



# **Building** on solid **foundations**

BTB Real Estate Investment Trust  
Condensed Consolidated Interim Financial Statements  
Quarter ended September 30, 2015



# Condensed Consolidated Interim Financial Statements

Three-month period ended September 30, 2015

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BTB Real Estate Investment Trust

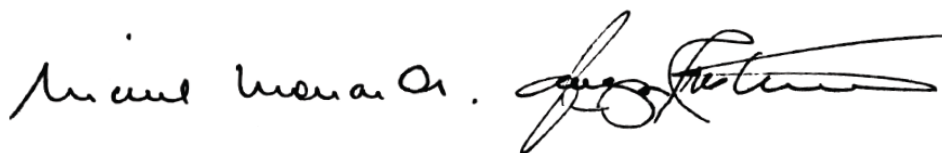
## Condensed Consolidated Interim Statements of Financial Position

(Unaudited - in thousands of CAD dollars)

|  | Notes   | As at<br>September 30, 2015 | As at<br>December 31, 2014 |
|--|---------|-----------------------------|----------------------------|
|  |         | \$                          | \$                         |
| <b>ASSETS</b>                              |         |                             |                            |
| Investment properties                      | 3, 4, 5 | 639,787                     | 571,462                    |
| Property and equipment                     | 6       | 2,233                       | 2,296                      |
| Derivative financial instruments           | 13      | 25                          | 53                         |
| Restricted cash                            | 7       | 50                          | 1,717                      |
| Other assets                               | 8       | 5,104                       | 3,439                      |
| Receivables                                | 9       | 1,708                       | 1,342                      |
| Cash and cash equivalents                  |         | 1,098                       | 6,428                      |
| <b>Total assets</b>                        |         | <b>650,005</b>              | <b>586,737</b>             |
| <b>LIABILITIES AND UNITHOLDERS' EQUITY</b> |         |                             |                            |
| Mortgage loans payable                     | 10      | 371,760                     | 329,943                    |
| Convertible debentures                     | 11      | 66,057                      | 65,186                     |
| Bank loans                                 | 12      | 18,959                      | —                          |
| Derivative financial instruments           | 13      | 364                         | 145                        |
| Unit-based compensation                    | 14      | 104                         | 213                        |
| Trade and other payables                   |         | 11,898                      | 12,457                     |
| Distributions payable to unitholders       |         | 1,211                       | 1,194                      |
| <b>Total liabilities</b>                   |         | <b>470,353</b>              | <b>409,138</b>             |
| <b>Unitholders' equity</b>                 |         | <b>179,652</b>              | <b>177,599</b>             |
|  |         | <b>650,005</b>              | <b>586,737</b>             |

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on October 30, 2015.



Michel Léonard, Trustee

Jocelyn Proteau, Trustee

## BTB Real Estate Investment Trust

## Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited - in thousands of CAD dollars)

|   | Notes | For the three-month periods ended<br>September 30, |         | For the nine-month periods ended<br>September 30, |         |
|---|-------|--|---------|---|---------|
|   |       | 2015   | 2014    | 2015  | 2014    |
|   |       | \$   | \$      | \$  | \$      |
| <b>Operating revenues</b>   |       |  |         |   |         |
| Rental revenues from properties                                       | 16    | 18,421   | 16,866  | 54,353  | 49,612  |
| <b>Operating expenses</b>   |       |  |         |   |         |
| Property taxes and public utilities                                   |       | 4,786  | 4,529   | 14,749  | 13,574  |
| Other operating costs   |       | 2,677  | 2,694   | 8,330   | 8,063   |
|   |       | 7,463  | 7,223   | 23,079  | 21,637  |
| <b>Net operating income</b>   |       |  |         |   |         |
|   |       | 10,958   | 9,643   | 31,274  | 27,975  |
| Finance costs   |       | 6,194  | 5,176   | 16,976  | 15,250  |
| Net adjustment to fair value<br>of derivative financial instruments   |       | 102  | (1,640) | 246   | (3,849) |
| Net financing costs   | 17    | 6,296  | 3,536   | 17,222  | 11,401  |
| Trust administration expenses   |       | 970  | 1,139   | 3,052   | 3,082   |
| Expenses for abandoned transaction                                    | 18    | 23   | —       | 207   | —       |
| <b>Net income before the following item</b>                           |       |  |         |   |         |
|   |       | 3,669  | 4,968   | 10,793  | 13,492  |
| Net changes in fair value of investment properties                    |       | —  | —       | —   | 796     |
| <b>Net income being total comprehensive<br/>income for the period</b> |       |  |         |   |         |
|   |       | 3,669  | 4,968   | 10,793  | 14,288  |

See accompanying notes to condensed consolidated interim financial statements.

