



Building on Quality



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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - in thousands of CAD dollars)

	Notes	As at June 30, 2018	As at December 31, 2017
		\$	\$
ASSETS			
Investment properties	3,4, 5	753,695	751,110
Property and equipment	6	172	2,100
Derivative financial instruments	13	2,175	1,370
Other assets	7	8,508	1,680
Receivables	8	3,621	4,212
Cash and cash equivalents		9,943	1,918
Total assets		778,114	762,390
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	9	428,184	428,382
Convertible debentures	10	48,444	48,183
Bank loans	11	—	18,130
Class B LP Units	12	2,491	—
Unit-based compensation	14	545	498
Trade and other payables		18,127	16,555
Distributions payable to unitholders		1,925	1,695
Total liabilities		499,716	513,443
Unitholders' equity		278,398	248,947
		778,114	762,390

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on August 3, 2018.



Michel Léonard, Trustee

Jocelyn Proteau, Trustee

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited - in thousands of CAD dollars)

	Notes	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
		2018	2017 (restated – see note 2(f))	2018	2017 (restated – see note 2(f))
		\$	\$	\$	\$
Operating revenues					
Rental revenues from properties	16	20,803	18,392	42,243	37,438
Operating expenses					
Public utilities and other operating costs		4,708	4,113	9,829	9,046
Property taxes and insurance		4,870	4,237	9,731	8,502
		9,578	8,350	19,560	17,548
Net operating income		11,225	10,042	22,683	19,890
Expenses					
Finance costs		5,611	4,733	11,084	9,553
Net adjustment to fair value of derivative financial instruments		(277)	(229)	(805)	(185)
Net financing costs	17	5,334	4,504	10,279	9,368
Trust administration expenses		1,210	1,176	2,493	2,308
Gain on disposal of Owner-occupied land and Building	6	—	—	1,192	—
Gain on debt extinguishment	8	—	—	133	—
Transaction costs	4	(69)	—	(69)	—
Distributions - Class B LP Units	12	(19)	—	(19)	—
Net changes in fair value of investment properties and disposals transaction costs	18	—	—	—	132
Net income being total comprehensive income for the period		4,593	4,362	11,148	8,346

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

(Unaudited - in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distributions	Cumulative comprehensive income	Total
For the six-month period ended June 30, 2018					
Balance at January 1, 2018		244,115	(87,656)	92,488	248,947
Issuance of units	15	28,736	—	—	28,736
Distributions to unitholders	15	—	(10,433)	—	(10,433)
					267,250
Comprehensive income		—	—	11,148	11,148
Balance as at June 30, 2018		272,851	(98,089)	103,636	278,398
For the six-month period ended June 30, 2017					
Balance at January 1, 2017		217,816	(69,170)	64,317	212,963
Issuance of units		1,154	—	—	1,154
Distributions to unitholders	15	—	(8,925)	—	(8,925)
		218,970	(78,095)	64,317	205,192
Comprehensive income		—	—	8,346	8,346
Balance as at June 30, 2017		218,970	(78,095)	72,663	213,538

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited - in thousands of CAD dollars)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating activities				
Net income for the period	4,593	4,362	11,148	8,346
Adjustment for:				
Net changes in fair value of investment properties and disposal transaction costs	18	—	—	(132)
Gain on debt extinguishment	8	—	(133)	—
Gain on disposal of Owner-occupied land and Building	6	—	(1,192)	—
Depreciation of property and equipment	6	21	46	80
Unit-based compensation	14	100	233	141
Straight-line lease adjustment	16	(12)	(183)	(167)
Lease incentive amortization	16	719	1,457	1,189
Net financing costs	17	5,334	10,279	9,368
	10,755	9,462	21,655	18,825
Net change in non-cash operating items	(2,977)	(713)	(5,110)	(4,659)
Net cash from operating activities	7,778	8,749	16,545	14,166
Investing activities				
Additions to investment properties	3, 4	(1,487)	(1,936)	(4,068)
Acquisition of a business	3, 4	(43)	—	(43)
Net proceeds from disposal of investment properties	5	—	8,898	6,613
Additions to property and equipment	6	(8)	(8)	(24)
Disposition of Owner-occupied land and Building	6	—	3,082	—
Net cash (used in) from investing activities	(1,538)	(1,947)	7,342	2,521
Financing activities				
Mortgage loans, net of financing costs		1,661	2,975	16,789
Repayment of mortgage loans		(3,920)	(5,288)	(22,283)
Bank loans, net of financing costs		(2,160)	3,120	(1,480)
Repayment of bank loans		(13,000)	—	(16,650)
Net proceeds from issue of units		27,237	—	27,237
Net distributions to unitholders		(4,474)	(3,932)	(8,890)
Addition to restricted cash	6	2,461	—	—
Interest paid		(5,451)	(4,607)	(10,585)
Net cash (used in) from financing activities	2,354	(7,732)	(15,862)	(22,380)
Net increase (decrease) in cash and cash equivalents	8,594	(930)	8,025	(5,693)
Cash and cash equivalents, beginning of period	1,349	1,904	1,918	6,667
Cash and cash equivalents, end of period	9,943	974	9,943	974

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(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 six-month periods ended June 30, 2018 and 2017 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, 2017 and 2016.

