the

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

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, property 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 other payables, as well as accretion of the non-derivative liability component of convertible debentures, and accretion of effective interest on mortgage loans payable, convertible debentures and bank loans, 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 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.

(iv) Restricted unit compensation plan
Compensation costs related to the restricted unit compensation 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 the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss. The compensation expense is amortized using the graded vesting method.

(m) 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.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

(n) 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.

(o) 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, 2015, and have not been applied in preparing these consolidated financial statements.

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

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The new standard is effective for the Trust's annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(ii) IFRS 11, Joint Arrangements ("IFRS 11")

In May 2014, the IASB issued Amendments to IFRS 11, Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations. The amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business combination as defined in IFRS 3. Acquirers of such interests are to apply the relevant principals on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016 and should be applied prospectively. The Trust does not expect this amendment to significantly impact the consolidated financial statements.

(iii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014 the IASB issued IFRS 15 in replacement of IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard is effective for the Trust's annual

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(iv) IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. This standard would be effective for the Trust's annual periods beginning after January 1, 2019 with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

(v) IAS 1, Presentation of Financial Statements ("IAS 1")

During December 2014, the IASB issued an amendment to IAS 1 clarifying certain existing IAS 1 requirements. The amendments include the following: the materiality requirements in IAS 1; that specific line items in the consolidated statements of earnings and OCI and the consolidated balance sheets may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of OCI of associates and joint ventures accounted for using the equity method be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to earnings. The amendments also clarify the requirements that apply when additional subtotals are presented in the consolidated balance sheets and the consolidated statement of earnings and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. These amendments are not expected to have any significant impact on our consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

4. Investment Properties

For the years ended December 31,	2015	2014
	$	$
Balance beginning of year	571,462	529,432
Acquisitions of investment properties (note 5)	63,383	40,121
Disposals of investment properties (note 6)	(13 053)	(4,725)
Capital expenditures	4,332	5,572
Government grants	(286)	(120)
Capitalized leasing fees	778	1,137
Capitalized lease incentives	2,364	3,088
Lease incentives amortization	(2,084)	(1,793)
Straight-line lease adjustment	702	610
Net changes in fair value of investment properties (note 20)	(4,947)	(1,860)
Balance end of year	**622,651**	**571,462**

The fair value of a subset of the Trust's investment properties comprised of a selection of the most significant investment properties and approximately 1/3 of the remaining investment properties 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. 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 Direct Capitalization method.

At December 31, 2015 external appraisals were obtained for investment properties with an aggregate fair value of $394,213 (December 31, 2014 - $381,600) and management's internal valuations were used for investment properties with an aggregate fair value of $228,438 (December 31, 2014 - $189,862).

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

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, 2015				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	6.50% - 9.75%	7.00% - 8.25%
Terminal capitalization rate	7.00% - 8.50%	6.75% - 7.75%	7.75% - 9.75%	7.25% - 8.00%
Discount rate	7.75% - 9.00%	7.50% - 8.50%	8.25% - 10.50%	7.75% - 8.50%
As at December 31, 2014				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	7.00% - 10.00%	7.00% - 8.25%
Terminal capitalization rate	7.25% - 8.00%	7.00% - 7.75%	7.25% - 9.75%	7.25% - 8.25%
Discount rate	7.75% - 8.75%	7.50% - 8.50%	7.75% - 10.50%	7.75% - 9.00%

Valuations determined by the Direct Capitalization method are most sensitive to changes in capitalization rate. The following table summarizes the sensitivity of the fair value of investment properties to changes in capitalization rate:

Capitalization rate sensitivity **Increase (decrease)**	**Fair Value**	**Change in fair value**
	$	$
(0.50%)	669,495	46,844
(0.25%)	645,138	22,487
Base rate	622,651	—
0.25%	601,320	(21,331)
0.50%	581,600	(41,051)

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

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

5. Acquisitions

(a) 2015 Asset 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 2015 were as follows:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Mortgage loans payable**	**Trade and other payables, including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
January 2015	Industrial	Ottawa, ON	100	12,525	—	—	12,525
January 2015	Commercial	Delson, QC	100	21,500	—	123	21,377
August 2015	Office	Ottawa, ON	100	8,560	—	(59)	8,619
August 2015	Office	Ottawa, ON	100	19,350	—	324	19,026
Transaction costs				1,448	—	1,448	—
Total				**63,383**	**—**	**1,836**	**61,547**

