Consolidated financial statements of

BTB

BTB Real Estate Investment Trust

For the years ended December 31, 2011 and 2010

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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, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP*

Chartered Accountants

March 28, 2012

Montréal, Canada

*CA Auditor permit no 10892

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Consolidated Financial Statements

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Financial Position

(in thousands of CAD dollars)

See accompanying notes to consolidated financial statements.

	Notes	As at December 31, 2011	Ast at December 31, 2010	As at January 1st, 2010
ASSETS				
Non-current Assets				
Investment properties	4, 5	343,383	283,095	204,950
Investment properties under development	6	3,933	592	3,800
Property and equipment	7	2,087	2,122	2,089
		349,403	**285,809**	**210,839**
Current assets				
Receivables	8	2,568	1,838	652
Other assets	9	3,520	3,236	2,613
Cash and cash equivalents		3,447	1,875	376
		9,535	**6,949**	**3,641**
		358,938	**292,758**	**214,480**
LIABILITIES AND UNITHOLDERS' EQUITY				
Non-current liabilities				
Mortgage loans payable	10	212,145	180,473	144,950
Convertible debentures	11	52,938	24,514	23,544
Derivative financial instruments	11	6,256	115	111
Unit-based compensation and warrants	12	363	285	13
Bank loans	13	-	22,195	720
Net assets attributable to Unitholders	14	-	-	69,620
		271,702	**227,582**	**238,958**
Current liabilities				
Trade and other payables		10,100	8,833	6,092
Distributions payable to Unitholders		496	346	226
		10,596	**9,179**	**6,318**
		282,298	**236,761**	**245,276**
Unitholders' equity	14	**76,640**	**55,997**	**(30,796)**
		358,938	**292,758**	**214,480**

Approved by the Board on March 28th, 2012:

(s) Michel Léonard, Trustee

(s) Jocelyn Proteau, Trustee

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Comprehensive Income

(in thousands of CAD dollars)

	Notes	For the year ended December 31,	
		2011	**2010**
Operating revenues:			
Rental revenue from property	**15**	41,459	34,595
Operating expenses:			
Property taxes and public utilities		12,392	9,258
Other operating costs		6,955	5,981
		19,347	15,239
Net operating income		**22,112**	**19,356**
Financial income		(120)	(46)
Finance costs	**16**	20,664	14,612
Trust administration expenses		2,766	2,856
Distributions to unitholders		---	1,354
Net adjustment to fair value of Investment properties	**24** 1)	(8,648)	(7,130)
Net income being total comprehensive income for the period		**7,450**	**7,710**

See accompanying notes to consolidated financial statements.

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2011 and 2010
(in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative comprehensive income (loss)	Cumulative distributions	TOTAL
Balance at January 1st, 2011		**80,679**	**(23,086)**	**(1,596)**	**55,997**
Issuance of units	14	18,771	---	---	18,771
Issuance of units under distribution reinvestment plan	14	53	---	---	53
Distributions to unitholders		---	---	(5,631)	(5,631)
Comprehensive income		---	7,450	---	7,450
Balance as at December 31, 2011		**99,503**	**(15,636)**	**(7,227)**	**76,640**

	Notes	Unitholders' contributions	Cumulative comprehensive income (loss)	Cumulative distributions	TOTAL
Balance at January 1st, 2010		**---**	**(30,796)**	**---**	**(30,796)**
Reclassification of units	14	69,620	---	---	69,620
Issuance of units	14	11,059	---	---	11,059
Distributions to unitholders		---	---	(1,596)	(1,596)
Comprehensive income		---	7,710	---	7,710
Balance at December 31, 2010		**80,679**	**(23,086)**	**(1,596)**	**55,997**

See accompanying notes to consolidated financial statements.

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

(in thousands of CAD dollars)

	Notes	For the year ended December 31, 2011	2010
Operating activities			
Net income for the period		**7,450**	**7,710**
Adjustment for :			
Adjustment to fair value of investment properties		(8,648)	(7,130)
Amortization of property and equipment	7	89	85
Finance costs	16	20,664	14,612
Unit-based compensation		65	20
Amortization straight-line lease adjustment		(498)	(460)
Amortization of lease incentives		864	426
		19,986	15,263
Net change in non-cash working capital items		(1,932)	(552)
Net cash from operating activities		**18,054**	**14,711**
Investing activities			
Business acquisition	5	---	(20,350)
Acquisitions of property and equipment	7	(116)	(11)
Additions to investment properties	4, 5	(34,543)	(12,323)
Additions to investment properties under development		(3,341)	(92)
Net cash used in investing activities		**(38,000)**	**(32,776)**
Financing activities			
Net proceeds from issue of units	14	18,771	11,059
Net proceeds from issue of convertible debentures	11	42,863	---
Mortgage loans, net of financing costs		64,759	23,000
Repayment of mortgage loans		(49,659)	(21,750)
Bank loans, net of financing costs	13	---	21,494
Repayment of bank loans		(22,850)	---
Repayment of convertible debentures		(12,883)	---
Net distributions to unitholders		(5,428)	(1,476)
Interest paid		(14,055)	(12,763)
Net cash from financing activities		**21,518**	**19,564**
Net increase in cash and cash equivalents		**1,572**	**1,499**
Cash and cash equivalents, beginning period		**1,875**	**376**
Cash and cash equivalents, end of period		**3,447**	**1,875**

Cash and cash equivalents were as follows:

Cash	3,447	1,327
Term deposits	---	548
	3,447	**1,875**

See accompanying notes to consolidated financial statements.

1. Reporting entity:

BTB real estate Investment Trust (the “Trust” or “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 the Trust’s registered office is 2155, Crescent street, Montreal (Quebec), Canada. The consolidated financial statements of the Trust for the years ended December 31, 2011, December 31, 2010 and as at January 1, 2010 comprise the Trust and its wholly owned subsidiaries (together referred to as the “Trust”) and the Trust’s interest in jointly controlled entities and jointly controlled assets.

2. Basis of preparation:

(a) Statement of compliance

These consolidated financial statements represent the first annual financial statements of the Trust and its subsidiaries prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and IFRS 1, First-time Adoption of International Financial Reporting Standards has been applied. The first date at which IFRS was applied was January 1, 2010 (the date of transition).

The Trust's consolidated financial statements were previously prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”). Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting, measurement and consolidation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. **Note 24** contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, profit and loss, and comprehensive income along with line-by-line reconciliations of the statement of financial position as at December 31, 2010 and January 1, 2010, and the statement of comprehensive income for the year ended December 31, 2010.

These consolidated financial statements were approved by the Board of Directors on March 28th, 2012.

2. Basis of preparation (continued):

(b) Basis of measurement

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

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

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Trust'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.