BTB Real Estate Investment Trust

## Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

(Unaudited - in thousands of CAD dollars)

|  | Notes | Unitholders'<br>contributions | Cumulative<br>distributions | Cumulative<br>comprehensive<br>income | Total          |
|--|-------|-------------------------------|-----------------------------|---------------------------------------|----------------|
| For the nine-month period ended September 30, 2015 |       |                               |                             |                                       |                |
| <b>Balance at January 1, 2015</b>                  |       | <b>182,284</b>                | <b>(38,248)</b>             | <b>33,563</b>                         | <b>177,599</b> |
| Issuance of units                                  | 15    | 2,099                         | —                           | —                                     | 2,099          |
| Distributions to unitholders                       |       | —                             | (10,839)                    | —                                     | (10,839)       |
|  |       | 184,383                       | (49,087)                    | 33,563                                | 168,859        |
| Comprehensive income                               |       | —                             | —                           | 10,793                                | 10,793         |
| <b>Balance as at September 30, 2015</b>            |       | <b>184,383</b>                | <b>(49,087)</b>             | <b>44,356</b>                         | <b>179,652</b> |
| For the nine-month period ended September 30, 2014 |       |                               |                             |                                       |                |
| <b>Balance at January 1, 2014</b>                  |       | <b>157,207</b>                | <b>(25,295)</b>             | <b>20,680</b>                         | <b>152,592</b> |
| Issuance of units                                  |       | 24,666                        | —                           | —                                     | 24,666         |
| Distribution to unitholders                        |       | —                             | (9,373)                     | —                                     | (9,373)        |
|  |       | 181,873                       | (34,668)                    | 20,680                                | 167,885        |
| Comprehensive income                               |       | —                             | —                           | 14,288                                | 14,288         |
| <b>Balance as at September 30, 2014</b>            |       | <b>181,873</b>                | <b>(34,668)</b>             | <b>34,968</b>                         | <b>182,173</b> |

See accompanying notes to condensed consolidated interim financial statements.

## BTB Real Estate Investment Trust

## Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - in thousands of CAD dollars)

| Notes   | For the three-month periods<br>ended September 30 |                 | For the nine-month periods<br>ended September 30 |                 |
|---|---|-----------------|--|-----------------|
|   | 2015  | 2014            | 2015   | 2014            |
|   | \$  | \$              | \$   | \$              |
| <b>Operating activities</b>                                     |   |                 |  |                 |
| Net income for the period                                       | 3,669   | 4,968           | 10,793   | 14,288          |
| Adjustment for:   |   |                 |  |                 |
| Increase in fair value of investment properties                 | —   | —               | —  | (796)           |
| Depreciation of property and equipment                          | 6   | 42              | 123  | 120             |
| Unit-based compensation   | 20  | 50              | 211  | 84              |
| Straight-line lease adjustment                                  | 16  | (119)           | (561)  | (467)           |
| Lease incentive amortization                                    | 16  | 493             | 1,532  | 1,317           |
| Net financing costs   | 17  | 6,296           | 17,222   | 11,401          |
|   | 10,374  | 8,970           | 29,320   | 25,947          |
| Net change in non-cash operating items                          | (675)   | 1,034           | (3,239)  | (2,821)         |
| <b>Net cash from operating activities</b>                       | <b>9,699</b>                                      | <b>10,004</b>   | <b>26,081</b>                                    | <b>23,126</b>   |
| <b>Investing activities</b>                                     |   |                 |  |                 |
| Additions to investment properties                              | 3, 4  | (29,649)        | (67,460)   | (45,373)        |
| Net proceeds from disposal of<br>investment properties          |   | —               | —  | 4,656           |
| Additions to property and equipment                             | 6   | (17)            | (60)   | (67)            |
| <b>Net cash used in investing activities</b>                    | <b>(29,666)</b>                                   | <b>(10,574)</b> | <b>(67,520)</b>                                  | <b>(40,784)</b> |
| <b>Financing activities</b>                                     |   |                 |  |                 |
| Mortgage loans, net of financing costs                          |   | 47,586          | 19,341   | 71,421          |
| Repayment of mortgage loans                                     |   | (25,062)        | (12,616)   | (30,518)        |
| Bank loans, net of financing costs                              |   | 6,379           | —  | 18,959          |
| Repayment of bank loans   |   | —               | —  | (3,291)         |
| Net proceeds from issue of units                                |   | —               | —  | 333             |
| Net distributions to unitholders                                |   | (3,166)         | (3,075)  | (9,521)         |
| Reduction (additions) in restricted cash                        | 7   | 163             | (300)  | 1,667           |
| Interest paid   |   | (6,370)         | (6,085)  | (16,232)        |
| <b>Net cash from (used in) financing activities</b>             | <b>19,530</b>                                     | <b>(2,735)</b>  | <b>36,109</b>                                    | <b>22,509</b>   |
| <b>Net (decrease) increase in cash and cash<br/>equivalents</b> | <b>(437)</b>                                      | <b>(3,305)</b>  | <b>(5,330)</b>                                   | <b>4,851</b>    |
| <b>Cash and cash equivalents, beginning of period</b>           | <b>1,535</b>                                      | <b>10,686</b>   | <b>6,428</b>                                     | <b>2,530</b>    |
| <b>Cash and cash equivalents, end of period</b>                 | <b>1,098</b>                                      | <b>7,381</b>    | <b>1,098</b>                                     | <b>7,381</b>    |

See accompanying notes to condensed consolidated interim financial statements.

BTB Real Estate Investment Trust

## Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014  
(Unaudited - in thousands of CAD dollars, except per unit amounts)

### 1. Reporting Entity

BTB Real Estate Investment Trust (“BTB”) is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Quebec pursuant to a trust agreement and is domiciled in Canada. The address of BTB’s registered office is 2155, Crescent street, Montreal, Quebec, Canada. The condensed consolidated interim financial statements of BTB for the nine-month periods ended September 30, 2015 and 2014 comprise BTB and its wholly-owned subsidiaries (together referred to as the “Trust”) and the Trust’s interest in joint operations.