(b) 2014 Asset 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 2014 were as follows:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Mortgage loans payable**	**Trade and other payables, including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
May 2014	Commercial	Saint-Jean-sur-Richelieu, QC	100	31,600	—	24	31,576
August 2014	Industrial	Saint-Augustin-de-Desmaures, QC	100	8,300	—	—	8,300
Transaction costs				221	—	221	—
Total				**40,121**	**—**	**245**	**39,876**

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

6. Disposals

(a) 2015 Asset Disposals

The following table presents relevant information on disposals recognized in the consolidated financial statements during 2015:

Disposal date	Property type	Location	Gross proceeds	Trade and other payables, including transaction costs	Balance of sale	Net proceeds
			$	$		$
November 2015	Office	Boucherville, QC	2,945	(13)	—	2,932
November 2015	Office	St-Bruno-de-Montarville, QC	3,983	(4)	(600)	3,379
December 2015	General purpose	Laval, QC	3,125	(40)	—	3,085
December 2015	General purpose	Montreal, QC	3,000	(33)	—	2,967
Transaction costs*			—	(276)	—	(276)
Total			**13,053**	**(366)**	**(600)**	**12,087**

*Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs.

(b) 2014 Asset Disposals

The following table presents relevant information on disposals recognized in the consolidated financial statements during 2014:

Disposal date	Property type	Location	Gross proceeds	Trade and other payables, including transaction costs	Net proceeds
			$	$	$
April 2014	Commercial	Montreal, QC	4,200	(66)	4,134
May 2014	Office**	Sherbooke, QC	525	(3)	522
Transaction costs*			—	—	—
Total			**4,725**	**(69)**	**4,656**

*Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs.

**Partial disposal of one of the two buildings constituting the investment property.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

7. Property and Equipment

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
	$	$	$	$	$
Cost					
Balance at December 31, 2013	494	1,924	472	82	**2,972**
Additions	—	10	67	—	**77**
Balance at December 31, 2014	494	1,934	539	82	**3,049**
Additions	—	11	55	88	**154**
Balance at December 31, 2015	494	1,945	594	170	**3,203**
Accumulated Depreciation					
Balance at December 31, 2013		310	259	19	**588**
Depreciation for the year		69	81	15	**165**
Balance at December 31, 2014		379	340	34	**753**
Depreciation for the year		69	72	17	**158**
Balance at December 31, 2015		448	412	51	**911**
Net carrying amount					
Balance at December 31, 2014	494	1,555	199	48	**2,296**
Balance at December 31, 2015	494	1,497	182	119	**2,292**

8. Restricted Cash

Restricted cash consists of an amount of $51 (December 31, 2014 - $1,717) provided in guarantee of mortgage loans. The permitted use of restricted cash is to fund certain future capital expenditures.

9. Other Assets

As at December 31,	**2015**	**2014**
	$	$
Prepaid expenses	1,285	2,599
Deposits	684	840
Total	**1,969**	**3,439**

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

10. Receivables

As at December 31,	2015	2014
	$	$
Rents receivable	1,125	1,195
Provision for doubtful accounts	(329)	(312)
Net rents receivable	796	883
Unbilled recoveries	105	65
Other receivables	480	394
Balance of sale (note 6)	600	—
Total	**1,981**	**1,342**

Balance of sale is comprise of one mortgage loan receivable bearing interest at an interest rate of 2.75%, payable semi-annually, maturing in November 2020.

11. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $616,301 as at December 31, 2015 (December 31, 2014 – $565,187).

As at December 31,	2015	2014
	$	$
Fixed rate mortgage loans payable	361,450	317,677
Floating rate mortgage loans payable	6,503	13,107
Unamortized fair value assumption adjustments	1,026	1,270
Unamortized financing costs	(2,383)	(2,111)
Mortgage loans payable	**366,596**	**329,943**
Weighted average interest rate	3.95%	4.13%
Weighted average term to maturity (years)	5.48	4.68
Range of annual rates	2.83% - 6.80%	2.63% - 6.80%

(Audited - in thousands of CAD dollars, except per unit amounts)

As at December 31, 2015, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	$	$	$
2016	11,174	70,408	81,582
2017	8,317	57,226	65,543
2018	6,574	35,493	42,067
2019	5,165	37,872	43,037
2020	4,640	17,577	22,217
Thereafter	35,197	78,310	113,507
	71,067	**296,886**	**367,953**
Unamortized fair value assumption adjustments			1,026
Unamortized financing costs			(2,383)
			366,596

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%. As at December 31, 2015, the outstanding principal amount was $6,503 (December 31, 2014 – $6,756). The Trust does not apply hedge accounting to such cash flow hedging relationships (see note 14).