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

(i) Judgments

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

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued)

(i) Judgments (continued)

Business combinations

The Trust acquires subsidiaries 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 number of investment properties owned by the acquiree
- The extent to which significant 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 (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information)

An acquisition of a business is accounted for as a business combination under IFRS 3 *Business Combinations* (see note 3(a)).

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

Operating lease contracts – Trust as lessor

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

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued)

(ii) Use of estimates

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

Valuation of property

Investment properties and investment properties under development 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 techniques comprise both the Discounted Cash Flow Method and the Direct Capitalization method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Trust's investment properties.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (including lease income and cost, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those cash flows. In addition, development risks (such as construction and leasing risks) are also taken into consideration when determining the fair value of investment properties under construction. 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:

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued)

(ii) Use of estimates (continued)

Techniques used for valuing investment property

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 of the investment property.

The Comparable method involves the comparison of the Trust's investment properties to similar investment properties that have transacted in 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 instruments, including embedded derivatives, are recorded 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 the 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.

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued)

(ii) Use of estimates (continued)

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 on various data, such as 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 and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

(a) Basis of consolidation

(i) Business combinations

Acquisitions on or after January 1, 2010

For business combinations on or after January 1, 2010, 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.

Acquisitions prior to January 1, 2010

As part of its transition to IFRSs, the Trust elected to restate only those business combinations that occurred on or after January 1, 2010.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Trust. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Jointly controlled assets

Jointly controlled assets involve the venturers having joint control, and often joint ownership, of assets dedicated to the joint venture. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the jointly controlled asset. The consolidated financial statements include the Trust's proportionate share of the jointly controlled 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.

(iv) Jointly controlled entities

Joint ventures are those entities over whose activities the Trust has joint control, established by contractual agreement. The consolidated financial statements include the Trust's proportionate share of the entities' 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

(i) Non-derivative financial assets

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.

The Trust has the following 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 receivables, other receivables and cash and cash equivalents.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

The Trust classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus 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 bank loans, mortgage loans payable, convertible debentures, distributions payable to Unitholders and trade and other payables.

(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*, in which case, the puttable instruments may be presented as equity.

Prior to June 29 2010 BTB's trust units did not meet the conditions of IAS 32 and were classified and accounted for as financial liabilities.

Since June 29 2010 BTB's trust units meet the conditions of IAS 32 and are therefore presented as equity.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(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 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.

Cost includes expenditure that is 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.

3. Significant accounting policies (continued)

(d) Investment property under development

Investment property under development is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss to the extent that fair value is reliably determinable. To the extent that fair value is not reliably determinable, the property is carried at cost until either the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition, the layout and the construction of the asset. The cost of a self-constructed asset includes the cost of materials, direct labour, and any other directly attributable costs during the development of the asset.

(e) 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.

3. Significant accounting policies (continued)

(e) Property and equipment (continued)

(ii) Depreciation (continued)

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

Owner-occupied building	40 years
Equipment, furniture and fixtures	3 - 12 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.

(f) Leases

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

(g) Provisions

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

3. Significant accounting policies (continued)

(h) Revenue recognition

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

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

Lease incentives which are mostly 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.

(i) 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.

3. Significant accounting policies (continued)

(j) 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.

(k) 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, bank loans and convertible debenture, changes in the fair value of derivative financial instruments, accretion of the non-derivative liability component of convertible debentures and accretion of effective interest on mortgage loans payable, bank loans and convertible debentures.

(l) 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.

(m) Unit-based compensation

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.

(n) Warrants

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

3. Significant accounting policies (continued)

(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) 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, 2011, and have not been applied in preparing these consolidated financial statements. The extent of the impact of these standards has not been determined.

(i) IFRS 9, *Financial Instruments*

IFRS 9 replaces the guidance in IAS 39, *Financial Instruments — Recognition and Measurement*, on the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted.

(ii) Amendments to IFRS 7, Disclosures — Transfers of Financial Assets

The amendments to IFRS 7, which are effective for annual periods beginning on or after January 1, 2012, require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

3. Significant accounting policies (continued)

(p) New standards and interpretations not yet adopted (continued)

(iii) IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27, Separate Financial Statements, IFRS 13, Fair Value Measurement, and amended IAS 28, Investments in Associates and Joint Ventures.

Each of these new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The following is a brief summary of these new standards:

IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC 12, *Consolidation — Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11, *Joint Arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operations. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities — Non-monetary Contributions by Venturers*.

IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities.

3. Significant accounting policies (continued)

(p) New standards and interpretations not yet adopted (continued)

(iii) IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27, Separate Financial Statements, IFRS 13, Fair Value Measurement, and amended IAS 28, Investments in Associates and Joint Ventures (continued).

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

(iv) Amendments to Other Standards

There have been amendments to existing standards, including IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 - 12 as explained above.

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

4. Investment Properties

	December 31, 2011	December 31, 2010
Balance beginning of period	283,095	204,950
Additions :		
Direct acquisition of investment property (**note 5**)	47,765	11,026
Acquisition through business combinations (**note 5**)	---	47,947
Capital expenditures	2,084	1,141
Government grant	(135)	---
Capitalized leasing fees	510	946
Capitalized lease incentives	1,782	2,849
Amortization of lease incentives	(864)	(426)
Amortization of straight-line lease adjustment	498	460
Net transfer from properties under development	---	7,072
Change in fair value of investment properties	8,648	7,130
Balance end of the period	**343,383**	**283,095**

The fair value as at January 1, 2010 was determined on the basis of valuations made by independent external appraisers having appropriate professional qualifications, using recognized valuation techniques, comprising both the Discounted Cash Flow and the Direct Capitalization methods.

For subsequent reporting periods, the Trust relied on external appraisers for a subset of its investment properties comprised of the ten most significant investment properties and 1/3 of the remaining investment properties. The selection of investment properties subject to external valuation is determined by management based on its assessment of circumstances that in its view, may impact the value of particular individual investment property. The fair value of the remaining investment properties is determined by management using internally generated valuation models.

(a) External Valuation

At December 31, 2011 external appraisals were obtained for investment properties with an aggregate fair value of $216,940 (December 31, 2010 - $197,380; January 1, 2010 - $204,950).

(c) Internal Valuation

At December 31, 2011 management's valuation models were used for investment properties with an aggregate fair value of $126,443 (December 31, 2010 - $85,715; January 1, 2010 - $Nil).

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

4. Investment Properties (continued)

In its determination of fair value, management receives capitalization rate reports from external knowledgeable property valuators.

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 rates within ranges provided by external valuators. To the extent that the externally provided capitalization rate ranges change from one reporting year 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.

