BTB

BTB Real Estate Investment Trust

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2011

MARCH 28, 2012

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INTRODUCTION

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the year ended December 31, 2011 as well as its financial position on that date. The report also presents the Trust's business strategies and the risk exposure it faces. This MD&A dated March 28, 2012 should be read together with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2011. It discusses any significant information available up to the date of this MD&A. The Trust's consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB"). **Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts.** Per unit amounts are calculated using the weighted average number of Trust units outstanding for the periods and the years ended December 31, 2011 and 2010. Additional information about the Trust, including the 2011 Annual Information Form, is available on the Canadian Security Administrators ("CSA") website at: www.sedar.com.

The audit committee and the Trust's board of trustees have approved the contents of this Management Discussion and Analysis and the annual financial statements.

FORWARD-LOOKING STATEMENTS CAVEAT

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make forward-looking statements in this MD&A, other filings with Canadian regulators, reports to unitholders and other communications. These forward-looking statements include statements regarding our 2012 and medium-term objectives, strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, forecasts, estimates and intentions. The words “may,” “could,” “should,” “outlook,” “believe,” “plan,” “forecast,” “estimate,” “expect,” “propose,” and the use of the conditional and similar words and expressions are intended to identify forward-looking statements.

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

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

NON-IFRS FINANCIAL MEASURES

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

These measures cannot be compared to similar measures used by other issuers. However, BTB presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, as revised in June 2010.

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

Fiscal 2011 Highlights

- Occupancy rate up from 90.0% as at December 31, 2010 to 91.1% as at December 31, 2011.
- Debt ratio down from 69.5% to 59.3%.
- Fourth straight year of lower weighted average interest rate on mortgage loans – down 35 basis points to 5.27% in 2011.
- 36.9% increase of unitholders' equity in 2011.
- 19.8% increase in rental revenue.
- 14.2% increase in net operating income.
- 22.6% increase in total assets.
- 14.1% increase in leasable area.

FISCAL 2011 HIGHLIGHTS

FIRST QUARTER

- On January 11, 2011, BTB issued, by way of public offering, $23 million in Series C 8% convertible debentures maturing on January 31, 2016, providing a net capital contribution of $21.5 million.

- On January 12, 2011, BTB repaid $12.8 million of the acquisition line of credit.

- On March 29, 2011, BTB issued, by way of public offering, 19,450,000 units at $0.90 per unit, providing a net capital contribution of more than $16.5 million.

- On March 30, 2011, final repayment of the remaining $10 million of the acquisition line of credit.

SECOND QUARTER

- On April 4, 2011, BTB acquired the remaining unowned portion of the "Complexe Lebourgneuf Phase I" property in Québec City for a net cost of $6.9 million after assumption of the mortgage.

- On April 6, 2011, BTB began, in a partnership, construction of Phase II of the Complexe Lebourgneuf in Québec City. At such date, Phase II was already almost 40% leased; its first tenants were welcomed in the fall of 2011.

- On April 14, 2011, the syndicate of underwriters exercised its overallotment option following the unit issue on March 29, 2011, for 2,848 000 units at $0.90 per unit, providing a net capital contribution of approximately $2.3 million.

THIRD QUARTER

- On July 13, 2011, BTB issued, by way of public offering, $23 million in Series D 7.25% convertible debentures maturing on July 31, 2018, providing a net capital contribution of $21.5 million.
- On August 16, 2011, BTB acquired a 50% interest in a 17,100-square-foot property, for $2.2 million. The property is fully leased under a 7-year lease with the Pharmaprix/Shoppers chain.

- Refinancing of the Complexe Lebourgneuf Phase I in Québec City, for $28 million, at a rate of 3.6% for five years, providing a net capital contribution of $3.5 million.

FOURTH QUARTER

- On October 3, 2011, BTB repaid in full the Series A 8% debentures in the amount of $12.9 million with the proceeds of Series D 7.25% debentures issued on July 13, 2011.

- On October 28, 2011, BTB acquired two industrial properties, 60,000 and 154,000 square feet respectively, at a cost of $12.2 million, fully-leased to a major Canadian doors and windows manufacturer. The capitalization rate of this transaction is 9.0%.

- On December 1, 2011, BTB acquired a fully-leased 75,000-square-foot industrial property located in Town of Mount-Royal, for an amount of $7.6 million. The capitalization rate of this transaction is 7.9%.

- On December 1, 2011, BTB entered into a $12.8 million 3.50% mortgage financing maturing in December 2016. The loan is secured by an immovable hypothec on three recently acquired industrial properties.

- On December 23, 2011, BTB acquired a fully- leased 80,000-square-foot industrial property located in Dorval, for a purchase price of $5.5 million, including $2.7 million through assumption of a mortgage loan and $2.8 million in cash. The capitalization rate of this transaction is 8.0%.

SUBSEQUENT EVENTS

- On February 16, 2012, BTB closed a bought deal of 18,750,750 units pursuant to a short form prospectus dated February 8, 2012. The proceeds of the placement, in the gross amount of $17.3 million, will be allocated to the future acquisition of accretive properties.

- On March 20, 2012, BTB sold a 30,750-square-foot commercial property for $1.3 million. This property was no longer in line with the Trust's development strategies.

- On March 28, 2012, Firm Capital Mortgage Fund exercised its 2,500,000 warrants at a price of $0.7644 per unit, providing a capital contribution of $1.9 million.

THE TRUST

BTB is an unincorporated open-ended real estate trust formed and governed under the laws of the Province of Québec pursuant to a trust agreement. BTB began its real estate operations on October 3, 2006 and to date, it has acquired and owns 54 commercial and industrial properties in primary and secondary markets. BTB has now become an important real estate owner in geographical markets east of Ottawa. The units and Series B, C and D convertible debentures are traded on the TSX Venture Exchange under the symbols "BTB.un", "BTB.DB.B", "BTB.DB.C" and "BTB.DB.D", respectively.

Most of the Trust's properties are managed internally, with 41 of the Trust's 55 properties entirely managed by the Trust's employees. Management's objective is to resume, when favourable circumstances prevail, internal management of the Trust's properties upon the expiry of agreements between the Trust and its external managers, thereby achieving savings in management and operating fees through centralized and improved property management.

The following table provides the total acquisitions of the Trust since its inception:

	Number of properties	Leasable area (sq. ft.)	Assets acquired at cost (thousands of $)
At December 31, 2011[(1)]	**54**	**3,271,583**	**342,434**

(1) These figures include a 50% interest in a 17,114-square-foot property in a Montreal suburb.

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

OBJECTIVES AND BUSINESS STRATEGIES

The objectives of BTB are as follows:

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

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

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

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

ADOPTION OF IFRS

As of January 1, 2011, the Trust is required to present its interim and annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), with comparative IFRS figures. IFRS are based on a conceptual framework similar to Canadian GAAP; however, significant differences exist in the recognition, measurement, presentation and disclosure for certain accounting items. The adoption of IFRS had a material impact on the consolidated statements of financial position (formerly called the balance sheet) and comprehensive income (formerly called the statement of income), but had no impact on the net cash flows reported by BTB. The Trust prepared an opening statement of financial position as at January 1, 2010 (changeover date) in accordance with IFRS, restated all 2010 operations based on the new standards and converted the balance sheet as at December 31, 2010 to an IFRS statement of financial position. Before the adoption of IFRS, the Trust's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The breakdown and reconciliation of conversion items are presented on pages 41 and following.

Highlights and selected financial information

Since the beginning of its real estate operations in October 2006, the Trust has acquired 55 properties generating, on an annualized basis, revenues of more than $44 million.