12. Convertible Debentures

As at December 31, 2015, the Trust had three series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	$		
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
Series F	26,700	7.15	8.47	5.65	Semi-annual	December 2020

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

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

	Series D	Series E	Series F
	$	$	$
Non-derivative liability component	21,346	22,690	26,700
Conversion and redemption options liability component	1,654	310	—
	23,000	**23,000**	**26,700**

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 D	**Series E**	**Series F**	**Total**
	$	$	$	$
As at December 31,2015				
Non-derivative liability component upon issuance	21,346	22,690	26,700	70,736
Accretion of non-derivative liability component	932	106	—	1,038
	22,278	22,796	26,700	71,774
Unamortized financing costs	(651)	(828)	(1,429)	(2,908)
Non-derivative liability component	**21,627**	**21,968**	**25,271**	**68,866**
Conversion and redemption options (asset) liability component at fair value	**(5)**	**2**	**11**	**8**

	Series C	**Series D**	**Series E**	**Total**
	$	$	$	$
As at December 31,2014				
Non-derivative liability component upon issuance	21,592	21,346	22,690	65,628
Accretion of non-derivative liability component	1,058	693	66	1,817
	22,650	22,039	22,756	67,445
Unamortized financing costs	(408)	(866)	(985)	(2,259)
Non-derivative liability component	**22,242**	**21,173**	**21,771**	**65,186**
Conversion and redemption options asset component at fair value	**(12)**	**(19)**	**(22)**	**(53)**

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

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. During the second quarter of 2015, conversion options were exercised by holders on debentures representing a nominal amount of $146. The remaining debentures were redeemed in December 2015, in the amount of $22,854.

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").

Until 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.

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.

Series F

In December 2015, the Trust issued Series F subordinated convertible, redeemable, unsecured debentures bearing 7.15% interest payable semi-annually and maturing in December 2020, in the amount of $26,700. The debentures are convertible at the holder's option at any time before December 2020, at a conversion price of $5.65 per unit ("Series F Conversion Price").

These debentures are not redeemable before December 31, 2018, except in the case of a change in control. As of December 31, 2018, but before December 31, 2019, 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 December 31, 2019, but before December 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 has access to an acquisition line of credit in the amount of $15,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at December 31, 2015, $9,800 was due under the acquisition line of credit (December 31, 2014 - $nil).

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 0.75% above the prime rate. As at December 31, 2015 and 2014, no amount was due under the operating credit facility.

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on three properties having a value of $7,666, by an immoveable second rank hypothec on three properties having a value of $66,850 and by an immoveable third rank hypothec on a property having a value of $21,000.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

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. They do not include the fair value of cash and cash equivalents, restricted cash, receivables, deposits, trade and other payables and distributions payable to unitholders, which approximated their carrying amount as at December 31, 2015 and December 31, 2014 because of their short-term maturity.

As at December 31, 2015	**Carrying amount**			**Fair value**
		Level 1	**Level 2**	**Level 3**
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 12)	8	—	—	8
Interest rate swap	372	—	372	—
For which fair values are disclosed				
Mortgage loans payable (note 11)	366,596	—	377,459	—
Convertible debentures, including their conversion and redemption features	68,874	72,012	—	—
Bank loans (note 13)	9,800	—	9,800	—

As at December 31, 2014	**Carrying amount**			**Fair value**
		Level 1	**Level 2**	**Level 3**
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 12)	(53)	—	—	(53)
Interest rate swap	145	—	145	—
For which fair values are disclosed				
Mortgage loans payable (note 11)	329,943	—	337,749	—
Convertible debentures, including their conversion and redemption features	65,133	69,688	—	—

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

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

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

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

The fair values of derivative financial instruments, which comprise the conversion and redemption options of convertible debentures and an interest rate swap, are 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's 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, 2015	
Balance beginning of year	(53)
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	61
Balance end of year	**8**

	Conversion and redemption options of convertible debentures
	$
Year ended December 31, 2014	
Balance beginning of year	1,723
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	(1,776)
Balance end of year	**(53)**

(Audited - in thousands of CAD dollars, except per unit amounts)

The following table provides a sensitivity analysis for the volatility applied in fair value measurement of the conversion and redemption options of convertible debentures at December 31, 2015:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	(100)	20.24
December 31, 2015	8	20.74
0.50%	125	21.24

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

(a) 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.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