The accounting policies applied by the Trust in these unaudited condensed interim financial statements are the same as those applied by the Trust in its consolidated financial statements for the year ended December 31, 2017 except as described in notes 2(e) and 2(f).

These condensed consolidated interim financial statements were approved by the Board of Trustees on August 3, 2018.

(b) Basis of presentation and measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position which are measured at fair value:

- Investment properties;
- Derivative financial instruments;
- Unit-based compensation;
- Class B LP Units.

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - in thousands of CAD dollars, except per unit amounts)

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, 2017.

(e) New accounting policy

(i) Class B LP Units

The Class B LP Units issued by one of the Trust's limited partnerships under control, are classified as "financial liabilities", as they are exchangeable into Units of the Trust on a one-for-one basis at any time at the option of the holder. Class B LP Units are measured at fair value and presented as part of the liabilities in the statement of financial position, with changes in fair value recorded in the statement of comprehensive income. The fair value of the Class B LP Units is determined with reference to the market price of the Units on the date of measurement. Distributions on Class B LP Units are recognized in the statement of comprehensive income when declared.

(f) Change in accounting policy

On January 1, 2018, the Trust implemented IFRS 9, Financial Instruments ("IFRS 9"), IFRS 15, Revenue from Contracts with Customers ("IFRS 15") and amendment to IAS 40, Investment Property ("IAS 40"). The impacts on implementation of IFRS 9, IFRS 15 and IAS 40 are described below.

(i) 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, including impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

Classification and Measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: amortized costs or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Mortgage loans payable	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Bank loans	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Distribution payable to unitholders	Other financial liabilities	Amortized cost
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - in thousands of CAD dollars, except per unit amounts)

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust identifies changes in its business model in managing financial assets and would reassess the classification of financial assets.

Impairment

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (“ECL”) model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments.

The Trust adopted the practical expedient to determine ECL on receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL model applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and ECL models applied did not have a material impact on receivables of the Trust.

Impairment losses, if incurred, would be recorded in the Trust administration expenses in the consolidated statement of comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

(ii) IFRS 15

In May 2014 the IASB issued IFRS 15 in replacement of IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard is effective for the Trust’s annual period beginning on January 1, 2018. The adoption of the new standard did not have a material impact on the financial statements except for the presentation on a gross basis of property tax recoveries and property tax expenses related to certain single tenants who paid property taxes directly on behalf of the Trust. For the three and six month period ended June 30, 2018, the presentation on a gross basis instead of on a net basis results in an additional amount of \$752 and \$1,466 respectively (for the three and six month period ended June 30, 2017 - \$681 and \$1,362 respectively) in property tax recoveries presented as revenues, offset by an increase in property tax expenses of the same amount thereby generating no incremental net operating income. The Trust’s most material revenue stream is base rental revenue, which is outside the scope of IFRS 15. The recovery of costs related to the provision of services is considered within the scope of IFRS 15 and the Trust has concluded that the pattern of revenue recognition remains unchanged. IFRS 15 required the Trust to disclose revenue recognized from contracts with customers separately from other sources of revenue, including those included within gross leases (see additional disclosing in note 16).

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - in thousands of CAD dollars, except per unit amounts)

(iii) IAS 40

In December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires that an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018. The Trust adopted the amendments to IAS 40 in its current financial statements. The implementation of the amendments did not have an impact on the financial statements.

(g) 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, 2018, and have not been applied in preparing these consolidated financial statements.

(i) IFRS 16, Leases ("IFRS 16")

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

3. Investment Properties

	Six-month period ended June 30,	Year ended December 31,
	2018	2017
	\$	\$
Balance beginning of period	751,110	645,485
Acquisitions of investment properties (note 4)	1,905	96,057
Business combination (note 4)	7,500	—
Disposals of investment properties (note 5)	(9,215)	(11,450)
Capital expenditures	1,354	4,327
Capitalized leasing fees	846	1,119
Capitalized lease incentives	1,190	6,241
Lease incentives amortization	(1,457)	(2,449)
Straight-line lease adjustment	183	443
Net changes in fair value of investment properties (note 17)	279	11,337
Balance end of period	753,695	751,110

The fair value of a subset of the Trust's investment properties comprised of a selection of the most significant investment properties and approximately 1/3 of the remaining investment properties is determined annually on the basis of valuations made by independent external appraisers having appropriate professional qualifications, using recognized valuation techniques, comprising the Discounted Cash Flow, the Direct Capitalization and Comparable methods. The selection of investment properties subject to independent 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 June 30, 2018 no external appraisals were obtained for investment properties (December 31, 2017 - \$536,158).