The following table presents highlights and selected financial information for the three-month periods and years ended December 31, 2011 and 2010:

Periods ended December 31 (in thousands of dollars, except ratios and per unit data)	Reference	Quarter		Year	
		2011	**2010**	2011	2010
Financial information					
Rental income	Page 13	**10,995**	9,433	**41,459**	34,595
Net operating income	Page 15	**5,432**	5,148	**22,122**	19,356
Net income	Page 18	**746**	2,197	**7,450**	7,710
Distributions	Page 19	**1,488**	919	**5,631**	2,950
Recurring funds from operations (FFO)	Page 21	**938**	539	**3,165**	3,130
Recurring adjusted funds from operations (AFFO)	Page 23	**1,136**	604	**3,948**	3,371
Investment properties	Page 25			**343,383**	283,095
Total assets	Page 25			**358,938**	292,758
Mortgages loans	Page 31			**212,145**	180,473
Convertible debentures	Page 32			**52,938**	24,514
Debt ratio - excluding convertible debentures	Page 35			**59,3%**	69,5%
Unitholders' equity	Page 36			**76,640**	55,997
Financial information per unit					
Weighted average number of units outstanding (in thousands)	Page 37	**74,008**	41,909	**68,494**	35,763
Net income	Page 18	**1.0¢**	5.2¢	**10.9¢**	21.5¢
Distributions	Page 19	**2.0¢**	2.0¢	**8.0¢**	8.0¢
Recurring FFO	Page 22	**1.3¢**	1.3¢	**4.6¢**	8.7¢
Recurring AFFO	Page 24	**1.5¢**	1.4¢	**5.8¢**	9.4¢
Taxation of distributions					
Revenue	Page 40	**0%**	0%	**0%**	0%
Tax deferred	Page 40	**100%**	100%	**100%**	100%
Operational information					
Number of properties	Page 26			**54**	49
Leasable area (in thousands of sq. ft.)	Page 26			**3,272**	2,866
Occupancy rate	Page 28			**91.1%**	90.0%
development					
Property under development				**1**	---
Estimated leasable area (in thousands of sq. ft.)				**143**	---

REAL ESTATE PORTFOLIO

BTB owns 54 properties at a total acquisition cost of approximately $342 million and representing a total leasable area of almost 3.3 million square feet. A concise description of the properties owned as at December 31, 2011 can be found in the Trust's 2011 Annual Information Form available at www.sedar.com. Properties acquired in 2012 are described in the "Real Estate Portfolio" section on page 25 of this MD&A.

PERFORMANCE INDICATORS

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

- Net operating income of the same-property portfolio, which provides an indication of the profitability of existing portfolio operations and BTB's ability to increase its revenues and reduce its operating costs;

- Funds from operations ("FFO") per unit: which provide an indication of BTB's ability to generate cash flow;

- Adjusted funds from operations ("AFFO") per unit, which takes into account rental fees and capital expenditures and which may vary substantially from one year to the next;

- The debt-equity ratio, which is used to assess the financial integrity of the Trust and its capacity for additional acquisitions.

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

OPERATING RESULTS

The table below summarizes financial results for the three-month periods and years ended December 31, 2011 and 2010. The table must be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31 (In thousands of dollars)	**Reference**	**Quarter**		**Year**	
		2011	**2010**	**2011**	**2010**
Rental income	Page 13	**10,995**	9,433	**41,459**	34,595
Operating expenses	Page 14	**5,563**	4,285	**19,347**	15,239
Net operating income	Page 15	**5,432**	5,148	**22,112**	19,356
Financial income		**(14)**	(29)	**(120)**	(46)
Financial expenses	Page 15	**8,662**	4,227	**20,664**	14,612
Trust administration expenses	Page 17	**725**	857	**2,766**	2,288
Distributions to unitholders	Page 19	**---**	---	**---**	1,354
Transaction costs – business combination		**---**	131	**---**	568
Fair value adjustment on investment properties	Page 17	**(4,687)**	(2,235)	**(8,648)**	(7,130)
Net income and comprehensive income	Page 18	**746**	2,197	**7,450**	7,710

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at December 31, 2009, but does not include the financial spin-offs of acquisitions and developments completed in 2010 and 2011

Non-recurring items

In the last quarter of 2011, management was informed that an exception to the Act respecting the Québec Sales Tax (QST) had apparently been misapplied and that over the last few years, the Trust had claimed a refund of non-deductible input credits.

Although a tax assessment has not yet been established, the Trust decided to incur an estimated amount to cover a possible assessment. The Trust believes that it will be able to recover a portion of these new expenses from tenants. As a result, the fourth quarter results reflect a retroactive expense for fiscal 2009 and 2010 and the first quarters of fiscal 2011. The net negative impact on net operating income is $353.

Prior period and prior year amounts	598
Non-recurring operating expenses incurred during the fourth quarter	598
Estimated amount recoverable from tenants	245
Non-recurring impact on net operating income	**(353)**

Rental income

Rental income for 2011 reflects the impact of changes related to the adoption of IFRS.

During the fourth quarter of 2011, the Trust's revenues increased about 16.6% compared to revenues for the fourth quarter of 2010 and 19.8% for fiscal 2011 compared to 2010. The increase mainly resulted from the contribution of acquisitions during the year.

Revenues from the same-property portfolio were stable during the fourth quarter ended December 31, 2011 compared to the same period of 2010, but generated a 1.2% increase in 2011. On August 31, 2011, the property at 7001 St-Laurent Boulevard was vacated, causing a $104 shortfall during the quarter. If not for this vacancy, the same-property portfolio would have increased 1.2% over the quarter and 1.6% over the year. As at the reference date, 60% of the property's area has been re-leased at more advantageous rates than previously.

Periods ended December 31 (In thousands of dollars)	Quarter			Year		
	2011	**2010**	**∆%**	**2011**	**2010**	**∆%**
Same-property portfolio - recurring	**7,928**	7,940	(0.2)	**31,190**	30,825	1.2%
Acquisitions and development	**3,067**	1,493	N/A	**10,269**	3,770	N/A
	10,995	9,433	16.6	**41,459**	34,595	19.8

Rental revenue includes amortization of the straight-line rental income adjustment and amortization of lease inducements, as shown in the table below.

Periods ended December 31 (In thousands of dollars)	Quarter		Year	
	2011	**2010**	**2011**	**2010**
Rental income on the basis of in-place leases	**11,172**	9,364	**41,825**	34,561
Straight-line rental income adjustment	**51**	214	**498**	460
Amortization of lease inducements	**(228)**	(145)	**(864)**	(426)
Rental revenue from investment properties	**10,995**	9,433	**41,459**	34,595

Operating revenues for fiscal 2010 have been restated in accordance with IFRS. The net transition impact was an increase attributable to the elimination of amortization of below-market leases, which are no longer amortized when the fair value method is used to measure investment properties, to the increase in amortization of accounts receivable derived from the recognition of leases on a straight-line basis due to the retrospective restatement required under the standard, and to the reclassification of amortization of lease inducements.

Operating expenses

The increase in operating expenses of 29.8% between the fourth quarter of 2010 and the fourth quarter of 2011 and of 27% for fiscal 2011 compared to 2010 was mainly due to fiscal 2011 acquisitions and a non-recurring expense of $598 related to the *Act respecting the Québec Sales Tax* for the quarter and the year. If not for this non-recurring expense, the increase would have been 15.9% for the fourth quarter and 23% for the year.

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2011	**2010**	**Δ%**	**2011**	**2010**	**Δ%**
Same-property portfolio	**3,745**	3,592	4.3	**14,506**	13,609	6.6
Acquisitions and development	**1,818**	693	N/A	**4,841**	1,630	N/A
	5,563	4,285	29.8	**19,347**	15,239	27.0

The table below shows the breakdown of operating expenses for the periods ended December 31, 2011 and 2010:

Periods ended December 31 (In thousands of dollars)	Quarter		Year	
	2011	**2010**	**2011**	**2010**
Operating expenses				
- Operating costs	**1,964**	1,774	**6,955**	5,981
- Property taxes and public utilities	**3,001**	2,511	**11,794**	9,258
Recurring expenses	**4,965**	4,285	**18,749**	15,239
- Non-recurring items	**598**	---	**598**	---
Total operating expenses	**5,563**	4,285	**19,347**	15,239
% of operating revenues				
- Recurring	**45.2**	45.4	**45.2**	44.0
- Total	**50.6**	45.4	**46.7**	44.0

Operating expenses are expenses directly related to real estate operations and are generally charged back to tenants as provided for in the contractual terms of the leases. The amount of operating expenses, property taxes and services that BTB can recover from its tenants depends on the occupancy rate of the properties and the nature of the existing leases containing clauses regarding the recovery of expenses. BTB pays particular attention to compliance with existing leases and the recovery of its properties' operating expenses.