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,	2015	2014
Unit-based compensation expense	21	(3)
Liability recognized for unit-based compensation	—	17
Unit options granted	—	—
Remaining life (years)	—	0.40
Volatility rate	—	15.93%
Distribution yield	—	8.88%
Risk-free interest rate	—	0.94%

The following table presents relevant information on changes in the number of unit options during the year:

For the years ended December 31,		2015		2014
	Units options	Weighted average exercise price	Units options	Weighted average exercise price
Outstanding, beginning of year	74,000	4.50	98,000	4.51
Forfeited / Cancelled	—	—	(24,000)	4.54
Exercised	(74,000)	4.50	—	—
Outstanding, end of year	—	—	**74,000**	**4.50**
Options vested	—	—	**74,000**	**4.50**

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

(b) 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 number of deferred units during the year:

For the years ended December 31,	2015	2014
	Deferred Units	Deferred Units
Outstanding, beginning of year	—	29,771
Trustees' compensation	—	5,619
Distributions paid in units	—	1,649
Units settled	—	(37,039)
Outstanding, end of year	**—**	**—**

As at December 31, 2015, the liability related to the plan was $nil (December 31, 2014 - $nil). No expense was recorded in profit and loss for the year ended December 31, 2015 (for year ended December 31, 2014 - $39). As part of the settlement, the Trust issued 36,491 units and paid an amount of $3 under this plan during the third quarter of 2014 (no issuance and no amount for the year ended December 31, 2015).

(c) 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 service with the Trust. For each two units purchased by an employee, the Trust issues one unit from treasury.

As at December 31, 2015, the liability related to the plan was $37 representing a total of 8,340 units to issue (December 31, 2014 - $37, representing a total of 7,758 units to issue). The related expense recorded in profit and loss amounted to $37 for the year ended December 31, 2015 (for the year ended December 31, 2014 - $37). The 8,340 units related to 2015 purchases were issued in February 2016 (7,758 units related to 2014 purchases - February 2015).

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

(d) Restricted unit compensation plan

The Trust offers a restricted unit compensation plan for all executive officers and key employees. Under this plan, the executive officers and key employees are eligible to receive restricted units.

The following table presents relevant information on changes in the restricted units:

For the years ended December 31,	2015	2014
	Restricted units	Restricted units
Outstanding, beginning of year	39,816	—
Granted	62,868	49,816
Vested / Settled	(51,601)	(10,000)
Outstanding, end of year	**51,083**	**39,816**

As at December 31, 2015, the liability related to the plan was $136 (December 31, 2014 - $159). The related expense recorded in profit and loss amounted to $221 for the year ended December 31, 2015 (for the year ended December 31, 2014 - $205). As part of settlement, the Trust issued 51,601 units under this plan for year ended December 31, 2015 (10,000 units for the year ended December 31, 2014).

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.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

Trust units issued and outstanding are as follows:

For the years ended December 31,		2015		2014
	Units	$	Units	$
Units outstanding, beginning of year	34,133,967	182,284	28,325,538	157,207
Issue pursuant to a public issue	—	—	5,436,000	24,734
Unit issue costs	—	—	—	(1,305)
	34,133,967	182,284	33,761,538	180,636
Issue pursuant to the distribution reinvestment plan (a)	408,625	1,772	318,482	1,400
Issue pursuant to conversion of convertible debentures (note 12)	29,200	144	—	—
Issue pursuant to the unit option plan (note 15 (a))	74,000	371	—	—
Issue pursuant to the deferred unit compensation plan (note 15 (b))	—	—	36,491	169
Issue pursuant to the employee unit purchase plan (note 15 (c))	7,758	37	7,456	33
Issue pursuant to the restricted unit compensation plan (note 15 (d))	51,601	245	10,000	46
Units outstanding, end of year	**34,705,151**	**184,853**	**34,133,967**	**182,284**

(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 a price based on the volume-weighted average of the trading prices on the Toronto Stock Exchange for the last five trading days before the distribution date, less a discount of 5%.