### 2. Basis of Preparation

#### (a) Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the Trust’s consolidated financial statements for the years ended December 31, 2014 and 2013.

The accounting policies applied by the Trust in these unaudited condensed consolidated interim financial statements are the same as those applied by the Trust in its consolidated financial statements for the year ended December 31, 2014.

These condensed consolidated interim financial statements were approved by the Board of Directors on October 30, 2015.

#### (b) Basis of presentation and measurement

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

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

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

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgments

The preparation of condensed consolidated interim financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make judgments, estimates and



BTB Real Estate Investment Trust

## Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014  
(Unaudited - in thousands of CAD dollars, except per unit amounts)

assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

The significant judgments made by management in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

### **(e) New standards and interpretations not yet adopted**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these condensed consolidated interim financial statements.

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

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

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

#### **(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")**

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

## BTB Real Estate Investment Trust

## Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014  
(Unaudited - in thousands of CAD dollars, except per unit amounts)

period beginning on January 1, 2017. On July 22, 2015, the IASB confirmed their decision to defer the effective date of this standard by one year. Therefore IFRS 15 will be effective for the Trust's annual reporting periods beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

### 3. Investment Properties

|  | Nine-month period<br>ended September 30, | Year ended<br>December 31, |
|--|--|----------------------------|
|  | <b>2015</b>                              | <b>2014</b>                |
|  | \$                                       | \$                         |
| Balance beginning of period                        | 571,462                                  | 529,432                    |
| Acquisition of investment properties (note 4)      | 63,383                                   | 40,121                     |
| Disposal of investment properties (note 5)         | —  | (4,725)                    |
| Capital expenditures                               | 3,555                                    | 5,572                      |
| Government grants                                  | (132)                                    | (120)                      |
| Capitalized leasing fees                           | 480                                      | 1,137                      |
| Capitalized lease incentives                       | 2,010                                    | 3,088                      |
| Lease incentives amortization                      | (1,532)                                  | (1,793)                    |
| Straight-line lease adjustment                     | 561                                      | 610                        |
| Net changes in fair value of investment properties | —  | (1,860)                    |
| <b>Balance end of period</b>                       | <b>639,787</b>                           | <b>571,462</b>             |

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

At September 30, 2015 external appraisals were obtained for investment properties with an aggregate fair value of \$8,810 (December 31, 2014 - \$381,600).

BTB Real Estate Investment Trust

## Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014  
(Unaudited - in thousands of CAD dollars, except per unit amounts)

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

|                                 | Commercial     | Office        | Industrial     | General purpose |
|---------------------------------|----------------|---------------|----------------|-----------------|
| <b>As at September 30, 2015</b> |                |               |                |                 |
| Capitalization rate             | 6.25% - 10.00% | 6.50% - 9.25% | 6.50% - 10.00% | 7.00% - 8.25%   |
| Terminal capitalization rate    | 7.00% - 8.00%  | 7.00% - 7.75% | 7.25% - 9.75%  | 7.25% - 8.25%   |
| Discount rate                   | 7.75% - 8.75%  | 7.50% - 8.50% | 7.50% - 10.50% | 7.75% - 9.00%   |
| <b>As at December 31, 2014</b>  |                |               |                |                 |
| Capitalization rate             | 6.25% - 10.00% | 6.50% - 9.25% | 7.00% - 10.00% | 7.00% - 8.25%   |
| Terminal capitalization rate    | 7.25% - 8.00%  | 7.00% - 7.75% | 7.25% - 9.75%  | 7.25% - 8.25%   |
| Discount rate                   | 7.75% - 8.75%  | 7.50% - 8.50% | 7.75% - 10.50% | 7.75% - 9.00%   |

Valuations determined by the Direct Capitalization method are most sensitive to changes in capitalization rate. An increase in the capitalization rate, other things being equal, will result in a decrease in fair value of the investment properties and vice-versa.

## BTB Real Estate Investment Trust

## Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014  
(Unaudited - in thousands of CAD dollars, except per unit amounts)

#### 4. Acquisitions

##### (a) 2015 Asset acquisitions

The relative fair value of the assets and liabilities recognized in the condensed consolidated interim statement of financial position on the date of the acquisition during 2015 were as follows:

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

##### (b) 2014 Asset acquisitions

The relative fair value of the assets and liabilities recognized in the condensed consolidated interim statement of financial position on the date of the acquisition during 2014 were as follows:

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

#### 5. Disposal

There were no disposals during the nine-month period ended September 30, 2015.

## BTB Real Estate Investment Trust

## Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014  
(Unaudited - in thousands of CAD dollars, except per unit amounts)

In May 2014, the Trust partially disposed of an office investment property located in the city of Sherbrooke for gross proceeds of \$525 (net proceeds of \$522 after giving effect to trade and other payables assumed by the purchaser).

In April 2014, the Trust disposed of a commercial investment property located in Montreal for gross proceeds of \$4,200 (net proceeds of \$4,134 after giving effect to trade and other payables assumed by the purchaser).

