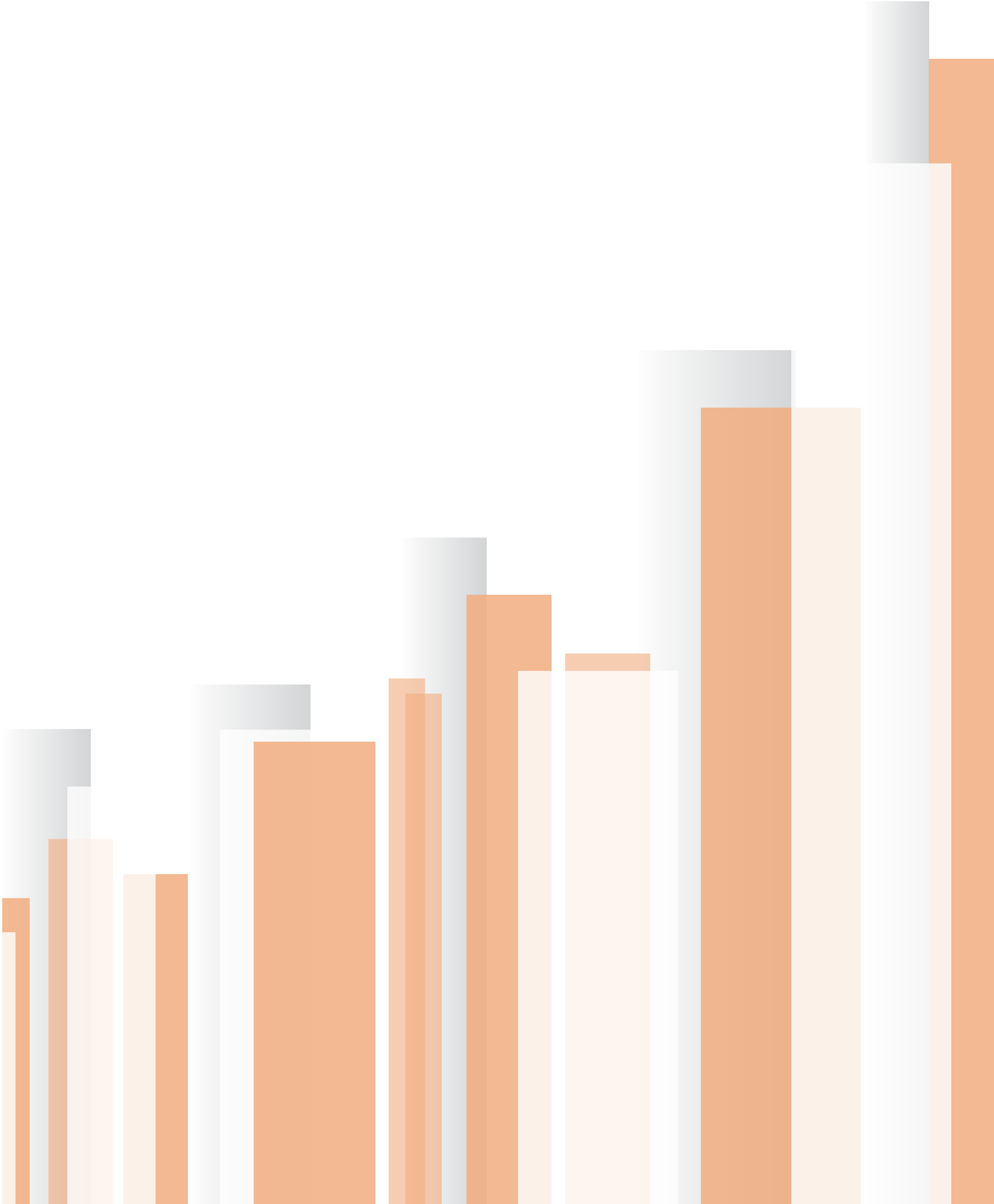
BTB

BTB Real Estate Investment Trust

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Three-month and six-month periods ended June 30, 2013 and 2012