(b) Distributions

For the years ended December 31,	2015	2014
	$	$
Distributions to unitholders	14,478	12,953
Distributions per unit	0.42	0.41

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

17. Rental Revenues from Properties

For the years ended December 31,	**2015**	**2014**
	$	$
Rental income contractually due from tenants	74,274	68,353
Lease incentive amortization	(2,084)	(1,793)
Straight-line lease adjustment	702	610
	72,892	**67,170**

18. Net Financing Costs

For the years ended December 31,	**2015**	**2014**
	$	$
Financial income	(52)	(77)
Interest on mortgage loans payable	14,360	13,523
Interest on convertible debentures	5,228	5,096
Interest on bank loans	690	172
Other interest expense	110	66
Accretion of non-derivative liability component of convertible debentures	629	561
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	1,273	1,069
Early repayment fees of a mortgage loan	625	—
Net adjustment to fair value of derivative financial instruments	288	(1,379)
	23,151	**19,031**

19. Expenses for abandoned transaction

For the year ended December 31, 2015, due diligence expenses of $207 were incurred for the proposed acquisition of a major property portfolio (for the year ended December 31, 2014 - $nil). As certain preliminary conditions were not met, management decided to terminate the acquisition project.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

20. Net changes in fair value of investment properties and disposals transaction costs

For the years ended December 31,	2015	2014
	$	$
Net changes in fair value of investment properties	4,947	1,860
Disposals transaction costs	276	—
	5,223	1,860

21. Expenses by Nature

For the years ended December 31,	2015	2014
	$	$
Depreciation	158	165
Employee benefits expense	4,128	3,947

22. 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*.

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

For the years ended December 31,	2015	2014
	$	$
Net income	8,669	12,883
Weighted average number of units outstanding – basic	34,449,596	31,418,057
Earnings per unit – basic	**0.25**	**0.41**

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

23. Operating Lease Income

The Trust as lessor enters into leases on its investment properties. 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, 2015 are as follows:

	2015
	$
Within one year	45,680
Beyond one year but within five years	126,664
Beyond five years	70,150
	242,494

24. Capital and Financial Risk Management

This note presents information about the Trust's management of capital and the Trust's exposure to financial risk and its objectives, policies and processes for measuring and managing risk.

(a) 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.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

The Trust's capital is as follows:

As at December 31,	**2015**	**2014**
	$	$
Mortgage loans payable(1)	367,953	330,784
Convertible debentures(1)	72,700	69,000
Bank loans(1)	9,800	—
	450,453	**399,784**
Unitholders' equity	174,359	177,599
	624,812	**577,383**

(1) Excluding issue costs

As at December 31,	**2015**	**2014**
	%	%
Mortgage loans payable, Convertible debentures and Bank loans / total asset value ratio	71.2	68.1
Mortgage loans payable and Bank loans/ total asset value ratio	59.7	56.4

(b) 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.

(i) 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, 2015, overdue rent receivable amounted to $638 (December 31, 2014 - $507), of which a provision for doubtful account of $329 (December 31,

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

2014 - $312) has been recorded. 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.

(ii) 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.

As at December 31, 2015, all 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 no impact on the Trust's comprehensive income for the year ended December 31, 2015.

(iii) Liquidity risk

Liquidity risk is managed by:

- maximizing cash flows from operations;
- adopting an investment property acquisition and improvement program that takes into account 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, 2015, the Trust was in compliance with all the covenants to which it was subject.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

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, 2015

			Estimated payment schedule					
	Carrying amount	**Total contractual cash flows**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 and thereafter**
	$	$	$	$	$	$	$	$
Trade and other payables	11,693	11,693	11,693	—	—	—	—	—
Distributions payable to unitholders	1,215	1,215	1,215	—	—	—	—	—
Bank loans	9,800	9,800	9,800	—	—	—	—	—
Mortgage loans payable and convertible debentures	435,462	528,364	100,661	81,276	77,571	52,722	79,456	136,678
	458,170	**551,072**	**123,369**	**81,276**	**77,571**	**52,722**	**79,456**	**136,678**

As at December 31, 2014

			Estimated payment schedule					
	Carrying amount	**Total contractual cash flows**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020 and thereafter**
	$	$	$	$	$	$	$	$
Trade and other payables	12,457	12,457	12,457	—	—	—	—	—
Distributions payable to unitholders	1,194	1,194	1,194	—	—	—	—	—
Mortgage loans payable and convertible debentures	395,129	471,409	59,524	116,993	76,519	70,609	46,879	100,885
	408,780	**485,060**	**73,175**	**116,993**	**76,519**	**70,609**	**46,879**	**100,885**