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

	Commercial	**Office**	**Industrial**	**General purpose**
As at December 31, 2011				
Capitalization rate	7.25% - 10.25%	6.75% - 9.75%	7.50% - 10.25%	7.50% - 9.00%
Terminal discount rate	7.75% - 10.50%	6.75% - 9.50%	7.75% - 10.50%	7.75% - 9.25%
Discount rate	7.50% - 10.25%	7.75% - 9.25%	8.00% - 11.25%	8.00% - 9.75%

	Commercial	**Office**	**Industrial**	**General purpose**
As at December 31, 2010				
Capitalization rate	7.75% - 10.00%	7.50% - 9.00%	7.75% - 9.50%	8.00% - 9.00%
Terminal discount rate	8.00% - 9.50%	7.75% - 9.00%	7.75% - 10.00%	8.00% - 9.25%
Discount rate	8.75% - 10.00%	8.25% - 9.50%	8.75% - 10.50%	8.75% - 10.00%

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

4. INVESTMENT PROPERTIES (CONTINUED)

	Commercial	Office	Industrial	General purpose
As at January 1, 2010				
Capitalization rate	8.00% - 9.50%	7.75% - 9.25%	8.00% - 9.75%	8.25% - 9.25%
Terminal discount rate	8.25% - 9.75%	8.00% - 9.25%	8.00% - 10.25%	8.25% - 9.50%
Discount rate	9.00% - 10.25%	8.50% - 9.75%	9.00% - 10.75%	9.00% - 10.25%

5. ACQUISITIONS

(a) 2011 Asset acquisitions

In December 2011, the Trust acquired a 100% interest in an industrial building located in the city of Dorval for a purchase price of $5,500, including $2,689 through the assumption of a mortgage loan, $7 through the assumption of trade and other payables and $2,804 in cash.

In December 2011, the Trust acquired a 100% interest in an industrial building located in Ville Mont-Royal for a purchase price of $7,550 in cash.

In October 2011, the Trust acquired 100% interests in two industrial buildings located in the city of Terrebonne for a purchase price of $12,225, $226 through the assumption of trade and other payables and $11,999 in cash.

In August 2011, the Trust acquired a 50% interest in a commercial building located in the city of Terrebonne for a purchase price of $2,190, $1,167 through the assumption of a mortgage loan and $1,023 in cash.

In April 2011, the Trust acquired the remaining 50% interest in a commercial building located in Québec City for a purchase price of $19,350, $12,424 through the assumption of a mortgage loan and $6,926 in cash.

In addition, transaction costs of $950 were incurred for these acquisitions.

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2011 were as follow:

BTB REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010
(in thousands of CAD dollars, except per unit amounts)

5. ACQUISITIONS (CONTINUED)

(a) 2011 Asset acquisitions (continued)

	Fair value recognized on acquisition
Investment properties, including transaction costs	47,765
Mortgage loans payable	(16,280)
Trade and other payables, including transaction costs	(1,183)
Total cash consideration paid	**30,302**

(b) 2010 Asset acquisitions

In November 2010, the Trust acquired the remaining 50% interest in two commercial buildings located in Québec City for a purchase price of $10,850, $6,693 through the assumption of mortgage loans and $4,157 in cash.

In addition, transaction costs of $176 were incurred for this acquisition.

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2010 were as follow:

	Fair value recognized on acquisition
Investment properties, including transaction costs	11,026
Mortgage loans payable	(6,693)
Trade and other payables, including transaction costs	(176)
Total cash consideration paid	**4,157**

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

5. Acquisitions (continued)

(c) Business combinations

In May 2010, the Trust acquired 100% of the common shares of Corporation immobilière CAGIM ("CAGIM"), a real estate corporation headquartered in Québec City that owned a real estate portfolio of six properties consisting of three office buildings, two retail buildings, one industrial building and a lot for future development. Three of the above investment properties were held through co-ownership agreements on acquisition.

The acquisition was settled for a cash consideration of $21,492, or $20,350 net of cash acquired of $1,142.

The transaction was accounted for using the acquisition method. Operating income from the acquired business is included in the consolidated financial statements as of the acquisition date.

The purchase price allocation of the assets acquired and liabilities assumed in these acquisitions was finalized on December 31, 2010.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed:

	Fair value recognized on acquisition
Investment properties	47,947
Investment properties under development	500
Trade receivables	1,598
Other assets and property and equipment	362
	50,407
Mortgage loans payable	(27,218)
Trade and other payables	(2,839)
Total cash consideration paid	**20,350**

In the eight months to December 31, 2010 the subsidiary contributed to the Trust’s consolidated revenue of $3,719 and consolidated profit of $609. If the acquisition had occurred on January 1, 2010, management estimates that the subsidiary’s contribution to the consolidated revenue would have been $6,454, and its contribution to the consolidated profit for the year would have been $1,421. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2010.

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

5. ACQUISITIONS (CONTINUED)

(c) Business combinations (continued)

The Trust incurred acquisition related costs of $568 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in Trust administration expenses in the Trust's consolidated statement of comprehensive income for the year ended December 31, 2010.

6. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	December 31, 2011	December 31, 2010
Balance beginning of year	592	3,800
Additions :		
Acquisition through business combinations (**note 5**)	---	500
Capital expenditures	3,341	2,510
Capitalized leasing fees	---	403
Capitalized lease incentives	---	451
Net transfer to investment properties	---	(7,072)
Balance end of year	**3,933**	**592**

(a) Property under development

As at January 1, 2010, in the context of a signature of a long term lease, the Trust began the redevelopment of an investment property that had become vacant. The redevelopment was completed in July 2010.

(b) Land held for development

The Trust is currently developing lands adjacent to an existing investment property located in Québec City. The Trust has a 25 percent interest in this jointly controlled asset.

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

7. PROPERTY AND EQUIPMENT

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Total
Cost				
Balance at January 1, 2010	494	1,651	71	**2,216**
Additions	---	5	6	**11**
Acquisitions through business combinations	---	---	107	**107**
Balance at December 31, 2010	494	1,656	184	**2,334**
Additions	---	59	57	**116**
Disposals	---	---	(112)	**(112)**
Balance at December 31, 2011	494	1,715	129	**2,338**

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Total
Depreciation				
Balance at January 1, 2010	---	85	42	**127**
Depreciation for the year	---	47	38	**85**
Balance at December 31, 2010	---	132	80	**212**
Depreciation for the year	---	55	34	**89**
Disposals	---	---	(50)	**(50)**
Balance at December 31, 2011	---	187	64	**251**

For the years ended December 31, 2011 and 2010
(in thousands of CAD dollars, except per unit amounts)

7. Property and equipment (continued)

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Total
Net book value				
At January 1, 2010	494	1,566	29	**2,089**
At December 31, 2010	494	1,524	104	**2,122**
At December 31, 2011	494	1,528	65	**2,087**

8. Receivables

	December 31, 2011	December 31, 2010	January 1, 2010
Rent receivables	2,715	1,965	822
Provision for doubtful accounts	(152)	(146)	(180)
Net receivables	2,563	1,819	642
Other receivables	5	19	10
Total	**2,568**	**1,838**	**652**

9. Others Assets

	December 31, 2011	December 31, 2010	January 1, 2010
Prepaid expenses	3,173	2,898	1,883
Deposits	347	338	730
	3,520	**3,236**	**2,613**

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

10. MORTGAGE LOANS PAYABLE

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $337,183 as at December 31, 2011 (December 31, 2010 – $281,127; January 1, 2010 - $206,700).