BTB REAL ESTATE INVESTMENT TRUST

Condensed consolidated Interim Financial Statements (unaudited)

Three-month and six-month periods ended June 30, 2013 and 2012

BTB REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(in thousands of CAD dollars)

	Notes	As at June 30, 2013	As at December 31, 2012
ASSETS			
Investment properties	**3, 4, 5**	503,363	488,521
Property and equipment	**6**	2,119	2,163
Derivative financial instrument	**13**	189	-
Restricted cash	**7**	4,207	1,857
Other assets	**8**	6,398	5,036
Receivables	**9**	3,067	2,744
Cash and cash equivalents		2,559	4,606
Total assets		**521,902**	**504,927**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	**10**	301,183	296,523
Convertible debentures	**11**	63,337	54,272
Bank loans	**12**	15,977	14,825
Derivative financial instruments	**13**	2,364	927
Unit-based compensation	**14**	141	22
Trade and other payables		12,742	12,788
Distributions payable to unitholders		795	792
Total liabilities		**396,539**	**380,149**
Unitholders' equity		**125,363**	**124,778**
		521,902	**504,927**

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on August 8, 2013:

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

BTB REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Comprehensive Income (unaudited)

For the three-month and six-month periods ended June 30, 2013 and 2012
(in thousands of CAD dollars)

		Three-month periods ended June 30,		Six-month periods ended June 30,	
	Notes	**2013**	**2012**	**2013**	**2012**
Operating revenues					
Rental revenues from properties	**16**	15,820	11,723	31,635	22,722
Operating expenses					
Property taxes and public utilities		4,266	3,215	8,992	6,630
Other operating costs		2,579	1,800	5,128	3,663
		6,845	5,015	14,120	10,293
Net operating income		**8,975**	**6,708**	**17,515**	**12,429**
Finance costs		5,437	4,543	10,978	8,934
Net adjustment to fair value of derivative financial instruments		1,095	(2,348)	818	(3,775)
Net financing costs	**17**	6,532	2,195	11,796	5,159
Trust administration expenses		1,057	1,013	1,964	1,744
Net income before the following item		**1,386**	**3,500**	**3,755**	**5,526**
Increase in fair value of investment properties		230	1,463	1,203	3,409
Net income being total comprehensive income for the period		**1,616**	**4,963**	**4,958**	**8,935**

See accompanying notes to condensed consolidated interim financial statements.

BTB REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity (unaudited)

For the six-month periods ended June 30, 2013 and 2012
(in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative comprehensive income	Cumulative distributions	Total
Balance as at January 1, 2013		**137,330**	**2,331**	**(14,883)**	**124,778**
Issuance of units	**15**	391	-	-	391
Distributions to unitholders		-	-	(4,764)	(4,764)
Comprehensive income		-	4,958	-	4,958
Balance as at June 30, 2013		**137,721**	**7,289**	**(19,647)**	**125,363**

	Notes	Unitholders' contributions	Cumulative comprehensive income (loss)	Cumulative distributions	Total
Balance at January 1, 2012		**99,503**	**(15,636)**	**(7,227)**	**76,640**
Issuance of units		18,581	-	-	18,581
Distributions to unitholders		-	-	(3,675)	(3,675)
Comprehensive income		-	8,935	-	8,935
Balance as at June 30, 2012		**118,084**	**(6,701)**	**(10,902)**	**100,481**

See accompanying notes to condensed consolidated interim financial statements.