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(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:

	Retail	Office	Industrial	Mixed use
As at June 30, 2018				
Capitalization rate	6.25% - 10.00%	6.25% - 8.50%	6.50% - 9.75%	6.75% - 7.50%
Terminal capitalization rate	6.25% - 8.00%	6.50% - 7.75%	7.00% - 9.50%	6.75% - 7.50%
Discount rate	7.25% - 8.75%	7.00% - 8.75%	7.75% - 10.50%	7.50% - 8.50%
As at December 31, 2017				
Capitalization rate	6.25% - 10.00%	6.25% - 8.50%	6.50% - 9.75%	6.75% - 7.50%
Terminal capitalization rate	6.25% - 8.00%	6.50% - 7.75%	7.00% - 9.50%	6.75% - 7.50%
Discount rate	7.25% - 8.75%	7.00% - 8.75%	7.75% - 10.50%	7.50% - 8.50%

Valuations determined by the Direct Capitalization method are most sensitive to a change in the 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.

4. Acquisitions

(a) 2018 Asset acquisitions

The fair value of the assets and liabilities recognized in the condensed consolidated interim statement of financial position on the date of the acquisition during the six-month period ended June 30, 2018 were as follows:

Acquisition date	Property type	Location	Interest acquired	Investment properties, including transaction costs	Balance of purchase price	Fair value recognized on acquisition	
						Trade and other payables, including transaction costs	Total cash consideration paid
February 2018	Retail	Delson, QC	%	\$	\$	\$	\$
			100	1,865	(1,399) ⁽¹⁾	—	466
	Transaction costs			40	—	(40)	—
Total				1,905	(1,399)	(40)	466

⁽¹⁾The Balance of purchase price is comprised of one mortgage loan payable bearing interest at an interest rate of 4.00%, payable monthly, maturing in December 2018.

(b) 2018 Acquisition of a subsidiary accounted as a business combination

On May 30, 2018, the Trust acquired 25% of the interest in Complexe Lebourgneuf-Phase II joint operation. As a result, the Trust's interest in Complexe Lebourgneuf-Phase II increased from 75% to 100% and the Trust obtained control of Complexe Lebourgneuf-Phase II.

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - in thousands of CAD dollars, except per unit amounts)

The following table summarises, at the date of acquisition, the recognised amounts of assets acquired and liabilities assumed pertaining to the 25% acquired and the fair value of each major class of consideration transferred. The carrying amount of the previously held interests in the joint operation of 75% approximated their fair value at the date of acquisition which resulted in no gain or loss from the remeasurement of its previously held interest. As a result no other information on the previously held interest is presented below.

Identifiable assets acquired and liabilities assumed	\$
Assets	
Investments properties	7,500
Other assets	213
	7,713
Liabilities	
Assumed mortgages	(5,009)
Accounts payables and other liabilities	(170)
	(5,179)
Net asset acquired	2,534
Consideration transferred by the Trust	
Class B LP Units issued (note 12)	2,491
Cash	43
Total consideration transferred	2,534

The fair value of the Class B LP Units issued was determined with reference to the market price of Units at the date of the acquisition.

The Trust incurred acquisition-related costs of \$69 on legal fees. These costs have been included in Transaction costs.

For the six months period ended June 30, 2018, the additional 25% of Complexe Lebourgneuf-Phase II contributed to the Group's operating revenues and income for \$61 and \$5 respectively. If the acquisition had occurred on 1 January 2018, management estimates that condensed consolidated revenue would have been \$42,628, and condensed consolidated income for the year would have been \$11,225. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2018.

(c) 2017 Asset acquisitions

There was no asset acquisition during the six-month period ended June 30, 2017.

(d) 2017 Business combinations

There was no business combination during the six-month period ended June 30, 2017.

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - in thousands of CAD dollars, except per unit amounts)

5. Disposals

(a) 2018 Asset disposals

The following table presents relevant information on disposals recognized in the condensed consolidated interim financial statements during the six-month period ended June 30, 2018:

Disposal date	Property type	Location	Gross proceeds	Trade and other payables, including transaction costs	Net proceeds
			\$	\$	\$
January 2018	Industrial	Dorval, QC	5,650	(1)	5,649
February 2018	Industrial	Cornwall, ON	490	(6)	484
February 2018	Retail	Drummondville, QC	3,075	(31)	3,044
Transaction costs ⁽¹⁾			—	(279)	(279)
Total			9 215	(317)	8,898

⁽¹⁾Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs (see note 18).