	December 31, 2011	December 31, 2010	January 1, 2010
Fixed rate mortgages loans payable	209,848	180,633	141,840
Floating rate mortgages loans payable	3,150	325	3,743
Unamortized financing costs	(853)	(485)	(633)
Mortgages loans payable	212,145	**180,473**	**144,950**
Weighted average interest rate	**5.27%**	**5.63%**	**5.84%**
Weighted average term to maturity	**2.74**	**2.62**	**3.52**
Annual rates ranging	**3.50% - 8.50%**	**3.32% - 8.00%**	**3.00 % - 8.00%**

As at December 31, 2011, mortgage loan scheduled repayments are as follows:

	Scheduled Repayments	Principal maturity	Total
2012	4,652	56,892	61,544
2013	4,300	23,646	27,946
2014	3,316	40,088	43,404
2015	2,764	12,857	15,621
2016	2,296	51,010	53,306
Thereafter	182	10,995	11,177
	17,510	**195,488**	**212,998**
Unamortized financing costs			(853)
			212,145

BTB REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010
(in thousands of CAD dollars, except per unit amounts)

11. Convertible Debentures

As at December 31, 2011, the Trust had three series of convertible debentures outstanding

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
Series B	13,020	8.50%	12,70%	$2.30	Semi-annual	March 2013
Series C	23,000	8.00%	10.72%	$1.00	Semi-annual	January 2016
Series D	23,000	7.25%	10.03%	$1.22	Semi-annual	July 2018

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

	Series B	Series C	Series D
Non-derivative liability component	12,339	21,592	21,346
Conversion option liability component	681	1,408	1,654
	13,020	**23,000**	**23,000**

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

December 31, 2011	Series B	Series C	Series D	TOTAL
Non-derivative liability component upon issuance	12,339	21,592	21,346	55,277
Accretion of liability component	479	225	83	787
	12,818	21,817	21,429	56,064
Unamortized financing costs	(324)	(1,368)	(1,434)	(3,126)
Non-derivative liability component	**12,494**	**20,449**	**19,995**	**52,938**
Conversion option liability component	**---**	**3,307**	**2,949**	**6,256**

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

11. CONVERTIBLE DEBENTURES (CONTINUED)

December 30, 2010	Series A	Series B	TOTAL
Non-derivative liability component upon issuance	11,381	12,339	23,720
Accretion of liability component	1,223	334	1,557
	12,604	12,673	25,277
Unamortized financing costs	(180)	(583)	(763)
Non-derivative liability component	**12,424**	**12,090**	**24,514**
Derivative financial instrument component	**---**	**115**	**115**

Series A

In October 2006, the Trust issued Series A subordinated convertible, redeemable, unsecured debentures bearing 8% interest payable semi-annually which were repaid at maturity in October 2011, in the amount of $12,883.

Series B

In March 2008, the Trust issued Series B subordinated convertible, redeemable, unsecured debentures, bearing 8.5% interest payable semi-annually and maturing in March 2013, in the amount of $13,020. The debentures are convertible at the holder's option at any time before March 2013, at a conversion price of $2.30 per unit ("Series B Conversion Price").

As of March 31, 2011, but before March 31, 2012, under certain conditions, the debentures may be redeemed by the Trust at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the average weighted price based on the volume of units traded on the TSX Venture Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advance notice of redemption is given (the "current market price") is at least 150% of the conversion price. As of March 31, 2012, but before March 31, 2013, under certain conditions, the debentures may be redeemed 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, provided that the current market price on the day prior to the date on which the notice of redemption is given is at least 125% of the conversion price.

At the Trust's option, Series B debentures may be redeemed in Trust units at maturity.

11. Convertible Debentures (continued)

Series C

In January 2011, the Trust issued Series C subordinated convertible, redeemable, unsecured debentures bearing 8% interest payable semi-annually and maturing in January 2016, in the amount of $23,000. The debentures are convertible at the holder's option at any time before January 2016, at a conversion price of $1.00 per unit ("Series C Conversion Price").

Debentures are not redeemable before January 31, 2014, except in the case of a change in control. As of January 31, 2014, but before January 31, 2015, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the TSX Venture Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of January 31, 2015, but before January 31, 2016, under certain conditions, the debentures will be redeemed 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, provided that the current market price on the day prior to the date on which the notice of redemption is given is at least 95% of the conversion price.

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 $1.22 per unit ("Series D Conversion Price").

Debentures are not redeemable before July 31, 2014, except in the case of a change in control. As of July 31, 2014, but before July 31, 2016, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the TSX Venture 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 redeemed 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, provided that the current market price on the day prior to the date on which the notice of redemption is given is at least 95% of the conversion price.

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

12. Unit-Based Compensation And Warrants

(a) Unit-based compensation

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 TSX Venture 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.

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

	December 31, 2011	December 31, 2010
Unit-based compensation expense	65	20
Liability recognized for unit-based compensation	98	33
Unit options granted	540,000	---
Unit option holding period (years)	4-5	---
Volatility rate	46.5%	---
Distribution yield	9.0%	---
Risk-free interest rate	1.0% - 1.3%	---

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

Grant date	Number of units	Maturity date	Exercise price
April 2, 2007	100,000	April 1, 2012	$ 2.65
June 15, 2007	1,520,000	June 15, 2012	$ 2.76
September 8, 2008	595,000	September 8, 2013	$ 1.11
March 25, 2011	50,000	March 21, 2016	$ 0.92
June 22, 2011	440,000	May 26, 2015	$ 0.90
July 11, 2011	50,000	July 11, 2016	$ 0.95
	2,755,000		**$ 2.04**

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

12. UNIT-BASED COMPENSATION AND WARRANTS (CONTINUED)

(a) Unit-based compensation (continued)

	December 31, 2011		December 31, 2010	
	Units options	**Weighted average exercise price**	**Units options**	**Weighted average exercise price**
Outstanding, beginning of year	2,785,000	$ 2.26	2,785,000	$ 2.26
Granted	540,000	$ 0.91	---	---
Exercised	---	---	---	---
Forfeited/Cancelled	(570,000)	$ 2.04	---	---
Outstanding, end of year	**2,755,000**	**$ 2.04**	**2,785,000**	**$ 2.26**
Options vested	**2,730,000**	**$ 2.05**	**2,735,000**	**$ 2.25**
Weighted average remaining life (years)		**1.33**		**1.50**

(b) Warrants

The Trust has provided to a lender 2,500,000 warrants to acquire trust units at as compensatory payout for the acquisition line of credit (**note 13**). The warrants mature on June 1, 2012 and have a strike price of $0.7644. Under certain conditions, the Trust will have the option of renewing the acquisition line of credit for one year. If the loan is renewed, the lender's warrants will be exercisable until May 31, 2013.