BTB REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

For the three-month and six-month periods ended June 30, 2013 and 2012
(in thousands of CAD dollars)

		Three-month periods ended June 30,		Six-month periods ended June 30,	
	Notes	**2013**	**2012**	**2013**	**2012**
Operating activities					
Net income for the period		1,616	4,963	4,958	8,935
Adjustment for :					
Increase in fair value of investment properties		(230)	(1,463)	(1,203)	(3,409)
Depreciation of property and equipment	**6**	29	24	58	43
Unit-based compensation		21	(24)	44	(31)
Straight-line lease adjustment	**16**	(161)	(112)	(505)	(273)
Lease incentive amortization	**16**	361	318	705	572
Net financing costs	**17**	6,532	2,195	11,796	5,159
		8,168	5,901	15,853	10,996
Net change in non-cash working capital items		1,491	(1,423)	(2,477)	(3,529)
Net cash from operating activities		**9,659**	**4,478**	**13,376**	**7,467**
Investing activities					
Additions to investment properties	**4**	(1,388)	(30,032)	(13,982)	(31,204)
Net proceeds from disposal of investment properties	**5**	2,300	-	2,300	1,266
Additions to property and equipment	**6**	(6)	(67)	(14)	(77)
Additions to investment properties under development		-	-	-	(383)
Net cash from (used in) investing activities		**906**	**(30,099)**	**(11,696)**	**(30,398)**
Financing activities					
Mortgage loans, net of financing costs		(19)	20,319	18,938	23,860
Repayment of mortgage loans		(2,074)	(1,232)	(15,966)	(2,498)
Bank loans, net of financing costs		1,065	-	1,065	-
Net proceeds from issue of convertible debentures		(53)	-	21,752	-
Repayment of convertible debentures		-	-	(13,020)	-
Net proceeds from issue of units		-	(117)	-	18,024
Net distributions to unitholders		(2,168)	(1,771)	(4,370)	(3,284)
Additions to restricted cash	**7**	(2,250)	-	(2,350)	(1,900)
Interest paid		(6,093)	(3,481)	(9,776)	(8,041)
Net cash (used in) from financing activities		**(11,592)**	**13,718**	**(3,727)**	**26,161**
Net (decrease) increase in cash and cash equivalents		**(1,027)**	**(11,903)**	**(2,047)**	**3,230**
Cash and cash equivalents, beginning of period		**3,586**	**18,580**	**4,606**	**3,447**
Cash and cash equivalents, end of period		**2,559**	**6,677**	**2,559**	**6,677**

See accompanying notes to condensed consolidated interim financial statements.

1. REPORTING ENTITY

BTB Real Estate Investment Trust (the "Trust" or "BTB") is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Quebec pursuant to a trust agreement and is domiciled in Canada. The address of the Trust's registered office is 2155, Crescent street, Montreal, Quebec, Canada. The condensed consolidated interim financial statements of the Trust for the three-month and six-month periods ended June 30, 2013 and 2012 comprise the Trust 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, 2012 and 2011.

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, 2012 and 2011 except for those described in *note 2 (e).*

These condensed consolidated interim financial statements were approved by the Board of Directors on August 8, 2013.

(b) Basis of 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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of condensed consolidated interim financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and 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. Actual results may differ from these estimates.

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

(i) Judgments

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

Business combinations

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

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

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

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

Operating lease contracts – Trust as lessor

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

(ii) Use of estimates

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

Valuation of investment properties

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

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

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

Techniques used for valuing investment properties

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

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

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

Derivative financial instruments

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

Unit options

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

e) Change in accounting policy

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

In 2013, the Trust adopted IFRS 10, *Consolidated Financial Statements* and IFRS 12, *Disclosure of Interests in Other Entities*. The application of these standards had no impact on the Trust's condensed consolidated interim financial statements.