## 6. Property and Equipment

|                                 | Owner-occupied<br>land | Owner-occupied<br>building | Equipment,<br>furniture and<br>fixtures | Rolling<br>stock | Total        |
|---------------------------------|------------------------|----------------------------|---|------------------|--------------|
|                                 | \$                     | \$                         | \$                                      | \$               | \$           |
| <b>Cost</b>                     |                        |                            |   |                  |              |
| Balance at December 31, 2013    | 494                    | 1,924                      | 472                                     | 82               | <b>2,972</b> |
| Additions                       | —                      | 10                         | 67                                      | —                | <b>77</b>    |
| Balance at December 31, 2014    | 494                    | 1,934                      | 539                                     | 82               | <b>3,049</b> |
| Additions                       | —                      | 11                         | 15                                      | 34               | <b>60</b>    |
| Balance at September 30, 2015   | 494                    | 1,945                      | 554                                     | 116              | <b>3,109</b> |
| <b>Accumulated Depreciation</b> |                        |                            |   |                  |              |
| Balance at December 31, 2013    |                        | 310                        | 259                                     | 19               | <b>588</b>   |
| Depreciation for the period     |                        | 69                         | 81                                      | 15               | <b>165</b>   |
| Balance at December 31, 2014    |                        | 379                        | 340                                     | 34               | <b>753</b>   |
| Depreciation for the period     |                        | 52                         | 58                                      | 13               | <b>123</b>   |
| Balance at September 30, 2015   |                        | 431                        | 398                                     | 47               | <b>876</b>   |
| <b>Net carrying amount</b>      |                        |                            |   |                  |              |
| Balance at December 31, 2014    | 494                    | 1,555                      | 199                                     | 48               | <b>2,296</b> |
| Balance at September 30, 2015   | 494                    | 1,514                      | 156                                     | 69               | <b>2,233</b> |

## 7. Restricted Cash

Restricted cash consists of an amount of \$50 (December 31, 2014 - \$1,717) provided in guarantee of mortgage loans. The permitted use of restricted cash is to fund certain future capital expenditures.

## BTB Real Estate Investment Trust

## Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014  
(Unaudited - in thousands of CAD dollars, except per unit amounts)

## 8. Other Assets

|                  | As at September 30, | As at December 31, |
|------------------|---------------------|--------------------|
|                  | <b>2015</b>         | <b>2014</b>        |
|                  | \$                  | \$                 |
| Prepaid expenses | 4,484               | 2,599              |
| Deposits         | 620                 | 840                |
| <b>Total</b>     | <b>5,104</b>        | <b>3,439</b>       |

## 9. Receivables

|                                 | As at September 30, | As at December 31, |
|---------------------------------|---------------------|--------------------|
|                                 | <b>2015</b>         | <b>2014</b>        |
|                                 | \$                  | \$                 |
| Rents receivable                | 1,501               | 1,195              |
| Provision for doubtful accounts | (268)               | (312)              |
| Net rents receivable            | 1,233               | 883                |
| Unbilled recoveries             | (14)                | 65                 |
| Other receivables               | 489                 | 394                |
| <b>Total</b>                    | <b>1,708</b>        | <b>1,342</b>       |

## 10. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately \$632,924 as at September 30, 2015 (December 31, 2014 – \$565,187).

|   | As at September 30, | As at December 31, |
|---|---------------------|--------------------|
|   | <b>2015</b>         | <b>2014</b>        |
|   | \$                  | \$                 |
| Fixed rate mortgage loans payable             | 362,433             | 317,677            |
| Floating rate mortgage loans payable          | 10,710              | 13,107             |
| Unamortized fair value assumption adjustments | 1,087               | 1,270              |
| Unamortized financing costs                   | (2,470)             | (2,111)            |
| <b>Mortgage loans payable</b>                 | <b>371,760</b>      | <b>329,943</b>     |
| Weighted average interest rate                | 3.93%               | 4.13%              |
| Weighted average term to maturity (years)     | 5.46                | 4.68               |
| Range of annual rates                         | 1.93% - 6.80%       | 2.63% - 6.80%      |

## BTB Real Estate Investment Trust

## Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014  
(Unaudited - in thousands of CAD dollars, except per unit amounts)

As at September 30, 2015, the mortgage loan scheduled repayments are as follows:

|   | Scheduled<br>repayments | Principal<br>maturity | Total          |
|---|-------------------------|-----------------------|----------------|
|   | \$                      | \$                    | \$             |
| 2015*   | 2,858                   | 9,215                 | 12,073         |
| 2016  | 10,997                  | 73,832                | 84,829         |
| 2017  | 8,036                   | 57,226                | 65,262         |
| 2018  | 6,283                   | 35,493                | 41,776         |
| 2019  | 4,827                   | 39,059                | 43,886         |
| Thereafter                                    | 38,375                  | 86,942                | 125,317        |
|   | <b>71,376</b>           | <b>301,767</b>        | <b>373,143</b> |
| Unamortized fair value assumption adjustments |                         |                       | 1,087          |
| Unamortized financing costs                   |                         |                       | (2,470)        |
|   |                         |                       | <b>371,760</b> |

\*For the three-month period remaining.