Net operating income

Net operating income increased 5.5% for the fourth quarter of 2011 compared to 2010 and 14.2% for the year ended December 31, 2011 compared to 2010. The same-property portfolio reported a 3.8% decrease in operating income for the quarter and a 3.1% decrease for fiscal 2011. Recurring net operating income was 52.6% of operating revenues for the three-month period ended December 31, 2011 and 54.2% for the year ended December 31, 2011.

As mentioned in the analysis of rental revenue, the August 31, 2011 vacating of the property at 7001 St-Laurent Boulevard caused a $104 shortfall during the quarter and additional operating expenses of $41. The total impact on net operating income for the quarter was $145. If not for this vacancy, the decrease in the same-property portfolio's operating income would have been negligible for the quarter and 2.2% instead of 3.1% for the year.

Periods ended December 31 (In thousands of dollars)	**Quarter**			**Year**		
	2011	**2010**	**Δ%**	**2011**	**2010**	**Δ%**
Recurring same-property portfolio	**4,183**	4,348	(3.8)	**16,684**	17,216	(3.1)
Acquisitions and development	**1,602**	800	N/A	**5,781**	2,140	N/A
Recurring net operating income	**5,785**	5,148	11.4	**22,465**	19,356	16.1
Non-recurring items	**(353)**	---	N/A	**(353)**	---	N/A
Total	**5,432**	5,148	5.5	**22,112**	19,356	14.2
% of operating revenues						
- Recurring	**52.6**	54.6		**54.2**	56.0	
- Total	**49.4**	54.6		**53.3**	56.0	

Although net operating income is not a financial measure recognized under IFRS, it is used in the real estate industry to measure operational performance. BTB defines it as operating income before financial revenues and financial expenses, Trust administration expenses, distributions to unitholders, transaction costs related to a business combination and fair value adjustment of properties. This definition may differ from that of other issuers and accordingly, BTB's net operating income may not be comparable to the net operating income of other issuers.

Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans contracted or assumed totalling approximately $213 million as at December 31, 2011, compared to $181 million as at December 31, 2010. The increase resulted from the financing or assumption of mortgages on acquisitions completed and the refinancing of certain properties during the year.
- Series B, C and D convertible debentures issued in a total amount of $59 million ($25.9 million as at December 31, 2010). The Series A debentures in the amount of $12.9 million were repaid on October 3, 2011.
- Operating and acquisition lines of credit used as needed, which allowed the acquisition of CAGIM's outstanding shares. The operating and acquisition lines of credit were fully repaid as at March 31, 2011.

Periods ended December 31 (In thousands of dollars)	**Quarter**		**Year**	
	2011	**2010**	**2011**	**2010**
Interest expense on mortgage loans	**2,709**	2,525	**10,515**	9,305
Interest expense on debentures	**1,155**	534	**4,437**	2,137
Interest expense on operating and acquisition lines of credit	**5**	622	**361**	1,642
Interest expense	**3,869**	3,681	**15,313**	13,084
Accretion of effective interest	**377**	407	**1,528**	1,170
Accretion of non-derivative liability component of convertible debentures	**132**	124	**731**	472
Financial expenses before following items:	**4,378**	4,212	**17,572**	14,726
Fair value adjustment on warrants	**165**	(18)	**13**	(118)
Adjustment to fair value of derivative financial instruments (debenture conversion options)	**4,119**	33	**3,079**	4
Financial expenses	**8,662**	4,227	**20,664**	14,612

Before recognition of fair value adjustments on debenture conversion options and warrants, financial expenses increased $166 during the fourth quarter of 2011 and $2,846 for the year compared to the same periods of 2010, mainly due to the financing and assumption of mortgages on property acquisitions and the issuance of Series C and Series D convertible debentures in January and July 2011, respectively.

The Series D convertible debentures were used to repay in full the Series A debentures, in the amount of $12.9 million, on October 3, 2011.

Financial expenses can be allocated among interest expenses amounting to $3,868 for the quarter and $15,313 for the year ($3,681 and $13,084 in 2010) and non-monetary items. Non-monetary items include fair value adjustments on derivative financial instruments and warrants totalling $4,284 for the quarter and

$3,092 for the year ($15 and ($114) respectively in 2010). These fair values will be volatile from period to period. These payables adjustments result from an increase in the market value of the Trust's units during the period and, thus, in the value of conversion options and warrants compared to amounts recognized at the end of preceding periods.

As at December 31, 2011, the average weighted contractual rate of interest on mortgage loans was 5.27%, down 35 basis points from December 31, 2010 and 15 basis points from the previous quarter. These appreciable decreases resulted from favourable interest rates on mortgage financing for properties acquired during fiscal 2010 and on refinancings carried out. For 13 consecutive quarters, the weighted average interest rate has remained stable or declined.

Trust administration expenses

Trust administration expenses include administrative costs such as payroll expenses and professional fees associated with executive and administrative staff, the compensation plan for directors, legal and accounting services, expenses related to listed fund status, insurance costs, office expenses and bad debts and related legal fees. They also include amortization of the head office building and property, plant and equipment, unit-based compensation, and a monetary item that affects the volatility of administrative expenses from period to period.

Periods ended December 31 (In thousands of dollars)	**Quarter**		**Year**	
	2011	**2010**	**2011**	**2010**
Administrative expenses	**682**	560	**2,556**	1,880
Expenses for discontinued projects	**12**	---	**61**	34
Settlement of a dispute	**---**	269	**---**	269
Amortization	**21**	28	**84**	85
Unit-based compensation	**10**	---	**65**	20
Trust administration expenses	**725**	857	**2,766**	2,288

The increase in administrative expenses is mainly due to expenses related to the IFRS changeover, including the creation of a professional financial analyst position, and the creation of a Vice President, Leasing position and related marketing expenses.

Fair value adjustment on investment properties

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

For purposes of determining fair value, management receives quarterly capitalization rate reports from external chartered 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 period to the next; or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

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

As at December 31, 2011	Commercial	Office	Industrial	General purpose
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%

As at December 31, 2010	Commercial	Office	Industrial	General purpose
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%

The weighted average capitalization rate for the entire portfolio as at December 31, 2011 was 7.82%.

Net income and comprehensive income

BTB generated net income of $7.5 million for fiscal 2011, down 3% from 2010. Fourth-quarter net income was $0.7 million, down 66% compared to the same period of 2010. These decreases largely reflect a financial expense of $4.1 million during the quarter and $3.1 million for the full year, related to the fair value adjustment on the convertible debenture conversion option. The significant appreciation of BTB units on the stock markets in the fourth quarter increased the value of the debenture conversion option, generating a corresponding financial expense.

Net income for fiscal 2010 has been restated in accordance with IFRS. The transition impact was an increase primarily attributable to the elimination of depreciation of investment property and capitalized leasing costs which are no longer amortized when the fair value method is used to measure investment properties, while transaction costs related to a business combination must be expensed as incurred.

Net income for 2011 reflects the impact, if applicable, of changes resulting from the adoption of IFRS.

Periods ended December 31 (in thousands of dollars, except per unit data)	**Quarter**		**Year**	
	2011	**2010**	**2011**	**2010**
Net income and comprehensive income	**746**	2,197	**7,450**	7,710
Per unit	**1.0¢**	5.2¢	**10.9¢**	21.5¢

DISTRIBUTIONS

Distributions to unitholders totalled 2¢ per issued unit for each quarter presented. Based on units issued at the end of each month, total distributions were as follows:

Periods ended December 31 (In thousands of dollars)	**Quarter**		**Year**	
	2011	**2010**	**2011**	**2010**
Distributions	**1,488**	919	**5,631**	2,950

Until June 30, 2010, distributions in the amount of $1,354 were recognized as an expense in the statement of comprehensive income as required under IFRS.

SEGMENTED INFORMATION

The Trust's operations are derived from four categories of properties, located in Québec and in Ontario. The following tables present each category's contribution to revenues and operating income for the three-month periods ended December 31, 2011 and 2010.