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

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

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

3. INVESTMENT PROPERTIES

	Six-month period ended June 30, 2013	Year ended December 31, 2012
Balance beginning of period	488,521	343,383
Acquisition of investment properties *(note 4)*	14,065	128,446
Disposal of investment properties *(note 5)*	(2,300)	(1,266)
Capital expenditures	1,206	3,378
Government grants	(87)	-
Capitalized leasing fees	127	678
Capitalized lease incentives	828	2,454
Lease incentives amortization	(705)	(1,240)
Straight-line lease adjustment	505	661
Net transfer from investment properties under development	-	4,316
Increase in fair value of investment properties	1,203	7,711
Balance end of the period	**503,363**	**488,521**

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

a) External Valuation

At December 31, 2012 external appraisals were obtained for investment properties with an aggregate fair value of $361,021.

b) Internal Valuation

At June 30, 2013 management's valuation models were used for investment properties with an aggregate fair value of $503,363 (December 31, 2012 - $127,500).

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

As at June 30, 2013	Commercial	Office	Industrial	General purpose
Capitalization rate	7.00% - 12.00%	6.50% - 10.50%	7.00% - 9.75%	7.25% - 8.75%
Terminal capitalization rate	7.25% - 8.75%	6.50% - 9.50%	7.00% - 11.50%	7.50% - 9.25%
Discount rate	7.25% - 9.75%	7.50% - 9.25%	7.00% - 10.75%	8.25% - 9.00%

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

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

4. ACQUISITIONS

a) 2013 Asset acquisitions

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

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

In addition to the purchase price, transaction costs of $290 were incurred for these acquisitions.

The Trust also recorded additional transaction costs of $212 related to acquisitions completed at the end of 2012.

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

	Fair value recognized on acquisition
Investment properties, including transaction costs	13,853
Mortgage loans payable	(1,586)
Trade and other payables, including transaction costs	(359)
Total cash consideration paid	**11,908**

b) 2012 Asset acquisitions

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

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

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

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

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

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

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

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

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

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

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

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

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

5. DISPOSAL

In May 2013, the Trust disposed of a general purpose building located in the city of Brossard for net proceeds of $2,300. An amount of $2,250 has been provided as a guarantee of the existing mortgage loan which is for multiple buildings still held.

In March 2012, the Trust disposed of a commercial building located in the city of Montréal for net proceeds of $1,266. The gross proceeds of $1,272 have been provided as a guarantee of the existing mortgage loan which is for multiple buildings still held.

6. PROPERTY AND EQUIPMENT

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
Cost					
Balance at December 31, 2011	494	1,715	129	-	**2,338**
Additions	-	9	105	59	**173**
Balance at December 31, 2012	494	1,724	234	59	**2,511**
Additions	-	1	13	-	**14**
Balance at June 30, 2013	494	1,725	247	59	**2,525**

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

	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
Accumulated Depreciation				
Balance at December 31, 2011	187	64	-	**251**
Depreciation for the year	58	32	7	**97**
Balance at December 31, 2012	245	96	7	**348**
Depreciation for the period	29	23	6	**58**
Balance at June 30, 2013	274	119	13	**406**

Net book value	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
At December 31, 2012	494	1,479	138	52	**2,163**
At June 30, 2013	494	1,451	128	46	**2,119**

7. RESTRICTED CASH

Restricted cash consists of an amount of $3,522 (December 31, 2012 - $1,272) provided in guarantee of the existing mortgage loan on the buildings disposed in March 2012 and May 2013 *(note 5)* and an amount of $685 (December 31, 2012 - $585) provided in guarantee of a mortgage loan.

8. OTHER ASSETS

	As at June 30, 2013	As at December 31, 2012
Prepaid expenses	6,063	3,605
Deposits	335	1,431
Total	**6,398**	**5,036**

9. RECEIVABLES

	As at June 30, 2013	As at December 31, 2012
Rents receivable	3,252	2,996
Provision for doubtful accounts	(302)	(271)
Net rents receivable	2,950	2,725
Other receivable	117	19
Total	**3,067**	**2,744**

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

10. MORTGAGE LOANS PAYABLE

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $499,299 as at June 30, 2013 (December 31, 2012 – $484,641).