In March 2013, the Trust entered into an interest rate swap agreement on a floating interest rate mortgage to hedge the variability in cash flows attributed to fluctuating interest rates. Settlement on both the fixed and variable portion of the interest rate swap occurs on a monthly basis. The original principal amount of the interest rate swap was \$7,150, the maturity date is April 2023 and the effective fixed interest rate is 4.02%. As at September 30, 2015, the outstanding principal amount was \$6,569 (December 31, 2014 – \$6,756). The Trust does not apply hedge accounting to such cash flow hedging relationships (see note 13).

## 11. Convertible Debentures

As at September 30, 2015, the Trust had three series of subordinated, convertible, redeemable debentures outstanding.

|          | Capital | Interest rates |           | Unit<br>conversion<br>price | Interest<br>payments | Maturity     |
|----------|---------|----------------|-----------|-----------------------------|----------------------|--------------|
|          |         | Coupon         | Effective |                             |                      |              |
|          |         | %              | %         | \$                          |                      |              |
| Series C | 22,854  | 8.00           | 9.78      | 5.00                        | Semi-annual          | January 2016 |
| Series D | 23,000  | 7.25           | 8.47      | 6.10                        | Semi-annual          | July 2018    |
| Series E | 23,000  | 6.90           | 7.90      | 6.15                        | Semi-annual          | March 2020   |

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

|   | Series C      | Series D      | Series E      |
|---|---------------|---------------|---------------|
|   | \$            | \$            | \$            |
| Non-derivative liability component                    | 21,592        | 21,346        | 22,690        |
| Conversion and redemption options liability component | 1,408         | 1,654         | 310           |
|   | <b>23,000</b> | <b>23,000</b> | <b>23,000</b> |

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

|  | Series C      | Series D      | Series E      | Total         |
|--|---------------|---------------|---------------|---------------|
|  | \$            | \$            | \$            | \$            |
| <b>As at September 30, 2015</b>  |               |               |               |               |
| Non-derivative liability component upon issuance                       | 21,592        | 21,346        | 22,690        | 65,628        |
| Accretion of non-derivative liability component                        | 1,300         | 871           | 96            | 2,267         |
|  | 22,892        | 22,217        | 22,786        | 67,895        |
| Conversion options exercised by holders                                | (144)         | —             | —             | (144)         |
|  | 22,748        | 22,217        | 22,786        | 67,751        |
| Unamortized financing costs  | (120)         | (706)         | (868)         | (1,694)       |
| <b>Non-derivative liability component</b>                              | <b>22,628</b> | <b>21,511</b> | <b>21,918</b> | <b>66,057</b> |
| <b>Conversion and redemption options asset component at fair value</b> | <b>(21)</b>   | <b>(4)</b>    | <b>—</b>      | <b>(25)</b>   |



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

**Series C**

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

Until January 31, 2016, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

During the second quarter of 2015, conversion options have been exercised by holders on debentures representing a nominal amount of \$146.

**Series D**

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

Until July 31, 2016, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of July 31, 2016, but before July 31, 2018, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus

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accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

### Series E

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

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

## 12. Bank Loans

The Trust has access to an acquisition line of credit in the amount of \$20,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at September 30, 2015, \$18,100 was due under the acquisition line of credit (December 31, 2014 - \$nil).

The Trust also has access to an operating credit facility for a maximum amount of \$2,000. This facility bears interest at a rate of 0.75% above the prime rate. As at September 30, 2015, \$859 was due under the operating credit facility (December 31, 2014 - \$nil).

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on four properties having a value of \$7,043 (December 31, 2014 - three properties having a value of \$6,497), by an immoveable second rank hypothec on three properties having a value of \$67,216 (December 31, 2014 - two properties having a value of \$61,675) and by an immoveable third rank hypothec on a property having a value of \$20,868 (December 31, 2014 - \$nil).

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## 13. Fair Value Measurement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include the fair value of cash and cash equivalents, restricted cash, receivables, deposits, trade and other payables and distributions payable to unitholders, which approximated their carrying amount as at September 30, 2015 and December 31, 2014 because of their short-term maturity.

| As at September 30, 2015   | Carrying amount | Fair value |         |         |
|--|-----------------|------------|---------|---------|
|  |                 | Level 1    | Level 2 | Level 3 |
|  | \$              | \$         | \$      | \$      |
| <b>Measured at fair value</b>  |                 |            |         |         |
| Conversion and redemption options of convertible debentures (note 11)      | (25)            | —          | —       | (25)    |
| Interest rate swap   | 364             | —          | 364     | —       |
| <b>For which fair values are disclosed</b>                                 |                 |            |         |         |
| Mortgage loans payable (note 10)   | 371,760         | —          | 381,377 | —       |
| Convertible debentures, including their conversion and redemption features | 66,032          | 68,456     | —       | —       |
| Bank loans (note 12)   | 18,959          | —          | 18,959  | —       |

| As at December 31, 2014  | Carrying amount | Fair value |         |         |
|--|-----------------|------------|---------|---------|
|  |                 | Level 1    | Level 2 | Level 3 |
|  | \$              | \$         | \$      | \$      |
| <b>Measured at fair value</b>  |                 |            |         |         |
| Conversion and redemption options of convertible debentures (note 11)      | (53)            | —          | —       | (53)    |
| Interest rate swap   | 145             | —          | 145     | —       |
| <b>For which fair values are disclosed</b>                                 |                 |            |         |         |
| Mortgage loans payable (note 10)   | 329,943         | —          | 337,749 | —       |
| Convertible debentures, including their conversion and redemption features | 65,133          | 69,688     | —       | —       |