Quarter ended December 31, 2011 (In thousands of dollars)	**Commercial**		**Office**		**Industrial**		**General purpose**		**Total**
	$	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Investment properties	70,175	20.4	152,600	44.4	53,269	15.5	67,339	19.6	**343,383**
Investment properties under development	---	---	3,933	100.0	---	---	---	---	**3,933**
Rental revenue from property	1,956	17.8	5,539	50.4	980	8.9	2,520	22.9	**10,995**
Net operating income	1,284	23.6	2,403	44.3	705	13.0	1,040	19.1	**5,432**

Quarter ended December 31, 2010 (In thousands of dollars)	**Commercial**		**Office**		**Industrial**		**General purpose**		**Total**
	$	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Investment properties	65,960	23.3	128,760	45.5	27,230	9.6	61,145	21.6	**283,095**
Investment properties under development	---	---	592	100.0	---	---	---	---	592
Rental revenue from property	1,826	19.7	4,407	46.7	780	8.3	2,420	25.7	**9,433**
Net operating income	1,241	24.1	2,116	41.1	544	10.6	1,247	24.2	**5,148**

Year ended December 31, 2011 In thousands of dollars)	**Commercial**		**Office**		**Industrial**		**General purpose**		**Total**
	$	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Rental revenue from property	7,630	18.4	20,857	50.3	3,493	8.4	9,479	22.9	**41,459**
Net operating income	4,988	22.6	9,987	45.1	2,565	11.6	4,572	20.7	**22,112**

Year ended December 31, 2010 In thousands of dollars)	**Commercial**		**Office**		**Industrial**		**General purpose**		**Total**
	$	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Rental revenue from property	6,139	17.7	16,081	46.5	3,294	9.5	9,081	26.3	**34,595**
Net operating income	4,288	22.1	8,121	42.0	2,383	12.3	4,564	23.6	**19,356**

FUNDS FROM OPERATIONS (FFO)

The notion of funds from operations ("FFO") does not constitute financial and accounting information as defined by IFRS. It is, however, a measurement that is frequently used by real estate companies and real estate investment trusts. The Canadian Real Property Association of Canada (“REALpac”) amended its White Paper on Funds from Operations in 2010 to reflect the impact of IFRS. Under Canadian GAAP, the largest add-back to net income in calculating FFO was depreciation of investment properties. Having chosen the fair value model under IFRS, BTB no longer records this expense. The following is a list of some of the new adjustments to net income which eliminate some of the non-cash items and reduce volatility of reported amounts:

- Fair value adjustment on investment properties:
- Amortization of lease inducements;
- Amortization of properties that continue to be recognized at acquisition cost (Trust’s head office);
- Fair value adjustment on conversion instrument for convertible debentures;
- Fair value adjustment on warrants;
- Transaction costs related to a business combination;
- Distributions recognized in the statement of comprehensive income due to the classification of units as a financial liability.

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

In order to fairly measure FFO, the Trust presents in the reconciliation unusual and non-recurring items affecting results for the quarters and years in question. Accordingly, for the fourth quarter and fiscal 2010, an amount of $269 allocated to a dispute settlement and, for the fourth quarter and fiscal 2011, the impact of a net sales tax expense of $353 were considered as non-recurring items.

The following table provides a reconciliation of net income and comprehensive income established according to IFRS and recurring FFO for the three-month periods and years ended December 31, 2011 and 2010:

Periods ended December 31 (in thousands of dollars, except per unit data)	**Quarter**		**Year**	
	2011	**2010**	**2011**	**2010**
Net income and comprehensive income (IFRS)	**746**	2,197	**7,450**	7,710
- Fair value adjustment on investment properties	**(4,687)**	(2,235)	**(8,648)**	(7,130)
+ Amortization of an investment property	**14**	17	**57**	47
+ Amortization of lease inducements	**228**	145	**864**	426
+ Transaction costs – business combination	**---**	131	**---**	568
+ Fair value adjustment on conversion options of convertible debentures	**4,119**	33	**3,079**	4
+ Fair value adjustment on warrants	**165**	(18)	**13**	(118)
+ Distributions	**---**	---	**---**	1,354
FFO	**585**	270	**2,812**	2,861
+ Settlement of a dispute – non-recurring item	**---**	269	**---**	269
+ Sales taxes for prior years –non-recurring item	**353**	---	**353**	---
Recurring FFO	**938**	539	**3,165**	3,130
Per unit data				
Recurring FFO	**1.3¢**	1.3¢	**4.6¢**	8.7¢

The following factors account for the decrease in FFO per unit:

- Dilution resulting from the issuance of 18 million units in November 2010 and 22.3 million units in March and April 2011;
- Higher financial expenses following the issuance of Series C convertible debentures in January 2011 and Series D convertible debentures in July 2011;
- Available surplus cash not yet allocated to accretive acquisitions or the repayment of Series A debentures;
- Higher Trust administration expenses, mainly due to the changeover to IFRS and leasing and marketing expenses.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

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

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

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

The Trust deducts a provision for unrecoverable capital expenses in calculating AFFO. The Trust allocates significant amounts to the regular maintenance of its properties in an attempt to reduce capital expenses as much as possible. The allocation for unrecoverable capital expenses is calculated on the basis of 1.3% of rental revenues. The management of BTB believes that this reserve adequately represents, on a recurring long-term basis, the unrecoverable and continuous investments that are necessary to the proper maintenance and to the improvement of its properties.

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

The following table provides a reconciliation of recurring FFO and recurring AFFO for the periods ended December 31, 2011 and 2010:

Periods ended December 31 (in thousands of dollars, except per unit data)	**Quarter**		**Year**	
	2011	**2010**	**2011**	**2010**
Funds from operations	**585**	270	**2,813**	2,861
- Straight-line rental income adjustment	**(51)**	(214)	**(498)**	(460)
+ Accretion of effective interest	**387**	417	**1,569**	1,210
+ Accretion of the liability component of convertible debentures	**132**	124	**731**	472
+ Amortization of property, plant and equipment	**7**	11	**30**	38
+ Unit-based compensation expenses	**10**	---	**65**	20
- Reserve for non-recoverable capital expenses	**(143)**	(123)	**(539)**	(439)
- Reserve for rental fees	**(144)**	(150)	**(576)**	(600)
AFFO	**783**	335	**3,395**	3,102
+ Settlement of a dispute – non-recurring item	**---**	269	**---**	269
+ Sales taxes for prior years –non-recurring item	**353**	---	**353**	---
Recurring AFFO	**1 136**	604	**3,948**	3,371
Per unit data				
Recurring AFFO	**1.5¢**	1.4¢	**5.8¢**	9.4¢

The Trust acquired four properties in the fourth quarter of 2011. As these properties were not owned for the full quarter, their contribution to the increase in FFO and AFFO is not annualized. On a pro forma basis, if these properties had been owned for the full quarter, FFO and AFFO would have been as follows:

Periods ended December 31 (in thousands of dollars, except per unit data)	**Recurring FFO**	**Recurring AFFO**
Balance recognized	**938**	1,136
Additional net funds generated by accretive acquisitions on a full-quarter basis	**167**	167
Pro forma balance	**1,105**	1,303
Per unit balance	**1.5¢**	1.8¢

FINANCIAL POSITION

The table below presents a summary of the assets, liabilities and unitholders' equity as at December 31, 2011, December 31, 2010 and January 1, 2010. It should be read together with the Trust's audited annual financial statements.

(In thousands of dollars)	December 31, 2011	December 31, 2010	January 1st, 2010
ASSETS			
Investment properties (at fair value)	**343,383**	283,095	204,950
Property under development	**3,933**	592	3,800
Other assets	**11,622**	9,071	5,730
TOTAL ASSETS	**358,938**	292,758	214,480
Mortgages loans	**212,145**	180,473	144,950
Convertible debentures	**52,938**	24,514	23,544
Acquisition and operating lines of credit	**---**	22,195	720
Net assets attributable to unitholders	**---**	---	69,620
Other liabilities	**17,215**	9,579	6,442
TOTAL LIABILITIES	**282,298**	236,761	245,276
EQUITY			
Unitholders' equity	**76,640**	55,997	(30,796)
TOTAL LIABILITIES AND EQUITY	**358,938**	292,758	214,480

The main changes to the statement of financial position as at December 31, 2011 compared to the statement of financial position as at December 31, 2010 primarily reflect investment property acquisitions during the year, unit issues in March and April 2011, and the issuance of Series C and Series D convertible debentures in January and July 2011, respectively.