The warrants have a fair value of $265 at December 31, 2011 (December 31, 2010 – $252). The related expenses recorded in profit and loss amount to $13 for the year ending at December 2011 (December 31, 2010 - $252).

13. Bank Loans

The Trust has access to an acquisition line of credit in the amount of $25,000 maturing in June 2012. The line of credit is guaranteed by mortgages against properties held by the Trust. This facility bears interest at the highest of 10.5% per year or TD Canada Trust's prime rate plus 5% per year.

As at December 31, 2011, no amount was drawn under the acquisition line of credit (December 31, 2010 - $22,850; January 1, 2010 - $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 1% above the base rate. This credit facility is secured by an immoveable hypothec on two properties having a value of $4,711. As at December 31, 2011, no amount was due under the credit facility (December 31, 2010 - $Nil; January 1, 2010 - $720).

14. Trusts 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 at December 31, 2010 and 2011 in accordance with IAS 32. Prior to June 29 2010 BTB's trust units did not meet the conditions of IAS 32 and were therefore classified and accounted for as liabilities.

In April 2011, the Trust completed a public issue of 22,298,000 units, excluding the over-allotment option, for total net proceeds of $18,771.

In November 2010, the Trust completed a public issue of 18,000,000 units, including an over-allotment option, for total net proceeds of $11,059.

Trust units issued and outstanding are as follows:

For the years ended December 31, 2011 and 2010
(in thousands of CAD dollars, except per unit amounts)

14. Trusts Units Issued And Outstanding (continued)

	December 31, 2011		December 31, 2010	
	Units	$	Units	$
Units outstanding, beginning of period	51,691,725	80,679	33,691,725	69,620
Issue pursuant to a public issue	22,298,000	20,068	18,000,000	12,060
	73,989,725	100,747	51,691,725	81,680
Unit issue costs		(1,297)		(1,001)
Issue pursuant to the distribution reinvestment plan	64,225	53	---	---
Units outstanding, end of period	**74,053,950**	**99,503**	**51,691,725**	**80,679**

Distribution reinvestment plan

BTB offers a distribution reinvestment plan for its trust unit holders. Participation in the plan is optional and under the terms of the plan, cash distributions on trust unit are used to purchase additional trust units. The trust units are issued from BTB's treasury at an average market price based on the last five trading days before the distribution date, with a discount of 5%. During the year, a total of 64,225 trust units were issued from BTB's treasury (2010 – Nil) under the distribution reinvestment plan.

15. Rental Income

For the year ended December 31,	2011	2010
Rental income contractually due from tenants	41,825	34,561
Lease incentive amortization	(864)	(426)
Straight-line lease adjustment	498	460
	41,459	**34,595**

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

16. Finance Costs

For the year ended December 31,	2011	2010
Interest on mortgage loans payable	10,515	9,305
Interest on convertible debentures	4,437	2,137
Interest on bank loans	361	1,642
Accretion of non-derivative liability component of convertible debentures	731	472
Accretion of effective interest on mortgage loans payable, bank loans and convertible debentures	1,528	1,170
Net adjustment to fair value of derivative financial instruments	3,092	(114)
	20,664	**14,612**

17. Operating Lease Income

The Trust as lessor has entered into leases on its property portfolio. Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2011 are as follows:

	December 31, 2011
Within one year	26,039
Over one year but within five years	70,153
Over five years	33,230
	129,422

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

18. Earnings Per Unit

BTB's trust units are required to be accounted for as financial liabilities and, therefore, are not equity instruments for which a profit or loss per unit is required to be presented. Accordingly, the Trust does not report a profit or loss per unit figure on its consolidated statements of income and 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*, as if BTB's trust units been presented as equity.

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

For the year ended December 31,	2011	2010
Net income	7,450	7,710
Weighted average number of units outstanding - basic	68,493,576	35,762,958
Earnings per unit - basic	**0.11**	**0.22**

19. 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 operation and development, while maximizing returns for unitholders while 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.

The Trust's capital is as follows:

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

19. Capital management (continued)

	December 31, 2011	December 31, 2010	January 1,2010
Mortgage loans payable[1]	212,998	180,958	144,950
Convertible debentures[1]	59,020	25,903	23,544
Bank loans[1]	---	22,850	720
Net assets attributable to Unitholders	---	---	69,620
	272,018	**229,711**	**238,834**
Unitholders' equity	76,640	55,997	(30,796)
	348,658	**285,708**	**208,038**

(1) Excluding issue costs

The trust agreement states that the Trust cannot incur a new debt if such debt would cause the Trust's total debt, excluding convertible debentures, to exceed 75% of the gross carrying amount of its investment properties and other assets.

	December 31, 2011	December 31, 2010
Total debt / gross asset value ratio	75.7%	78.4%
Debt [2] / gross asset value ratio	59.3%	69.5%

(2) Excluding convertible debentures

19. Capital management (continued)

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

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

(a) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates this risk by varying its tenant mix and staggering lease terms; avoiding dependence on a single tenant for a significant portion of the Trust's operating revenues and conducting credit assessments for all major new tenants. The Trust analyzes its trade receivable on a regular basis and records a provision for doubtful accounts when there is a significant risk of non-recovery. As at December 31, 2011, overdue rent receivable amounted to $653, of which a provision for doubtful account of $152 has been recorded. Management fully expects to recover the amounts not provisioned as all leases agreement 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.

19. Capital management (continued)

(b) Interest rate risk

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

Except for two mortgage loans outstanding of $3,150 as at December 31, 2011, all other mortgage loans payable and convertible debentures bear interest at fixed rates, accordingly 100-basis point increase or decrease in the average interest rate for the fiscal year, assuming that all other variables remain constant, would not have a significant impact on the Trust's comprehensive income for the year ended December 31, 2011.

(c) Liquidity risk

Liquidity risk is managed by:

- maximizing cash flows from operations;
- adopting an investment property acquisition and improvement program that takes account of available liquidity;
- using credit facilities on the market;
- staggering mortgage loan maturities;
- maximizing the value of investment properties, thus increasing mortgage financing on renewal of loans; and
- issuing debt securities or Fund 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, 2011, the Trust was in compliance with all the covenants to which it was subject.