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

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

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

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

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

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

|  | Conversion and redemption<br>options of convertible<br>debentures |
|--|---|
|  | \$  |
| <b>Nine-month period ended September 30, 2015</b>  |   |
| Balance beginning of period  | (53)  |
| Change for the period recognized in profit and loss under Net adjustment to fair value of derivative financial instruments | 28  |
| <b>Balance end of period</b>   | <b>(25)</b>   |

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

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## Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014  
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The following table provides a sensitivity analysis for the volatility applied in fair value measurement of the conversion and redemption options of convertible debentures at September 30, 2015:

|                               | Conversion and redemption<br>options of convertible<br>debentures | Volatility |
|-------------------------------|---|------------|
|                               | \$  | %          |
| <b>Volatility sensitivity</b> |   |            |
| <b>Increase (decrease)</b>    |   |            |
| (0.50%)                       | (76)  | 18.49      |
| September 30, 2015            | (25)  | 18.99      |
| 0.50%                         | 28  | 19.49      |

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

## 14. Unit-based Compensation

### (a) Unit option plan

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

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For the nine-month periods ended September 30, 2015 and 2014  
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The following table presents relevant information on changes in the number of unit options during the period:

| For the nine-month periods ended September 30, | 2015          |                                 | 2014          |                                 |
|--|---------------|---------------------------------|---------------|---------------------------------|
|  | Units options | Weighted average exercise price | Units options | Weighted average exercise price |
| Outstanding, beginning of period               | 74,000        | 4.50                            | 98,000        | 4.51                            |
| Forfeited / Cancelled                          | —             | —                               | (24,000)      | 4.54                            |
| Exercised                                      | (74,000)      | 4.50                            | —             | —                               |
| <b>Outstanding, end of period</b>              | <b>—</b>      | <b>—</b>                        | <b>74,000</b> | <b>4.50</b>                     |
| <b>Options vested</b>                          | <b>—</b>      | <b>—</b>                        | <b>74,000</b> | <b>4.50</b>                     |
| <b>Weighted average remaining life (years)</b> |               | <b>—</b>                        |               | <b>0.65</b>                     |

As at September 30, 2015, the liability related to the plan was \$nil (December 31, 2014 - \$17). The related expense recorded in profit and loss amounted to \$20 for the nine-month period ended September 30, 2015 (for the nine-month period ended September 30, 2014 – income of \$1). 74,000 options were exercised under this plan for the nine-month period ended September 30, 2015 (no options for the nine-month period ended September 30, 2014).

**(b) Deferred unit compensation plan for trustees and certain executive officers**

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

The following table presents relevant information on changes in the number of deferred units during the period:

| For the nine-month periods ended September 30, | 2015           | 2014           |
|--|----------------|----------------|
|  | Deferred Units | Deferred Units |
| Outstanding, beginning of period               | —              | 29,771         |
| Trustees' compensation                         | —              | 5,619          |
| Distributions paid in units                    | —              | 1,649          |
| Units settled                                  | —              | (37,039)       |
| <b>Outstanding, end of period</b>              | <b>—</b>       | <b>—</b>       |

As at September 30, 2015, the liability related to the plan was \$nil (December 31, 2014 - \$nil). No expense was recorded in profit and loss for the nine-month period ended September 30, 2015 (for the

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nine-month period ended September 30, 2014 - \$39). As part of the settlement, the Trust issued 36,491 units and paid an amount of \$3 under this plan during the third quarter of 2014 (no issuance and no amount for the nine-month period ended September 30, 2015).

**(c) Employee unit purchase plan**

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, pursuant to a maximum of 3% to 7% of their base salary depending of their years of experience with the Trust. For each two units purchased by an employee, the Trust shall issue one unit from treasury.

As at September 30, 2015, the liability related to the plan was \$nil (December 31, 2014 - \$37, representing a total of 7,758 units to issue). The related expense recorded in profit and loss amounted to \$1 for the nine-month period ended September 30, 2015 (for the nine-month period ended September 30, 2014 - \$nil). The 7,758 units related to 2014 purchases have been issued in February 2015 (7,456 units related to 2013 purchases - February 2014).

**(d) Restricted unit compensation plan**

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

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

| For the nine-month periods ended September 30, | 2015             | 2014             |
|--|------------------|------------------|
|  | Restricted units | Restricted units |
| Outstanding, beginning of period               | 39,816           | —                |
| Granted  | 62,868           | 10,000           |
| Vested / Settled                               | (51,601)         | (10,000)         |
| <b>Outstanding, end of period</b>              | <b>51,083</b>    | <b>—</b>         |

As at September 30, 2015, the liability related to the plan was \$104 (December 31, 2014 - \$159). The related expense recorded in profit and loss amounted to \$190 for the nine-month period ended September 30, 2015 (for the nine-month period ended September 30, 2014 - \$46). As part of settlement, the Trust issued 51,601 units under this plan for the nine-month period ended September 30, 2015 (10,000 units for the nine-month period ended September 30, 2014).