REAL ESTATE PORTFOLIO

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

PROPERTY ACQUISITIONS

In fiscal 2011, BTB continued to expand through the acquisition of five investment properties with a total area of 386,000 square feet. These fully-occupied properties were acquired for a consideration of $27.5 million. The Trust also acquired 50% interest in an office building for a consideration of $19.4 million.

Details of these acquisitions are presented below:

- On April 4, 2011, acquisition of the remaining unowned portion of the "Complexe Lebourgneuf Phase I" property, totalling 233,000 square feet in area, for a cost of $19.4 million, including $12.4 million through assumption of a mortgage. The capitalization rate of this transaction is 7.9%.
- On August 16, 2011, acquisition of a 50% interest in a fully-leased 17,100-square-foot commercial property, for $2.2 million, including $1.2 million through assumption of a mortgage. The capitalization rate of this transaction is 7.3%.
- On October 28, 2011, acquisition of two fully-leased industrial properties of 60,000 and 154,000 square feet respectively, at a cost of $12.2 million. The capitalization rate of this transaction is 9.0%.
- On December 1, 2011, acquisition of a fully-leased 75,000-square-foot industrial property for $7.6 million. The capitalization rate of this transaction is 7.9%.
- On December 23, 2011, acquisition of a fully-leased 80,000-square-foot property for $5.5 million, including $2.7 million through assumption of a mortgage. The capitalization rate of this transaction is 8.0%.

The following table presents information about the real estate portfolio:

(In thousands of dollars)	December 31, 2011	December 31, 2010	January 1st, 2010
Investment properties (at fair value)	**343,383**	283,095	204,950
Property under development	**3,933**	592	3,800
Others assets at unamortized value	**11,987**	9,396	5,730
Gross book value of the Trust	**359,303**	293,083	214,480
Number of properties	**54**	49	43
Leasable area (in thousands of sq. ft.)	**3,272**	2,866	2,269

Summary by operating segment as at December 31, 2011

	Number of properties	Leasable area (sq.ft.)	%
Office	18	1,168,648	36
Commercial	14	553,122	17
Industrial	12	946,238	29
General purpose	10	603,555	18
Total	**54**	**3,271,563**	**100**

REAL ESTATE OPERATIONS

Leasing activities

The following table summarizes changes in available leasable area during the three-month period and year ended December 31, 2011:

In square feet	Quarter	Year
Available leasable area at beginning of period	**281,260**	**283,273**
Acquisition of available leasable and developed areas	5,103	34,526
Leasable area of expired leases	55,616	281,802
Leasable area of leases terminated before term	38,049	41,712
Leasable area of leases expired and renewed	(32,046)	(163,503)
Leasable area of new leases executed	(56,294)	(185,272)
Other	---	(850)
Available leasable area at the end of period	**291,688**	**291,688**

The Trust's leasing operations were significant during the fourth quarter of 2011. More than 88,000 square feet were signed with new tenants or renewed during the quarter. During fiscal 2011, more than 350,000 square feet were signed with new tenants or renewed.

The average rate of expired and renewed leases increased 6.74% during the fourth quarter. For the full year, the rate was 6.41%.

Occupancy rate

The following table presents occupancy rates by segment based on firm lease agreements signed on the reference date:

Sector of activity	**December 31, 2011**	**September 30, 2011**	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**
Office	**89.4%**	87.3%	89.6%	88.2%	87.2%
Commercial	**89.9%**	90.1%	90.4%	89.9%	88.3%
Industrial	**93.2%**	94.4%	93.0%	93.0%	93.4%
General purpose	**92.1%**	92.4%	90.2%	90.6%	93.4%
Total portfolio	**91.1%**	90.3%	**90.6%**	**90.1%**	**90.0%**

The occupancy rate increased in the last quarter and in fiscal 2011, rising from 90.3% to 91.1% and 90.0% to 91.1% respectively.

The office segment showed the greatest quarterly and yearly improvement, increasing more than 2%.

Lease maturity

The following table details the lease maturity profile for the next five years:

	2012	2013	2014	2015	2016
Office					
Leasable area (sq.ft.)	84,807	110,812	137,989	195,715	90,051
Lease rate/square foot ($)	14.95	12.01	13.25	13.24	13.35
% of office portfolio	7.26	9.48	11.81	16.75	7.71
Commercial					
Leasable area (sq. ft.)	5,215	27,189	60,807	34,659	46,190
Lease rate/square foot ($)	15.51	11.64	9.24	10.74	8.60
% of commercial portfolio	0.94	4.92	10.99	6.27	8.35
Industrial					
Leasable area (sq. ft.)	112,233	30,279	111,629	---	13,147
Lease rate/square foot ($)	4.07	6.53	3.49	N/A	3.50
% of industrial portfolio	11.86	3.20	11.80	N/A	1.39
General purpose					
Leasable area (sq. ft.)	71,564	20,573	76,076	82,837	134,136
Lease rate/square foot ($)	16.18	12.37	16.35	8.49	10.21
% of general purpose portfolio	11.86	3.41	12.61	13.73	22.23
Total portfolio					
Leasable area (sq. ft.)	273,819	188,853	386,501	313,211	283,524
Lease rate/square foot ($)	10.82	11.12	10.41	11.70	10.63
% of portfolio	8.37	5.77	11.81	9.57	8.67

Top 10 tenants

As at December 31, 2011, BTB managed more than 600 leases, with an average area of 5,500 square feet. The three largest tenants are Société immobilière du Québec (SIQ), Annie Fruit and the "Epica" stores and Germain Larivière, accounting respectively for 5.36%, 3.30% and 2.71% of revenues, generated by a number of leases whose maturities are spread over time. Approximately 30% of the Trust's total revenues are generated by leases entered into with government agencies (federal, provincial and municipal) and public companies, ensuring stable and high-quality cash flows for the Trust's operating activities.

The following table shows the contribution of the Trust's top 10 tenants as a percentage of revenues as at December 31, 2011:

Client	% of revenues	Leased area (square feet)
Société immobilière du Québec (SIQ)	5.36	121,500
Annie Fruit Inc. / Epica	3.30	89,308
Germain Larivière Inc.	2.71	101,194
Hydro-Québec	2.35	37,364
Commission de la Santé et de la Sécurité du Travail (CSST)	2.25	46,435
Groupe Aro Inc.	2.21	40,825
Canada Post Corporation	1.94	66,824
Cornwall Warehousing Ltd.	1.80	157,879
Gestion Deloitte s.e.c.	1.67	29,438
Canadian Tire	1.63	56,024

CAPITAL RESOURCES

Long-term debt

The following table shows the balances of BTB's indebtedness as at December 31, 2011, including mortgage loans and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

Year of maturity	Balance of convertible debentures ($)	Balance of mortgages payable ($)	Weighted average contractual interest rate (%)
2012	---	57,277	6.00
2013	13,020	24,818	6.57
2014	---	42,471	5.84
2015	---	14,505	5.59
2016	23,000	60,628	4.89
2017	---	12,145	5.63
2018	23,000	1,154	7.18
Total	**59,020**	**212,998**	**5.83**

As at December 31, 2011, the weighted average contractual interest rate of the Trust's long-term debt stood at 5.83%, i.e. 5.27% for mortgages payable and 7.82% for convertible debentures.

Mortgage loans

As at December 31, 2011, the Trust's mortgage loans amounted to $213.0 million compared to $181.0 million as at December 31, 2010, before deferred financing costs and valuation adjustments, an increase of $32.0 million due to acquisitions and refinancings in 2011. As at December 31, 2011, the weighted average interest rate was 5.27%, a decrease of 35 basis points compared to 5.62% for mortgage loans on the books at December 31, 2010. All mortgage loans bear interest at fixed rates.

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

The following table presents changes in mortgage loans for the fourth quarter and fiscal 2011:

(In thousands of dollars)	Quarter	Year
Balance as at December 31, 2010	**197,804**	**180,958**
Mortgage loans contracted or assumed	**26,332**	**81,698**
Balance repaid at maturity	**(10,218)**	**(46,010)**
Monthly principal repayments	**(920)**	**(3,648)**
Balance as at December 31, 2011	**212,998**	**212,998**

Note: before unamortized financing costs.