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

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

19. CAPITAL MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

			As at December 31, 2011					
			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2012	2013	2014	2015	2016	2017 and there-after
Accounts payable and accrued liabilities	10,596	10,596	10,596	---	---	---	---	---
Mortgage loans and convertible debentures	265,083	319,190	76,482	51,736	51,251	22,247	80,454	37,020
	275,679	**329,786**	**87,078**	**51,736**	**51,251**	**22,247**	**80,454**	**37,020**

			As at December 31, 2010					
			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2011	2012	2013	2014	2015	2016 and there-after
Accounts payable and accrued liabilities	9,179	9,179	9,179	---	---	---	---	---
Mortgage loans, convertible debentures and bank loans	227,182	257,874	84,116	62,702	44,113	41,062	14,463	11,418
	236,361	**267,053**	**93,295**	**62,702**	**44,113**	**41,062**	**14,463**	**11,418**

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

19. CAPITAL MANAGEMENT (CONTINUED)

(d) Fair value risk

The fair value of the Trust receivables, trade and other payables and distributions payable to unitholders, approximated their carrying amount as at December 31, 2011 because of their short-term maturity.

The fair value of mortgage loans was calculated by discounting cash flows from financial obligations using the year end market rate for various loans with similar risk and credit profiles. Using these assumptions, the estimated fair value of mortgage loans on December 31, 2011 amounted to $216,657 (December 31, 2010 - $185,153; January 1, 2010 - $137,323).

The fair value of debentures including the conversion feature was determined by their year end market value. Using these value, the fair value of debentures including the conversion feature on December 31, 2011 amounted to $56,820 (December 31, 2010 - $25,721; January 1, 2010 - $25,126).

The Trust uses a fair value hierarchy to categorize the type of valuation techniques from which fair value are derived. The different levels of the hierarchy are; quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).The fair values of conversion option liability and warrants were estimated using internal models without observable market information as inputs (Level 3). Using these models, the estimated fair values of conversion option liability on December 31, 2011 amounted to $6,256 (December 31, 2010 - $115; January 1, 2010 - $111) and of warrants on December 31, 2011 amounted to $265 (December 31, 2010 - $252; January 1, 2010 – $Nil)

A sensitivity analysis has been performed for the fair values of conversion option liability and warrants. The table below summarize the results obtained:

	Conversion option liability	Warrants
Fair value	6,256	265
Variation in unit price at year end		
+0.05$	6,939	373
-0.05$	4,759	173

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

20. Subsidiaries, jointly controlled assets and jointly controlled entities

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

Entity	Type	Relationship
BTB Real Estate Investment Trust ("BTB REIT")	Trust	Parent
BTB, Fiducie d'acquisitions et d'exploitation ("BTB FA&E")	Trust	100% owned by BTB REIT
Gestion immobilière BTB Inc.	Corporation	100% owned by BTB FA&E
Corporation immobilière Cagim ("CIC")	Corporation	100% owned by BTB FA&E
Lombard SEC	Partnership	99,9% owned by BTB FA&E 0.01% owned by CIC
Place d'affaire Lebourgneuf Phase II, SENC ("PAL II")	Partnership	99,9% owned by BTB FA&E 0.01% owned by CIC
Société immobilière Cagim, SEC	Partnership	70,4% owned by BTB FA&E 29,5% owned by PAL II 0,01% owned by CIC
Complexe Lebourgneuf Phase II Inc.	Corporation	25% owned by BTB FA&E

(a) Jointly controlled entities

The Trust has an investment in a joint venture that is a jointly controlled entity. This joint venture holds a single commercial property under development and a related mortgage. As at December 31, 2011, the Trust has an interest of 25% in the following jointly controlled property holding entity: Complexe Lebourgneuf Phase II Inc.

(b) Jointly controlled assets

The Trust, via one of its nominee entities, has an interest in a property that is subject to joint control and accordingly, the Trust has recorded its proportionate share of the related assets, liabilities, revenue and expenses of the property. As at December 31, 2011, the Trust has an interest of 50% in the following jointly controlled asset: Immeuble BTB/Laplaine.

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

20. SUBSIDIARIES, JOINTLY CONTROLLED ASSETS AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The consolidated financial statements include the Trust's proportionate share of the assets, liabilities, revenue and expenses of these two joint ventures.

	December 31, 2011	December 31, 2010
Assets:		
Non-current	19,050	2,240
Current	544	25
Liabilities:		
Non-current	10,294	1,300
Current	3,904	165
Revenues	164	---
Expenses	32	---

21. 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), valuations gains/losses and the net value of investment properties. The individual investment properties are aggregated into segments with similar economic characteristics. The CEO considers that this is best achieved by aggregating into commercial, office, industrial and general purpose segments.

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

- Commercial segment
- Office segment
- Industrial segment
- General purpose
-

For the years ended December 31, 2011 and 2010
(in thousands of CAD dollars, except per unit amounts)

21. Operating Segments (continued)

December 31, 2011	Commercial	Office	Industrial	General purpose	Total
Investment properties	70,175	152,600	53,269	67,339	**343,383**
Investment properties under development	---	3,933	---	---	**3,933**
Rental revenue from property	7,630	20,857	3,493	9,479	**41,459**
Net operating income	4,988	9,987	2,565	4,572	**22,112**

December 31, 2010	Commercial	Office	Industrial	General purpose	Total
Investment properties	65,960	128,760	27,230	61,145	**283,095**
Investment properties under development	---	592	---	---	**592**
Rental revenue from property	6,139	16,081	3,294	9,081	**34,595**
Net operating income	4,288	8,121	2,383	4,564	**19,356**

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

22. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the year ended December 31,	**2011**	**2010**
Salaries and short-term benefits	1,312	999
Unit-based compensation	101	---
Total	**1,413**	**999**

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

23. Subsequent Events

In February 2012, the Trust completed a public issue of 18,750,750 units, including an over-allotment option, for total estimated net proceeds of $16,174.

In March 2012, the Trust proceeded to the sale of a commercial investment property for a selling price of $1,275.

In March 2012, a lender has exercised all of its warrants to purchase 2,500,000 units of the Trust at a price of 0.7644 per unit, for gross proceeds of $1,911.

24. Explanation Of Transition to IFRS

As stated in **note 2(a)**, these are the Trust's first consolidated annual financial statements prepared in accordance with IFRSs.

The accounting policies set out in **note 3** have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010.

In preparing its opening IFRS statement of financial position, the Trust has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRSs has affected the trust's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

In preparing these consolidated financial statements in accordance with IFRS 1, the Trust is required to retrospectively apply all IFRS standards as of the reporting date with certain optional exemptions and certain mandatory exemptions.

The Trust elected to apply the following optional exemptions from full retrospective application:

(a) Business combination exemption:

The Trust has elected to not apply the requirements of IFRS 3 *Business combination* retrospectively to business combinations that occurred prior to the date of transition. Under the business combinations exemption, the carrying amounts of the assets acquired and liabilities assumed under previous Canadian GAAP at the date of the acquisition became their deemed carrying amounts under IFRS at that date. The application of the exception resulted in no changes to the carrying amounts of assets and liabilities at the date of transition.