**15. Trust Units Issued and Outstanding**

BTB is authorized to issue an unlimited number of trust units. Each trust unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The

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

In June 2014, the Trust completed a public issue of 5,436,000 units, including the over-allotment option, for total net proceeds of \$23,429.

Trust units issued and outstanding are as follows:

|   | Nine-month period ended<br>September 30, |                | Year ended<br>December 31, |                |
|---|--|----------------|----------------------------|----------------|
|   | 2015                                     |                | 2014                       |                |
|   | Units                                    | \$             | Units                      | \$             |
| Units outstanding, beginning of period                                | 34,133,967                               | 182,284        | 28,325,538                 | 157,207        |
| Issue pursuant to a public issue                                      | —  | —              | 5,436,000                  | 24,734         |
| Unit issue costs  | —  | —              | —                          | (1,305)        |
|   | 34,133,967                               | 182,284        | 33,761,538                 | 180,636        |
| Issue pursuant to the distribution reinvestment plan                  | 294,372                                  | 1,301          | 318,482                    | 1,400          |
| Issue pursuant to conversion of convertible debentures (note 11)      | 29,200                                   | 144            | —                          | —              |
| Issue pursuant to the unit option plan (note 14 (a))                  | 74,000                                   | 371            | —                          | —              |
| Issue pursuant to the deferred unit compensation plan (note 14 (b))   | —  | —              | 36,491                     | 169            |
| Issue pursuant to the employee unit purchase plan (note 14 (c))       | 7,758                                    | 38             | 7,456                      | 33             |
| Issue pursuant to the restricted unit compensation plan (note 14 (d)) | 51,601                                   | 245            | 10,000                     | 46             |
| <b>Units outstanding, end of period</b>                               | <b>34,590,898</b>                        | <b>184,383</b> | <b>34,133,967</b>          | <b>182,284</b> |

**(a) Distribution reinvestment plan**

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



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## 16. Rental Revenues from Properties

|  | Three-month periods ended<br>September 30, |               | Nine-month periods ended<br>September 30, |               |
|--|--|---------------|---|---------------|
|  | 2015                                       | 2014          | 2015                                      | 2014          |
|  | \$   | \$            | \$  | \$            |
| Rental income contractually due from tenants | 18,776                                     | 17,240        | 55,324                                    | 50,462        |
| Lease incentive amortization                 | (534)                                      | (493)         | (1,532)                                   | (1,317)       |
| Straight-line lease adjustment               | 179  | 119           | 561                                       | 467           |
|  | <b>18,421</b>                              | <b>16,866</b> | <b>54,353</b>                             | <b>49,612</b> |

## 17. Net Financing Costs

|   | Three-month periods<br>ended September 30, |              | Nine-month periods<br>ended September 30, |               |
|---|--|--------------|---|---------------|
|   | 2015                                       | 2014         | 2015                                      | 2014          |
|   | \$   | \$           | \$  | \$            |
| Financial income  | (12)                                       | (5)          | (33)                                      | (27)          |
| Interest on mortgage loans payable  | 3,625                                      | 3,386        | 10,672                                    | 10,054        |
| Interest on convertible debentures  | 1,271                                      | 1,274        | 3,816                                     | 3,822         |
| Interest on bank loans  | 196  | 73           | 475                                       | 161           |
| Other interest expense  | 31   | 18           | 75  | 45            |
| Accretion of non-derivative liability component<br>of convertible debentures                        | 151  | 142          | 451                                       | 416           |
| Accretion of effective interest on mortgage loans payable,<br>convertible debentures and bank loans | 307  | 288          | 895                                       | 779           |
| Early repayment fees of a mortgage loan   | 625  | —            | 625                                       | —             |
| Net adjustment to fair value of derivative financial instruments                                    | 102  | (1,640)      | 246                                       | (3,849)       |
|   | <b>6,296</b>                               | <b>3,536</b> | <b>17,222</b>                             | <b>11,401</b> |

## 18. Expenses for abandoned transaction

For the nine-month period ended September 30, 2015, due diligence expenses of \$207 were incurred for the proposed acquisition of a major property portfolio (for the nine-month period ended September 30, 2014 - \$nil). As certain preliminary conditions were not met, management decided to terminate the acquisition project.

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## 19. Expenses by Nature

|                           | Three-month periods<br>ended September 30, |      | Nine-month periods<br>ended September 30, |       |
|---------------------------|--|------|---|-------|
|                           | 2015                                       | 2014 | 2015                                      | 2014  |
|                           | \$   | \$   | \$  | \$    |
| Depreciation              | 34   | 42   | 123                                       | 120   |
| Employee benefits expense | 1,066                                      | 926  | 2,927                                     | 2,852 |

## 20. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32 (see note 15), the Trust is not required to report a profit or loss per unit figure on its condensed consolidated interim statements of comprehensive income. However, for disclosure purposes only, the Trust has determined basic earnings per unit using the same basis that would apply in accordance with IAS 33, *Earnings per Share*.