	As at June 30, 2013	As at December 31, 2012
Fixed rate mortgage loans payable	275,959	280,313
Floating rate mortgage loans payable	25,124	15,901
Unamortized fair value assumption adjustments	1,876	2,111
Unamortized financing costs	(1,776)	(1,802)
Mortgage loans payable	**301,183**	**296,523**
Weighted average interest rate	4.67%	4.69%
Weighted average term to maturity (year)	4.38	4.51
Annual rates ranging	3.18% - 8.50%	3.18% - 8.50%

As at June 30, 2013, mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
2013*	4,095	24,092	28,187
2014	7,143	70,255	77,398
2015	6,131	14,120	20,251
2016	5,609	61,276	66,885
2017	3,153	57,527	60,680
Thereafter	21,936	25,746	47,682
	48,067	**253,016**	**301,083**
Unamortized fair market value assumption adjustments			1,876
Unamortized financing costs			(1,776)
			301,183

*For the six-month period remaining.

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

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

11. CONVERTIBLE DEBENTURES

As at June 30, 2013, the Trust had three series of subordinated convertible debentures outstanding.

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

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 option liability component	1,408	1,654	310
	23,000	**23,000**	**23,000**

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

As at June 30, 2013	**Series C**	**Series D**	**Series E**	**Total**
Non-derivative liability component upon issuance	21,592	21,346	22,690	65,628
Accretion of non-derivative liability component	612	369	12	993
	22,204	21,715	22,702	66,621
Unamortized financing costs	(923)	(1,157)	(1,204)	(3,284)
Non-derivative liability component	**21,281**	**20,558**	**21,498**	**63,337**
Conversion option liability component at fair value	**1,352**	**409**	**603**	**2,364**

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

Series B

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

Series C

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

These debentures are not redeemable before January 31, 2014, except in the case of a change in control. As of January 31, 2014, but before January 31, 2015, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of January 31, 2015, but before January 31, 2016, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

Series D

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

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

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 $15,000 maturing in November 2013. The line of credit is guaranteed by mortgages against properties held by the Trust.

As at June 30, 2013, $15,000 was drawn under the acquisition line of credit (December 31, 2012 - $15,000). As at June 30, 2013, the unamortized financing costs amount to $96 (December 31, 2012 - $175). The acquisition line of credit has been entirely reimbursed in July 2013 (see *note 23*).

The Trust also has access to an operating credit facility for a maximum amount of $2,000. This facility bears interest at a rate of 1% above the prime rate. This credit facility is secured by an immoveable hypothec on two properties having a value of $4,343 (December 31, 2012 - $4,224). As at June 30, 2013, $1,073 was drawn under the operating credit facility (December 31, 2012 - $nil).

13. FINANCIAL INSTRUMENTS

The fair value of the Cash and cash equivalents, restricted cash, receivables, trade and other payables and distributions payable to unitholders, approximated their carrying amount as at June 30, 2013 because of their short-term maturity.

The fair value of mortgage loans payable was calculated by discounting cash flows from future payment 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 maturity. Using these assumptions, the estimated fair value of mortgage loans on June 30, 2013 amounted to $306,389 (December 31, 2012 - $300,046).

The fair value of convertible debentures, including their conversion features, was determined with reference to the last quoted trading price preceding the period end. Using these values, the fair values of debentures, including the conversion features, on June 30, 2013 amounted to $68,966 (December 31, 2012 - $59,882).

The fair value of bank loans was calculated by discounting cash flows from financial obligations using the period end market rate for similar instruments. Using these assumptions, the estimated fair value of bank loans on June 30, 2013 amounted to $16,085 (December 31, 2012 - $15,030).

The fair value of derivative instruments, which comprise conversion options of convertible debentures and an interest rate swap, is based respectively on the partial differential equation method and the discounted future cash flows method. The assumptions used in the partial differential equation method are estimated by reference to 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 CDOR forward rates.