During the year ended December 31 2011, the Trust refinanced seven matured mortgages on more favourable terms. The refinancing of these mortgages generated new capital of about $6.6 million.

All of the Trust's properties were mortgaged as at December 31, 2011. Unamortized loan financing costs totalled $1,050 and are amortized under the effective interest method over the term of the loans.

The following table, as at December 31, 2011, shows future mortgage loan repayments for future fiscal years:

Years ended December 31 (in thousands of dollars)				
Maturity	**Principal payment**	**Balance at maturity**	**Total**	**(%) of total**
2012	4,652	56,892[(1)]	61,544	28.9
2013	4,300	23,646	27,946	13.1
2014	3,316	40,088	43,404	20.4
2015	2,764	12,857	15,621	7.3
2016	2,296	51,010	53,306	25.0
2017	167	10,167	10,334	4.9
2018	15	828	843	0.4
Total	17 510	195,488	**212,998**	**100.0**
Plus: valuation adjustments on assumed loans			**197**	
Less: unamortized financing costs			**(1,050)**	
Balance as at December 31, 2011			**212,145**	

(1) The Trust has begun negotiations to renew or refinance most loans maturing in 2012. 83% of these loans will mature in the last quarter of the year. The Trust does not foresee any difficulty in renewing or refinancing loans maturing in 2012 on favourable terms.

Convertible debentures

(a) Series A

These debentures were repaid in full at maturity on October 3, 2011.

In October 2006, the Trust issued Series A subordinated unsecured convertible debentures in the amount of $12.9 million. Interest is at the rate of 8% and is payable semi-annually. The debentures mature in October 2011. Subject to certain terms and conditions, the debentures were convertible at the request of the holder after October 2008 at a conversion price per unit of $2.55 (the "Series A conversion price.")

Furthermore, the debentures were redeemable at the discretion of the Trust, subject to certain terms and conditions, after October 2010, at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price of the units is at least 125% of the Series A conversion price.

On the date of issuance, the debentures were accounted for as an $11.4 million non-derivative liability component and a $1.5 million financial derivative component.

(b) Series B

In March 2008, the Trust issued Series B subordinated unsecured convertible debentures in the amount of $13 million. Interest is at the rate of 8.5% and is payable semi-annually. The debentures mature on March 31, 2013. Subject to certain terms and conditions, the debentures are convertible at the option of the holder at any time no later than March 31, 2013. The conversion price per unit is of $2.30 (the "Series B conversion price"). As at December 31, 2011, the closing market price of BTB units was $0.89.

The debentures are also redeemable at the discretion of the Trust, subject to certain terms and conditions, on or after March 31, 2011 and prior to March 31, 2012, at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the current market price of the units is at least 150% of the Series B conversion price, and after March 31, 2012 and prior to March 31, 2013 at least 125% of the Series B conversion price.

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

On the date of issuance, the debentures were recorded as a $12.3 million non-derivative liability component and a $0.7 million financial derivative instrument component.

(c) Series C

In January 2011, the Trust issued Series C subordinated, convertible, unsecured debentures bearing 8% interest payable semi-annually and maturing on January 31, 2016, in the amount of $23 million. Interest is payable semi-annually and the debentures mature on January 31, 2016. The debentures are convertible at the option of the holder at any time no later than January 31, 2016, subject to certain conditions. The conversion price is $1.00 per unit (the "Series C conversion price"). As at December 31, 2011, the closing market price of BTB units was $0.89.

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

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

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

(d) Series D

In July 2011, the Trust issued Series D subordinated, convertible, unsecured debentures, bearing 7.25% interest payable semi-annually and maturing on July 31, 2018, in the amount of $23 million. Interest is payable semi-annually and the debentures mature on July 31, 2018. The debentures are convertible at the option of the holder at any time no later than July 31, 2018, subject to certain conditions. The conversion price is $1.22 per unit (the "Series D conversion price"). As at December 31, 2011, the closing market price of BTB units was $0.89.

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

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

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

Bank loans - Operating credit facility

BTB has an operating credit facility of $2 million with a Canadian chartered bank. This credit facility is guaranteed by a collateral mortgage on two properties and bears interest at the bank's prime rate, plus 1%. As at December 31, 2011, the credit facility had not been used.

Acquisition credit facility

On March 23, 2010, the Trust announced that it had concluded a two-year commitment for a $25 million acquisition line of credit with Firm Capital Mortgage Fund Inc. (the "lender"). The loan is secured by mortgages on properties directly or indirectly held by the Trust. The loan allows the Trust to acquire investment properties.

The annual interest rate on the loan is the higher of 10.5% or the prime rate posted from time to time by TD Canada Trust plus 5% annually. As at December 31, 2011 the credit facility had not been used.

A compensatory payout of subscription warrants to acquire 2,500,000 Units of the Trust was granted to the lender. Each subscription warrant will allow the bearer to acquire one Trust unit for $0.7644 until September 1, 2012. The Trust has the option to renew the line of credit for a period of one year, if it meets the conditions of the loan. If the Trust renews, the lender will be able to exercise the subscription warrants until May 31, 2013. The credit facility has been fully repaid.

On March 28, 2012, the lender exercised all of its warrants, providing a capital contribution of $1.9 million.

Debt ratio

The following table presents the Trust's debt ratios as at December 31, 2011 and December 31, 2010.

(in thousands of dollars)	December 31, 2011	December 31, 2010
Mortgages loans*	**212,998**	**180,958**
Convertible debentures*	**59,020**	**25,903**
Bank loans*	---	**22,850**
Total long-term debt	**272,018**	**229,711**
Gross book value of the Trust	**359,303**	**293,083**
Debt ratio (excluding convertible debentures)	**59.3%**	**69.5%**
Total debt ratio	**75.7%**	**78.4%**

* excluding issuing expenses

According to the table above, the debt ratio excluding the convertible debentures as at December 31, 2011, amounted to 59.3% compared to 69.5% as at December 31, 2010. The decrease in the debt ratio is mainly due to the repayment of the acquisition and operating lines of credit through the use of the proceeds of issue of units and convertible debentures in 2011.

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

INTEREST COVERAGE RATIO

The Trust calculates its interest coverage ratio by dividing operating income by interest expense net of interest income. The interest coverage ratio is used to assess BTB's ability to pay interest on its debt using its operating revenues. At December 31, 2011, the interest coverage ratio stood at 1.46.

(in thousands of dollars, except for the ratios)	December 31, 2011	December 31, 2010
Net operating income	**22,112**	19,356
Interest expense, net of interest income	**15,193**	13,038
Interest coverage ratio	**1.46**	1.48

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	December 31, 2011	December 31, 2010
Trust units	**99,503**	80,679
Cumulative loss	**(15,636)**	(23,086)
Cumulative distributions to unitholders	**(7,227)**	(1,596)
	76,640	55,997

Trust units

On March 29, 2011, the Trust announced the closing of an offering of 19,450,000 units, including the overallotment option, for gross proceeds of $17.5 million. The net proceeds of approximately $16.4 million were used to finance the acquisition of the residual interest in Complexe Lebourgneuf in April 2011 and to repay the acquisition line of credit on March 30, 2011.

Subsequent event

On February 16, 2012, the Trust closed a placement of 18,750,750 units, including the overallotment option, for gross proceeds of $17.3 million. The proceeds will be allocated to future accretive property acquisitions.

Distribution reinvestment plan

On October 1, 2011, the Trust implemented a distribution reinvestment plan under which unitholders may elect to receive distributions in units, with a 5% discount on their market value. During the fourth quarter, 64,225 units were issued under the plan.