(b) Designation of financial assets and financial liabilities exemption:

The Trust elected to re-designate cash and cash equivalents from the held-for-trading category to loans and receivables. As required by IFRS 1, the mandatory exemption requires that estimates made under IFRS at the date of transition must be consistent with estimates made for the same date under previous Canadian GAAP, except when necessary to reflect differences in accounting policies or if there is evidence that those estimates were in error.

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

24. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

STATEMENT OF FINANCIAL POSITION

Description under previous Canadian GAAP	Notes	Previous GAAP	Effect of transition to IFRSs	IFRSs	Description under IFRS
		January 1st, 2010			
ASSETS					
Income producing properties	1	-	204,950	204,950	Investment properties
Buildings	1c)	163,437	(163,437)	-	
Land	1	39,676	(39,676)	-	
Intangible assets	1d)	8,252	(8,252)	-	
Properties under development	1a)	4,224	(424)	3,800	Investment properties under development
Property and equipment		29	2,060	2,089	Property and equipment
		215,618	(4,779)	210,839	
Capitalized leasing costs, deposits and other assets	1e), 3	2,821	(2,821)	-	
Prepaid expenses	3	1,883	730	2,613	Other assets
Accounts receivable	2	1,570	(918)	652	Receivables
Cash and cash equivalents		376	-	376	Cash and cash equivalents
		6,650	(3,009)	3,641	
TOTAL ASSETS		**222,268**	**(7,788)**	**214,480**	

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

24. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

STATEMENT OF FINANCIAL POSITION

Description under previous Canadian GAAP	Notes	Previous GAAP	Effect of transition to IFRSs	IFRSs	Description under IFRS
		January 1st, 2010			
LIABILITIES AND UNITHOLDERS' EQUITY					
Mortgage loans payable		144,950	-	144,950	Mortgage loans payable
Convertible debentures		23,544	-	23,544	Convertible debentures
Bank loans		720	-	720	Bank loans
	6	-	111	111	Derivative financial instrument
	5	-	13	13	Unit-based compensation and warrants
Accounts payable and accrued liabilities		6,092	-	6,092	Trade and other payables
Distributions payable to unitholders		226	-	226	Distributions payable to unitholders
	4		69,620	69,620	Net assets attributable to Unitholder
		175,532	69,744	245,276	
EQUITY					
Unitholders' contributions	4	69,620	(69,620)	-	Unitholders' contributions
Cumulative loss		(7,696)	(23,100)	(30,796)	Cumulative loss
Cumulative distributions	4	(17,538)	17,538	-	Cumulative distributions
Contributed surplus	5, 6	2,350	(2,350)	-	
		46,736	(77,532)	(30,796)	
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		**222,268**	**(7,788)**	**214,480**	

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

24. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

STATEMENT OF FINANCIAL POSITION

Description under previous Canadian GAAP	Notes	Previous GAAP	Effect of transition to IFRSs	IFRSs	Description under IFRS
		December 31, 2010			
ASSETS					
Income producing properties	1	-	283,095	283,095	Investment properties
Buildings	1c)	212,214	(212,214)	-	
Land	1	50,330	(50,330)	-	
Intangible assets	1d)	8,329	(8,329)	-	
Properties under development	1a)	-	592	592	Investment properties under development
		-	2,122	2,122	Property and equipment
		270,873	14,936	**285,809**	
Capitalized leasing costs, deposits and other assets	1e), 3	6,770	(6,770)	-	
Prepaid expenses	3	2,898	338	3,236	Other assets
Accounts receivable	2	3,200	(1,362)	1,838	Receivables
Cash and cash equivalents		1,875	-	1,875	Cash and cash equivalents
		14,743	(7,794)	6,949	
TOTAL ASSETS		**285,616**	**7,142**	**292,758**	

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

24. Explanation Of Transition to IFRS (continued)

Statement of Financial Position

Description under previous Canadian GAAP	Notes	Previous GAAP	Effect of transition to IFRSs	IFRSs	Description under IFRS
		December 31, 2010			
LIABILITIES AND UNITHOLDERS' EQUITY					
Mortgage loans payable		180,473	-	180,473	Mortgage loans payable
Convertible debentures		24,514	-	24,514	Convertible debentures
Bank loans		22,195	-	22,195	Bank loans
	6	-	115	115	Derivative financial instrument
	5	-	285	285	Unit-based compensation and warrants
Accounts payable and accrued liabilities		8,833	-	8,833	Trade and other payables
Distributions payable to unitholders		346	-	346	Distributions payable to unitholders
	4	-	-	-	Net assets attributable to Unitholder
		236,361	400	236,761	
EQUITY					
Unitholders' contributions	4	80,679	-	80,679	Unitholders' contributions
Cumulative loss		(13,669)	(9,417)	(23,086)	Cumulative loss
Cumulative distributions	4	(20,487)	18,891	(1,596)	Cumulative distributions
Contributed surplus	5, 6	2,732	(2,732)	-	
		49,255	6,742	55,997	
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		**285,616**	**7,142**	**292,758**	

BTB REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010
(in thousands of CAD dollars, except per unit amounts)

24. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME

Description under previous Canadian GAAP	Notes	Previous GAAP	Effect of transition To IFRSs	IFRSs	Description under IFRS
		December 31, 2010			
Operating revenues:					**Operating revenues:**
Rental revenue from income producing properties	1b)	34,153	442	34,595	Rental revenue from property
Operating expenses:					**Operating expenses:**
Operating costs		5,981	-	5,981	Operating costs
Property taxes and public utilities		9,258	-	9,258	Property taxes and public utilities
		15,239	-	15,239	
Operating income from income producing properties before the undernoted items		**18,914**	**442**	**19,356**	**Net operating income**
Financial expenses	5, 6	14,680	(68)	14,612	Finance costs
		-	(46)	(46)	Finance income
Amortization of building and improvements	1c)	4,960	(4,960)	-	
Amortization of intangible assets	1d)	2,397	(2,397)	-	
Amortization of capitalized leasing costs, deposits and other assets	1e)	655	(655)	-	
Operating losses from income producing properties		**(3,778)**			
Trust administration expenses	7	1,914	942	2,856	Trust administration expenses
Settlement of a dispute		268	(268)	-	
Unit-based compensation	5	13	(13)	-	
	4	-	1,354	1,354	Distributions expense
	1a)	-	(7,130)	(7,130)	Net adjustment to fair value of Investment properties
Net (loss) and comprehensive income		**(5,973)**	**13,683**	**7,710**	**Net comprehensive income**

24. Explanation Of Transition to IFRS (continued)

NOTES TO THE RECONCILIATIONS

1) Investment Properties

The Trust's income properties and properties under development recognized under previous Canadian GAAP meet the definition of investment properties under IFRS, with the exception of the building partially owner-occupied which is accounted as a property and equipment.