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

25. 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, Acquisition and operating Trust ("BTB A&ET")	Trust	100% owned by BTB REIT
BTB Real Estate Management Inc.	Corporation	100% owned by BTB A&ET
Cagim Real Estate Corporation ("CREC")	Corporation	100% owned by BTB A&ET
Lombard SEC	Limited Partnership	99.9% owned by BTB A&ET 0.1% owned by CREC
Place d'affaire Lebourgneuf Phase II, SENC ("PAL II")	General Partnership	99.9% owned by BTB A&ET 0.1% owned by CREC
Société immobilière Cagim, SEC	Limited Partnership	70.4% owned by BTB A&ET 29.5% owned by PAL II 0.1% owned by CREC

(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,	2015	2014
	%	%
Property*		
Immeuble BTB/Laplaine	50	50
Huntington/BTB Montclair	50	50
Complexe Lebourgneuf Phase II**	75	75

* The three investment properties are located in province of 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

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

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,	**2015**	**2014**
	$	$
Assets	48,025	47,454
Liabilities	30,098	30,898
Revenues	5,587	5,341
Expenses	3,444	2,015

26. 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), the change in fair value of investment properties and fair 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 operating segments, as follows:

- Commercial
- Office
- Industrial
- General purpose

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

	Commercial	Office	Industrial	General purpose	Total
	$	$	$	$	$
Year ended December 31, 2015					
Investment properties	155,838	229,288	124,125	113,400	**622,651**
Rental revenue from properties	17,670	28,014	11,242	15,966	**72,892**
Net operating income	10,801	12,930	9,422	8,141	**41,294**
Year ended December 31, 2014					
Investment properties	137,362	209,200	109,025	115,875	**571,462**
Rental revenue from properties	14,087	27,771	9,946	15,366	**67,170**
Net operating income	8,687	13,500	8,083	7,713	**37,983**

27. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the years ended December 31,	2015	2014
	$	$
Salaries and short-term benefits	1,976	1,935
Unit-based compensation	264	209
Total	**2,240**	**2,144**

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

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

28. Commitments and Contingencies

(a) Operating leases as lessee

The annual future payments required under operating leases expiring between 2017 and 2070 are as follows:

	Total
	$
Within one year	197
Beyond one year but within five years	787
Beyond five years	14,508
	15,492

The related expense recorded in profit and loss amounted to $183 for the year ended December 31, 2015 (for the year ended December 31, 2014 - $88).

(b) Finance lease as lessee

The annual future payments required under finance leases expiring between 2018 and 2024 are as follows:

As at December 31,	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$	$	$	$	$	$
Within one year	244	47	55	19	189	28
Beyond one year but within five years	534	201	144	56	390	145
Beyond five years	455	139	47	25	408	114
	1,233	**387**	**246**	**100**	**987**	**287**

The present value of the minimum lease payments is recorded in Trade and other payables.

(c) Litigation

The Trust is involved with litigations and claims which arise from time to time in the normal course of business. These litigations 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.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

29. Subsequent Events

In February 2016, the Trust acquired an office building located in the city of Montreal for a purchase price of $11,000. As part of the transaction, the Trust secured a 5 year first ranked mortgage loan of $7,250 bearing interest at a rate of 2.77% and a 2 year second ranked mortgage loan of $2,650 bearing interest at a rate of 5.90%.

In February 2016, the Trust concluded a refinancing agreement for one of its properties owned at 75% for a total amount of $1,644, at an interest rate of 3.30% maturing in 5 years.

30. Comparatives Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Corporate Information

Board of Trustees

Jocelyn Proteau(2)
President of the Board of Trustees
BTB Real Estate Investment Trust
Corporate Director

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

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

Lucie Ducharme(1)
Executive Vice President
Groupe Petra
Independent Trustee

Claude Garcia(1)(2)
Corporate Director

Jean-Pierre Janson(2)
Executive Vice-President
Partenaires Financiers Richardson Limited

Sylvie Lachance(3)
Executive Vice President
Real Estate Development Sobeys inc.

Fernand Perreault(3)
Corporate Director

Peter Polatos(3)
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

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

Frédéric Seigneur
Vice-President, Leasing

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.D
BTB.DB.E
BTB.DB.F

Transfer Agent
Computershare Investor Services
1500 Robert-Bourassa Blvd
7th floor
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 2015, for all Canadian unitholders, the distributions were fiscally treated as follow:
- Other revenues: 0%
- Fiscal Deferral: 100%

Auditors
KPMG LLP.
600 De Maisonneuve Blvd. West
Suite 1500
Montreal, Quebec, H3A 0A3

Legal Counsel
De Grandpré Chait LLP.
1000 De la Gauchetière St. West
Suite 2900
Montreal, Quebec, H3B 4W5

Unitholders 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 Investor Services.

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