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

|  | Three-month periods ended<br>September 30, |             | Nine-month periods<br>ended September 30, |             |
|--|--|-------------|---|-------------|
|  | 2015                                       | 2014        | 2015                                      | 2014        |
|  | \$   | \$          | \$  | \$          |
| Net income   | 3,669                                      | 4,968       | 10,793                                    | 14,288      |
| Weighted average number of units outstanding – basic | 34,535,232                                 | 33,992,520  | 34,382,559                                | 30,518,291  |
| <b>Earnings per unit – basic</b>                     | <b>0.11</b>                                | <b>0.15</b> | <b>0.31</b>                               | <b>0.47</b> |

## 21. Operating Lease Income

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

## 22. Operating Segments

For investment properties, discrete financial information is provided to the Chief Executive Officer (“CEO”) on an aggregated investment property basis. The information provided is net rentals (including gross rent and property expenses), the change in fair value of investment properties and fair value of investment properties. The individual investment properties are aggregated into segments with similar

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economic characteristics. The CEO considers that this is best achieved by aggregating into commercial, office, industrial and general purpose segments.

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

- Commercial
- Office
- Industrial
- General purpose

|  | Commercial | Office  | Industrial | General purpose | Total          |
|--|------------|---------|------------|-----------------|----------------|
|  | \$         | \$      | \$         | \$              | \$             |
| <b>Three-month period ended September 30, 2015</b> |            |         |            |                 |                |
| Investment properties                              | 159,136    | 238,598 | 123,735    | 118,318         | <b>639,787</b> |
| Rental revenue from properties                     | 4,612      | 6,893   | 2,789      | 4,127           | <b>18,421</b>  |
| Net operating income                               | 2,974      | 3,331   | 2,403      | 2,250           | <b>10,958</b>  |
| <b>Three-month period ended September 30, 2014</b> |            |         |            |                 |                |
| Investment properties                              | 129,825    | 210,826 | 109,713    | 119,907         | <b>570,271</b> |
| Rental revenue from properties                     | 3,733      | 6,632   | 2,447      | 4,054           | <b>16,866</b>  |
| Net operating income                               | 2,400      | 3,164   | 2,019      | 2,060           | <b>9,643</b>   |

|   | Commercial | Office | Industrial | General purpose | Total         |
|---|------------|--------|------------|-----------------|---------------|
|   | \$         | \$     | \$         | \$              | \$            |
| <b>Nine-month period ended September 30, 2015</b> |            |        |            |                 |               |
| Rental revenue from properties                    | 13,153     | 20,459 | 8,544      | 12,197          | <b>54,353</b> |
| Net operating income                              | 8,114      | 9,551  | 7,181      | 6,428           | <b>31,274</b> |
| <b>Nine-month period ended September 30, 2014</b> |            |        |            |                 |               |
| Rental revenue from properties                    | 9,760      | 20,596 | 7,345      | 11,911          | <b>49,612</b> |
| Net operating income                              | 6,093      | 9,941  | 5,936      | 6,005           | <b>27,975</b> |

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### 23. Commitments and Contingencies

#### (a) Contractual obligations

The Trust entered into a binding agreement under which the Trust is committed to pay, up to a maximum of \$1,275, for the refurbishment of an investment property acquired in October 2013. As at September 30, 2015, the Trust has paid \$1,275 in refurbishment work, fulfilling his entire obligation (December 31, 2014 - \$604).

#### (b) Operating leases as lessee

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

|                                     | Total         |
|-------------------------------------|---------------|
|                                     | \$            |
| Within one year*                    | 49            |
| Over one year but within five years | 783           |
| Over five years                     | 14,709        |
|                                     | <b>15,541</b> |

\*For the three-month period remaining.

The related expense recorded in profit and loss amounted to \$134 for the nine-month period ended September 30, 2015 (for the nine-month period ended September 30, 2014 - \$66).

#### (c) Finance leases as lessee

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

|                                     | As at September 30,                    |            |   | As at December 31,                     |            |   |
|-------------------------------------|--|------------|---|--|------------|---|
|                                     | <b>2015</b>                            |            |   | <b>2014</b>                            |            |   |
|                                     | Future<br>minimum<br>lease<br>payments | Interest   | Present<br>value of<br>minimum<br>lease<br>payments | Future<br>minimum<br>lease<br>payments | Interest   | Present<br>value of<br>minimum<br>lease<br>payments |
|                                     | \$                                     | \$         | \$  | \$                                     | \$         | \$  |
| Within one year*                    | 36                                     | 15         | 21  | 47                                     | 19         | 28  |
| Over one year but within five years | 655                                    | 172        | 483   | 201                                    | 56         | 145   |
| Over five years                     | 579                                    | 74         | 505   | 139                                    | 25         | 114   |
|                                     | <b>1,270</b>                           | <b>261</b> | <b>1,009</b>  | <b>387</b>                             | <b>100</b> | <b>287</b>  |

\*As at September 30, 2015, for the three-month period remaining.

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

In 2014 the Trust entered into a commitment for a total consideration of \$1,014 in exchange for work to be performed on an investment property. The total amount is financed under a finance lease contract. As of September 30, 2015 work has been completed for the total consideration (December 31, 2014 - \$243). The corresponding lease obligation has been recognized in Trade and other payables.

### **(d) Litigation**

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

## **24. Subsequent Events**

In October 2015, the Trust concluded a refinancing agreement for two of its properties for a total amount of \$7,000, at an interest rate of 3.77% maturing in 10 years. The amount has been used to reimburse two existing financings of \$ 4,482 bearing a weighted average interest rate of 4.54% and for general Trust purposes.

## **25. Comparatives Figures**

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

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