Under IAS 40 *Investment Property*, the Trust must account for its investment properties using either the cost model or the fair value model. The Trust has elected to recognize investment properties at fair value under which any gain or loss arising from a change in the fair value of an investment property is recognized in profit or loss for the period in which it arises. Under previous Canadian GAAP investment property was measured on a depreciated cost basis and classified as Buildings and Land or properties under development.

As a result of the adoption of the fair value method, the consolidated financial statements have been impacted as follows:

(a) Net increase (decrease) in investment properties of $(7,351) at January 1, 2010 and $7,130 December 31, 2010 and in investment properties under development of $(424) and $nil respectively.

(b) *Reversal of amortization of the value attributable to leases which are not at market terms*: Under previous Canadian GAAP, operating revenues include amortization of an adjustment recorded at the time of acquisition, for the value of leases which are not at market terms. Under IFRS, the value attributable to leases which are not at market terms is incorporated in the fair value of the investment property. The impact arising from the change is a net increase in rental revenue of $839 for the year ended December 31, 2010.

(c) *Reversal of amortization of buildings and improvements*: Investment properties are measured at fair value in accordance with IAS 40. Therefore investment properties are not depreciated. The impact arising from the change is a decrease in amortization of buildings and improvements of $4,919 for the year ended December 31, 2010. The balance of amortization expense applies to the owner-occupied building was reclassified in the Trust administration expenses.

24. Explanation Of Transition to IFRS (continued)

1) Investment Properties (continued)

(d) *Reversal of amortization of intangible and other assets:* Under previous Canadian GAAP, income producing properties included an intangible asset component representing the acquisition costs of in-place operating leases and client relationships, which were amortized over the terms of the related leases or the expected lengths of the client relationships. Under IFRS, such intangibles are incorporated in the fair value of the investment property. The impact arising from the change is a decrease in amortization of intangible of $2,397 for the year ended December 31, 2010.

(e) *Reversal of capitalized leasing costs:* Under previous Canadian GAAP, capitalized rental costs which included rental expenses such as lease incentives and leasing fees were amortized under the straight-line method over the related lease terms.

(i) Under IFRS, leasing fees are incorporated in the fair value of the investment property. As a result, upon initial adoption of IFRS, the balance of capitalized rental costs representing leasing fees in the amount of $689 at January 1, 2010 and $2,079 at December 31, 2010 have been written off against cumulative loss, resulting in no amortization of the related balances on a go forward basis. The impact arising from the change is a decrease in amortization of capitalized rental costs of $195 for the year ended December 31, 2010

(ii) Under IFRS, lease incentives costs (including tenant improvements) are recognized as a reduction of rental revenues over the lease term. The amount of capitalized rental costs representing lease incentives has been included in the carrying amount of the investment property. The impact arising from the change is a decrease in amortization of capitalized rental costs of $397 with a corresponding decrease in rental revenues for the year ended December 31, 2010.

2) Receivables

The Trust includes in the fair value of investment properties revenue from operating leases recognized on a straight-line basis. The impact arising from the change is a decrease in trade receivables of $918 as of January 1st, 2010 and $1,362 at December 31, 2010.

24. Explanation Of Transition to IFRS (continued)

3) Other Assets

Deposits which were previously presented with Capitalized rental costs and other assets under GAAP, is now presented with prepaid expense within Other assets. The impact was a reclassification of $2,821 for January 1, 2010 and $6,770 for December 31, 2010.

4) Trust Units

As outlined in **note 3(b)**, prior to June 29, 2010 BTB's trust units did not meet the conditions of IAS 32 and were therefore classified and accounted for as liabilities. Distributions prior to June 29 2010 have been expensed resulting in an increase in distribution to unitholders of $1,354 for the year ended December 31, 2010. The balance of cumulative distributions in the amount of $17,538 at January 1, 2010 and $20,487 at December 31, 2010 has been transferred to cumulative loss.

On and after June 29 2010 BTB's trust units met the conditions of IAS 32 for equity presentation and therefore distributionto unitholders were accounted for as equity.

5) Unit Based-Compensation and Warrants

The Trust’s unit-based compensations are considered liabilities under which the liability at each reporting date is recognized over the vesting period. Under previous Canadian GAAP unit-based compensation was considered an equity award and was recognized over the vesting period of the related grant (during the acquisition of rights). The impact arising from the change is an increase in Unit-based compensation of $7 for the year ended December 31, 2010 and increase in unit-based compensation on the statement of financial position of $13 as at January 1, 2010 and $33 at December 31, 2010 and also contributed surplus in the amount of $167 was adjusted against cumulative loss at January 1, 2010, and $167 at December 31, 2010

Under IFRS, the warrants are considered liabilities with changes in fair value recognized in profit and loss. Under previous Canadian GAAP, warrants were equity classified. The impact arising from the change is decrease in contributed surplus in the amount of $369 at December 31, 2010 and a gain from change in the fair value of $117 for the year ended December 31, 2010.

24. Explanation Of Transition to IFRS (continued)

6) Convertible Debentures

As outlined in **note 3(b)**, under IFRS, conversion options on puttable instruments are considered to be liabilities. As such, the conversion options of the convertible debt are treated as a derivative instruments with changes in fair value recognized in profit or loss. Under previous Canadian GAAP the conversion option was recognized in Unitholder's equity and was not remeasured. This portion in the amount of $2,183 at January 1, 2010 and at December 31, 2010 was reclassified into liabilities under IFRS; and the impact in profit or (loss) from the changes in fair value was a loss of $4 for the year ended December 31, 2010.

7) Business Combinations

For business combinations after the date of transition, the Trust has applied IFRS 3 *Business Combinations.* Under IFRS, acquisition-related costs are expensed as incurred under IFRS while under previous Canadian GAAP these amounts were included in the cost of acquisition.

The impact arising from this change is an increase in Trust administration expenses of $568 for the year ended December 31, 2010.

8) Consolidated Statements of Cash flows

Material adjustments to the consolidated statements of cash flows for the year ended December 31, 2010:

IFRS require cash flows from interest and distributions received and paid, to be disclosed directly in the statement of cash flows. Under Canadian GAAP, the Trust disclosed interest paid in the notes to the financial statements. This has resulted in a change to the presentation of the statements of cash flows for all periods presented in these financial statements.

Fair value adjustments on investment properties and derivative financial instruments that were not recorded under Canadian GAAP are also added back to the consolidated statements of cash flows.

There are no other material differences between the consolidated statements of cash flows presented under IFRS and the consolidated statements of cash flows presented under Canadian GAAP.