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

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 Trust uses a fair value hierarchy to categorize the type of valuation techniques from which fair value is derived. The different levels of the hierarchy are; quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The fair value hierarchy of financial instruments measured at fair value on the consolidated statements of financial position is as follows:

	As at June 30, 2013			As at December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Conversion options of convertible debentures	-	-	2,364	-	-	927
Interest rate swap asset	-	(189)	-	-	-	-
Total	**-**	**(189)**	**2,364**	**-**	**-**	**927**

The following tables provide a reconciliation of Level 3 fair value measurements:

Six-month period ended June 30, 2013	**Conversion options of convertible debentures**
Balance beginning of period	927
Losses for the period recognised in profit or loss under Net adjustment to fair value of derivative financial instruments	1,127
Issue of Series E subordinated convertible, redeemable debentures	310
Balance end of the period	**2,364**

Year ended December 31, 2012	**Conversion options of convertible debentures**	**Warrants**
Balance beginning of period	6,256	265
(Gains) losses for the period recognised in profit or loss under Net adjustment to fair value of derivative financial instruments	(5,329)	42
Exercise of warrants	-	(307)
Balance end of the period	**927**	-

The following table provides a sensitivity analysis for the volatility applied in fair value valuation of the conversion options of convertible debentures at June 30, 2013:

Volatility sensibility Increase (decrease)	**Volatility**	**Conversion options of convertible debentures**
(0.50%)	16.55%	2,190
June 30, 2013	17.05%	2,364
0.50%	17.55%	2,542

As shown in the sensitivity analysis above the fair value of the conversion options of convertible debentures is impacted by a change in the volatility used in the valuation model. An increase in the volatility, other things being equal, will result in an increase in fair value of the conversion options of convertible debentures and vice-versa.

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

14. UNIT-BASED COMPENSATION AND WARRANTS

(a) Unit-based compensation

i) Unit option plan

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

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

Six-month periods ended June 30,	**2013**		**2012**	
	Units options	**Weighted average exercise price**	**Units options**	**Weighted average exercise price**
Outstanding, beginning of period	227,000	$ 5.07	551,000	$10.20
Forfeited/Cancelled	-	-	(324,000)	$13.17
Outstanding, end of period	**227,000**	**$ 5.07**	**227,000**	**$ 5.07**
Options vested	**227,000**	**$ 5.07**	**222,000**	**$ 5.07**
Weighted average remaining life (years)		**1.09**		**2.09**

ii) Deferred unit compensation plan for trustees and certain executive officers

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

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

Six-month periods ended June 30,	**2013**	**2012**
Outstanding, beginning of period	15,981	-
Trustees' compensation	5,835	-
Distributions paid in units	806	-
Outstanding, end of period	**22,622**	-

As at June 30, 2013, the liability related to the plan was $115 (December 31, 2012 - $75). The related expenses recorded in profit and loss amount to $40 for the six-month periods ended June 30, 2013 (June 30, 2012 - $nil). No amount was paid under this plan for the six-month periods ended June 30, 2013 and 2012.

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

(b) Warrants

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

The warrants had a fair value of $307 before being exercised. The related expenses recorded in profit and loss amount to $42 for the six-month period ended June 30, 2012.

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 unitholders have the right to require BTB to redeem their trust units on demand. Upon receipt of the redemption notice, all rights to and under the trust units tendered for redemption are surrendered and the holder thereof is entitled to receive a price per trust unit («Redemption Price»), as determined by a market formula. The Redemption Price is to be paid in accordance with the conditions provided for in the Declaration of Trust. BTB trust units are considered liability instruments under IFRS because the units are redeemable at the option of the holder, however they are presented as equity at June 30, 2013 and December 31, 2012 in accordance with IAS 32, *Financial Instruments: Presentation.*

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

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

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

Trust units issued and outstanding are as follows:

	As at June 30, 2013		**As at December 31, 2012**	
	Units	**Value ($)**	**Units**	**Value ($)**
Units outstanding, beginning of period	23,791,797	137,330	14,810,790	99,503
Issue pursuant to a public issue	-	-	8,348,150	37,252
	23,791,797	137,330	23,158,940	136,755
Unit issue costs	-	-	-	(2,225)
Issue pursuant to the distribution reinvestment plan	90,855	391	132,857	582
Issue pursuant to the exercise of warrants	-	-	500,000	2,218
Units outstanding, end of period	**23,882,652**	**137,721**	**23,791,797**	**137,330**

a) Distribution reinvestment plan

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

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

16. RENTAL REVENUES FROM PROPERTIES

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2013	**2012**	**2013**	**2012**
Rental income contractually due from tenants	16,020	11,929	31,835	23,021
Lease incentive amortization	(361)	(318)	(705)	(572)
Straight-line lease adjustment	161	112	505	273
	15,820	**11,723**	**31,635**	**22,722**

17. NET FINANCING COSTS

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2013	**2012**	**2013**	**2012**
Financial income	(46)	(52)	(68)	(68)
Interest on mortgage loans payable	3,496	2,927	6,878	5,643
Interest on convertible debentures	1,273	1,154	2,598	2,308
Interest on bank loans	319	-	593	-
Other interest expense	16	26	24	55
Accretion of non-derivative liability component of convertible debentures	127	148	289	292
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	252	340	664	704
Net adjustment to fair value of derivative financial instruments	1,095	(2,348)	818	(3,775)
	6,532	**2,195**	**11,796**	**5,159**

18. EXPENSES BY NATURE

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2013	**2012**	**2013**	**2012**
Depreciation	29	24	58	43
Employee benefits expense	781	729	1,581	1,381

19. EARNINGS PER UNIT

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

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

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

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2013	**2012**	**2013**	**2012**
Net income	1,616	4,963	4,958	8,935
Weighted average number of units outstanding - basic	23,859,432	19,101,129	23,836,654	17,900,045
Earnings per unit - basic	**0.07**	**0.26**	**0.21**	**0.50**

20. OPERATING LEASE INCOME

The Trust as lessor has entered into leases on its property portfolio. The leases typically have lease terms between one and five 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.

21. OPERATING SEGMENTS

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

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

- Commercial
- Office
- Industrial
- General purpose

Three-month period ended June 30, 2013	**Commercial**	**Office**	**Industrial**	**General purpose**	**Total**
Investment properties	99,814	200,811	90,306	112,432	**503,363**
Rental revenue from properties	2,893	6,717	2,157	4,053	**15,820**
Net operating income	1,764	3,288	1,788	2,135	**8,975**

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

Three-month period ended June 30, 2012	Commercial	Office	Industrial	General purpose	Total
Investment properties	68,726	175,951	70,769	66,275	**381,721**
Rental revenue from properties	1,919	5,733	1,719	2,352	**11,723**
Net operating income	1,887	2,326	1,381	1,114	**6,708**

Six-month period ended June 30, 2013	Commercial	Office	Industrial	General purpose	Total
Rental revenue from properties	5,775	13,565	4,307	7,988	**31,635**
Net operating income	3,470	6,563	3,527	3,955	**17,515**

Six-month period ended June 30, 2012	Commercial	Office	Industrial	General purpose	Total
Rental revenue from properties	3,864	11,023	3,094	4,741	**22,722**
Net operating income	3,067	4,666	2,496	2,200	**12,429**

22. COMMITMENTS AND CONTINGENCIES

a) Contractual obligations on real estate

The Trust is entered into a binding agreement under which the Trust is committed to proceed with the acquisition of the remaining 50% interest in an investment property, conditional to the achievement of certain criteria. For now, these criteria are not met. The estimated disbursement necessary for the conclusion of this commitment would be approximately $1,000.

b) Litigation

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

23. SUBSEQUENT EVENTS

In July 2013, the Trust completed a public issue of 4,328,600 units, including an over-allotment option, for total estimated net proceeds of $19,023. The Trust used a part of the net proceeds to reimburse the entire outstanding acquisition line of credit of $15,000.

24. COMPARATIVE FIGURES

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