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

Periods ended December 31 (in # of units)	**Quarter**		**Year**	
	2011	**2010**	**2011**	**2010**
Units outstanding, beginning of period	**73,989,725**	37,691,725	**51,691,725**	33,691,725
Units issued				
- Public placement	**---**	18,000,000	**22,298,000**	18,000,000
- Distribution reinvestment plan	**64,225**	---	**64,225**	----
Units outstanding, end of period	**74,053,950**	51,691,725	**74,053,950**	51,691,725
Weighted average number of units outstanding	**74,008,177**	41,909,116	**68,493,576**	35,762,958

Unit options

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

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

Quarters ended December 31	**2011**		**2010**	
	Unit options	**Weighted average exercise price ($)**	**Unit options**	**Weighted average exercise price ($)**
Outstanding, beginning of quarter	**3,265,000**	**2.03**	**2,785,000**	**2.26**
Expired	**510,000**	**2.06**	**---**	
Outstanding, end of quarter	**2,755,000**	**2.02**	**2,785,000**	**2.26**
Options vested since December 31	**2,730,000**	**2.02**	**2,735,000**	**2.25**
Weighted average remaining term to expiry (years)		**1.34**		**1.50**

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

Subscription warrants

At the time of disbursement of the acquisition line of credit, the Trust granted Firm Capital Mortgage Fund a disbursement fee of 2,500,000 warrants to purchase units of the Trust. Each warrant entitles its owner to purchase one unit of the Trust at a price of $0.7644 per unit until September 1, 2012 and until May 31, 2013 if the loan is renewed.

Quarters ended December 31	2011		2010	
	Number	Exercise price	Number	Exercise price
Outstanding, beginning of quarter	**2,500,000**	**0.7644**	**---**	---
Warrants granted	**---**	**---**	2,500,000	0.7644
Outstanding, end of quarter	**2,500,000**	**0.7644**	2,500,000	0.7644

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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

The Trust has no contractual commitments other than those arising from long-term debt.

During the year ended December 31, 2011, BTB complied with all of its loan commitments and was not in default with any covenant at the balance sheet date.

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INCOME TAXES

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The trustees intend to distribute or allocate all of the taxable income to its unitholders and to deduct these distributions for income tax purposes. Accordingly, prior to September 12, 2007, no provision for income taxes was recorded in the consolidated financial statements.

On September 12, 2007, amendments to the *Income Tax Act* (Canada) were proposed, which modified the tax treatment of certain income trusts and limited partnerships that are specified investment flow-through trusts or partnerships ("SIFTs"). On February 6, 2009, the Minister of Finance of Canada introduced legislation including certain measures previously announced and modifying the tax treatment applicable to SIFTs, which came into force on March 12, 2009. Pursuant to these measures, beginning on January 1, 2011, certain distributions from a SIFT that are related to the earnings arising from a business carried on in Canada by such SIFT will no longer be deductible from its income and will therefore be taxable in the hands of such SIFT at a rate generally similar to the combined provincial and federal tax rates applicable to the earnings of a corporate entity. The allocations or distributions of income and of capital gains subject to the SIFT rules will be similar to the tax treatment of a taxable dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT.

Real estate investment trusts that satisfy specified conditions (the "REIT Exception") are excluded from the SIFT definition and will therefore not be subject to the SIFT rules. In order to qualify for the REIT Exception in respect of a taxation year (i) the REIT must, at no time in that taxation year, hold non-portfolio property other than "qualified REIT properties" (as defined in the *Income Tax Act* (Canada)); (ii) not less than 95% of the REIT’s revenues for that taxation year must be derived from rent from real or immovable properties, interest, capital gains from dispositions of real or immovable properties, dividends and royalties; (iii) not less than 75% of the REIT’s revenues for that taxation year must be derived from rent from real or immovable properties located in Canada; and (iv) the REIT must, throughout the taxation year, hold real or immovable properties located in Canada, cash and certain government guaranteed debt or other bonds guaranteed by the Canadian government with a total fair market value that is not less than 75% of the REIT’s equity value.

As at December 31, 2011, BTB met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to BTB. BTB’s management intends to take the necessary steps to meet the conditions for the REIT Exception on an on-going basis in the future.

TAXATION OF UNITHOLDERS

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

Quarters ended December 31	2011	2010
Taxable as other income	**---**	---
Tax deferred	**100%**	100%
Total	**100%**	100%

IMPACT OF ADOPTION OF IFRS

As of January 1, 2011, the Trust is required to present its interim and annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), with comparative IFRS figures. IFRS are based on a conceptual framework similar to Canadian GAAP; however, significant differences exist in the recognition, measurement, presentation and disclosure for certain accounting items. The adoption of IFRS had a material impact on the consolidated statements of financial position (formerly called the balance sheet) and comprehensive income (formerly called the statement of income). The Trust prepared an opening statement of financial position as at January 1, 2010 (changeover date) in accordance with IFRS, restated all 2010 operations based on the new standards and converted the balance sheet as at December 31, 2010 to an IFRS statement of financial position. Details and explanations concerning these conversions were presented in the first quarter 2011 MD&A dated June 14, 2011. The reconciliation between Canadian GAAP and IFRS for unitholders’ equity as at December 31, 2010 and the reconciliation of net income for the three-month period and year ended December 31, 2010 between Canadian GAAP and IFRS is found on the following pages and in Note 21 to the financial statements. Before the adoption of IFRS, the Trust’s financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The following table shows the reconciliation between the Trust's balance sheet as at December 31, 2009 presented in accordance with GAAP and the Trust's statement of financial position as at January 1, 2010 presented in accordance with IFRS.

STATEMENT OF FINANCIAL POSITION

Description under previous Canadian GAAP	Notes	Previous GAAP	Effect of transition to IFRSs	IFRSs	Description under IFRS
			January 1, 2010		
ASSETS					
Income producing properties	1	-	204,950	204,950	Investment properties
Buildings	1(c)	163,437	(163,437)	-	
Land	1	39,676	(39,676)	-	
Intangible assets	1(d)	8,252	(8,252)	-	
Properties under development	1(a)	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	1(e), 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**	
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**	

The following table shows the reconciliation between the Trust's balance sheet as at December 31, 2010 presented in accordance with GAAP and the Trust's statement of financial position as at December 31, 2010 presented in accordance with IFRS.

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
Building	1(c)	212,214	(212,214)	---	
Land	1	50,330	(50,330)	---	
Intangible assets	1(d)	8,329	(8,329)	---	
Properties under development	1(a)		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	1(e), 3	6,770	(6,770)	---	
Prepaid expenses	3	2,898	338	3,236	Others 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**	
LIABILITIES AND UNITHOLDERS' EQUITY					
Mortgages loans payable		180,473	---	180,473	Mortgages 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 unitholders
		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**	

The following table shows the reconciliation between the Trust's results for the fiscal year ended December 31, 2010 presented in accordance with GAAP and IFRS.

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	1(b)	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	1(c)	4,960	(4,960)	---	
Amortization of intangible assets	1(d)	2,397	(2,397)	---	
Amortization of capitalized leasing costs, deposits and other assets	1(e)	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
	1(a)	---	(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**

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 partially owner-occupied building which is accounted for as 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.

(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.

(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 distribution to 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.

(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.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

BTB's significant accounting policies are described in Notes 2 and 3 to the December 31, 2011 financial statements and the reader is invited to refer to these financial statements. Management believes that the accounting methods most affected by estimates and by management's discretionary decisions during the preparation of financial statements are outlined below:

ACCOUNTING ESTIMATES

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management applying the Trust's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

(i) Judgments

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

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 property. More specifically, the following criteria are considered:

- The number of items of land and buildings owned by the subsidiary;
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary;
- Whether the subsidiary has allocated its own staff to manage the 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 below).

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, and no goodwill or deferred tax is recognized in such a case.

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.

Classification of property

The Trust determines whether a property is classified as investment property or property, plant and equipment.

(ii) Use of estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year 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 or 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 (such as leasing fees, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. 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.

Techniques used for valuing investment properties

The Direct Capitalization method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and application of investor yield or return requirements. One approach to value the investment property on this basis is to capitalize net rental income on the basis of an Initial Yield.

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/disbursements. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) 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.

FUTURE CHANGES IN ACCOUNTING POLICIES

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.

(i) IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments*, which becomes mandatory for the Trust's 2013 consolidated financial statements is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

(ii) IAS 12 *Income Taxes*

The IASB has published some limited scope amendments to IAS 12 *Income taxes*, which are relevant only when an entity uses the fair value model for measurement in IAS 40 *Investment Property*. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. To provide a practical approach in such cases, the amendment introduces a presumption that an investment property is recovered entirely through sale. This policy is effective for fiscal years beginning after January 1, 2012. The Trust intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2012. The extent of the impact of adoption of the amendments has not yet been determined.

RISKS AND UNCERTAINTIES

Real property ownership

BTB owns 55 properties and plans to directly or indirectly acquire interests in other real property in the future. All real property investments are subject to elements of risk. Such investments may be affected by general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other lessors, and various other factors.

Tenant risks

The value of real property and any improvements thereto depends on the credit and financial stability of the tenants. BTB's FFO may be adversely affected if tenants become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which BTB has an interest becomes vacant and is not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to BTB than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting BTB's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which BTB has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in BTB's available cash flow. The ability to rent unleased space in the properties in which BTB has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to the property required by a new tenant.

Certain major tenants are permitted to cease operating from their leased premises at any time at their option. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some Commercial Retail Unit ("CRU") tenants have a right to cease operating from their premises if certain major tenants cease operating from their premises. The exercise of such rights by a tenant may have a negative effect on the results. There can be no assurance that such rights will not be exercised in the future.

Fixed costs

Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If BTB is unable to meet mortgage payments or ground rent payments on a property, losses could be sustained if the mortgagee or the municipality exercises its rights of foreclosure or sale.

Property liquidity

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

Capital expenditures and distributions

Leasing capital and maintenance capital are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. BTB may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. Capital for recoverable improvements may exceed recovery of amounts from tenants. BTB is subject to provisions in its Declaration of Trust as well as to debt agreements that may impact the quantum of distributions. The sale of income-producing properties with inherent taxable gains could materially change BTB's level of distributions.

Reliance on anchor tenants

Retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, discount department stores and grocery stores) in the centre, and are therefore subject to the risk of such anchor tenants either moving out of the property or going out of business. Results could be negatively affected by such a loss.

Environmental matters

As an owner of interests in real property in Canada, BTB is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that BTB could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. Failure to remove or remediate such substances or locations, as the case may be, could adversely affect BTB's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the owner by private plaintiffs.

BTB will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, BTB does not believe that costs relating to environmental matters will have a material adverse effect on BTB's business, financial condition or results of operations. However, environmental laws and regulations can change and BTB or its subsidiaries may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on BTB's business, financial position or results of operations and distributions.

Competition

Competition in the real estate industry is keen. Many other retail property developers, managers and owners compete with BTB for tenants. Some of the properties of BTB's competitors are newer or better located or less leveraged than the properties in which BTB has an interest. Some of BTB's competitors are more financially sound and therefore better equipped to respond to an economic slowdown. The existence of competing developers, managers and owners and competition for BTB's tenants could have an adverse effect on BTB's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect BTB's revenues and its ability to meet its debt obligations.

Competition for acquisitions of real properties is intense, and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that BTB is prepared to accept. An increase in the availability of investment funds and an increase in interest in real property investments may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Financing risk

BTB's outstanding debt stood at approximately $272 million as at December 31, 2011. A portion of the cash flow generated by the existing properties and any future acquired properties will be used to service such debt, and there can be no assurance that BTB will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If BTB is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. BTB is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by BTB's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

BTB has stated that one of its objectives is to grow through acquisitions. While BTB has financial resources on hand to complete some acquisitions, the longer-term ability of BTB to fund acquisitions is dependent on both equity and debt capital markets. There are risks that, from time to time, such capital may not be available or may not be available on favourable terms.

Investment property valuations

Valuations reflect an assessment of value based on the facts and circumstances as of the date the valuations were made. Such valuations may not have incorporated all relevant facts or may have relied on incorrect assumptions which may have been too optimistic or not sufficiently optimistic. Furthermore, valuations conducted at one point in time may not be reflective of value at another point in time, nor may the valuation be reflective of the value that could be obtained on a sale or other transaction. The valuations, which are analyzed in the section "Impact of Adoption of IFRS," were carried out as part of the transition to IFRS and may not be appropriate for other purposes.

Interest rate fluctuations

From time to time, BTB's financing includes indebtedness with interest payments based on variable lending rates that will result in fluctuations in BTB's cost of borrowing. Changes in interest rates may also affect BTB in many other ways, due to factors including the impact on the economy, the value of real estate, the value of BTB's units, the economics of acquisition activity and the availability of capital.

Reliance on key personnel

BTB's management relies on services rendered by certain key personnel. The loss of the services of any key personnel could have an adverse effect on BTB.

Tax-related risks

Legislation (the "SIFT Rules") relating to the federal income taxation of publicly listed or traded trusts (such as income trusts and Real Estate Investment Trusts) and partnerships changes the manner in which certain flow-through entities and the distributions from such entities are taxed. Under the SIFT Rules, certain publicly listed or traded flow-through trusts and partnerships referred to as "specified investment flow-through" or "SIFT" trusts and partnerships will be taxed in a manner similar to the taxation of corporations, and investors in SIFTs will be taxed in a manner similar to shareholders of a corporation. Amendments to the SIFT Rules were enacted on March 12, 2009.

The new taxation regime introduced by the SIFT Rules is not applicable to funds that qualify for the exemption under the SIFT Rules applicable to certain Real Estate Investment Trusts (the "REIT Exemption"). The stated intention of the Minister of Finance (Canada) in introducing the REIT Exemption is to exempt certain Real Estate Investment Trusts from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". If the Trust fails to qualify for the REIT Exemption, it will be subject to certain tax consequences including taxation in a manner similar to corporations and taxation of certain distributions in a manner similar to taxable dividends from a taxable Canadian corporation.

The SIFT rules generally do not apply to a trust which was publicly traded before November 1, 2006 ("existing trust") until the trust's 2011 taxation year, or earlier in circumstances where the trust's "normal growth" exceeds certain permitted limits (the "undue expansion rules"). There is no assurance that additions to BTB's capital properties or assets will not, alone or in combination with each other, constitute an "undue expansion" under the undue expansion rules. The undue expansion rules would only be relevant to BTB if it has not at all times since October 31, 2006 qualified for the REIT Exemption.

In order to qualify for the REIT Exception in respect of a taxation year (i) the REIT must, at no time in that taxation year, hold non-portfolio property other than "qualified REIT properties"; (ii) not less than 95% of the REIT's revenues for that taxation year must be derived from (a) rent from real or immovable properties, (b) interest, (c) capital gains from dispositions of real or immovable properties, (d) dividends or (e) royalties; (iii) not less than 75% of the REIT's revenues for that taxation year must be derived from (a) rent from real or immovable properties, (b) interest from mortgages or hypothecs on real or immovable properties, and (c) capital gains from the disposition of real or immovable properties; and (iv) the REIT must, throughout the year, hold real or immovable properties, debt from a Canadian company represented by a banker's acceptance, cash, a deposit with a credit union, or generally a Canadian government debt instrument or one from another government agency with a total fair market value that is not less than 75% of the REIT's equity value at that time.

As mentioned above, the SIFT rules will apply to an existing trust (other than a real estate investment trust that qualifies for the REIT Exemption) as of taxation years ending in 2011 or thereafter, or earlier if there is "undue expansion" under the undue expansion rules. Accordingly, unless the REIT Exemption is applicable to BTB, the SIFT rules could, commencing in 2011 or earlier if there is "undue expansion" under the undue expansion rules, impact the level of cash distributions that would otherwise be made by BTB and the taxation of such distributions to unitholders.

During 2010, BTB took steps to qualify for the REIT Exemption as of January 1, 2011 and Management believes that BTB will not be subject to the SIFT rules, provided that it continues to qualify for the REIT Exemption at all times after 2010.

Management intends to conduct the REIT's business so that it continues to qualify for the REIT Exemption at all times after 2010. However, as the requirements of the REIT Exemption include complex revenue and asset tests, no assurance can be given that the REIT will in fact qualify for the REIT Exemption at all times.

Controls and procedures

Our disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that information required to be disclosed in reports is recorded, processed, summarized, and reported within the time periods specified under Canadian securities laws and that controls and procedures are developed to ensure that information is gathered and communicated to management to allow timely decisions regarding required disclosure.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting (ICFR) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

A control system, no matter how well designed and operated, has inherent limitations and can only provide reasonable, not absolute, assurance that its objectives are met. Owing to inherent limitations in all control systems, it is impossible to provide absolute assurance that all situations needing to be subject to a control have been detected. These inherent limitations include (i) management assumptions and judgments that may later prove incorrect under other conditions or circumstances or (ii) the impact of isolated errors.