(b) 2017 Asset disposals

The following table presents relevant information on disposals recognized in the condensed consolidated interim financial statements during the six-month period ended June 30, 2017:

Disposal date	Property type	Location	Gross proceeds	Trade and other payables, including transaction costs	Net proceeds
			\$	\$	\$
March 2017	Mixed use	Dollard-des-Ormeaux, QC	7,000	(37)	6,963
Transaction costs ⁽¹⁾			—	(350)	(350)
Total			7 000	(387)	6,613

⁽¹⁾Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs (see note 18).

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - in thousands of CAD dollars, except per unit amounts)

6. Property and Equipment

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
	\$	\$	\$	\$	\$
Cost					
Balance at December 31, 2016	494	1,955	640	170	3,259
Additions	—	13	56	7	76
Balance at December 31, 2017	494	1,968	696	177	3,335
Additions	—	—	8	—	8
Disposals	(494)	(1,968)	—	—	(2,462)
Balance at June 30, 2018	—	—	704	177	881
Accumulated Depreciation					
Balance at December 31, 2016	—	509	492	80	1,081
Depreciation for the year	—	58	68	28	154
Balance at December 31, 2017	—	567	560	108	1,235
Depreciation for the period	—	5	26	15	46
Disposals	—	(572)	—	—	(572)
Balance at June 30, 2018	—	—	586	123	709
Net carrying amount					
Balance at December 31, 2017	494	1,401	136	69	2,100
Balance at June 30, 2018	—	—	118	54	172

The Owner-occupied land and building were sold for gross proceeds of \$3,150. The net gain resulting from the sale (after transaction costs of \$68) amounted to \$1,192. An amount of \$2,461 that had been placed in escrow to secure the acquisition line of credit has been released as at June 30, 2018 (note 11).

7. Other Assets

	As at June 30, 2018	As at December 31, 2017
	\$	\$
Prepaid expenses	5,571	1,175
Deposits	2,937	505
Total	8,508	1,680

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - in thousands of CAD dollars, except per unit amounts)

8. Receivables

	As at June 30, 2018	As at December 31, 2017
	\$	\$
Rents receivable	2,456	2,721
Provision for doubtful accounts	(453)	(460)
Net rents receivable	2,003	2,261
Unbilled recoveries ⁽¹⁾	472	457
Other receivables	1,146	894
Balance of sale	—	600
Total	3,621	4,212

⁽¹⁾ At December 31, 2017 unbilled credits amounting to \$521 are included in Trade and other payables.

9. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately \$747,337 as at June 30, 2018 (December 31, 2017 – \$738,360).

	As at June 30, 2018	As at December 31, 2017
	\$	\$
Fixed rate mortgage loans payable	345,170	344,313
Floating rate mortgage loans payable	85,229	86,290
Unamortized fair value assumption adjustments	644	710
Unamortized financing costs	(2,859)	(2,931)
Mortgage loans payable	428,184	428,382
Weighted average interest rate	3.82%	3.72%
Weighted average term to maturity (years)	6.06	6.36
Range of annual rates	2.77% - 6.80%	2.00% - 6.80%

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - in thousands of CAD dollars, except per unit amounts)

As at June 30, 2018, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	\$	\$	\$
2018*	6,315	24,011	30,326
2019	10,546	62,041	72,587
2020	10,335	26,313	36,648
2021	9,532	33,687	43,219
2022	8,759	33,097	41,856
Thereafter	45,916	159,847	205,763
	91,403	338,996	430,399
Unamortized fair value assumption adjustments			644
Unamortized financing costs			(2,859)
			428,184

* For the six-month period remaining

The Trust may enter into floating-for-fixed interest rate swap agreements on floating interest rate mortgages to hedge the variability in cash flows attributed to fluctuating interest rates. The Trust does not apply hedge accounting to such cash flow hedging relationships (see note 12). The following table presents relevant information on interest rate swap agreements:

Transaction date	Original principal amount	Effective fixed interest rate	Settlement basis	Maturity date	Outstanding amount	
					As at June 30, 2018	As at December 31, 2017
	\$	%			\$	\$
March 2013	7,150	4.02	Monthly	April 2023	5,823	5,963
June 2016	13,000	3.45	Quarterly	June 2026	12,216	12,412
November 2017	23,200	3.8825	Monthly	November 2027	23,200	23,200
November 2017	23,075	3.905	Monthly	December 2027	22,796	23,075
Total	66,425				64,035	64,650

10. Convertible Debentures

As at June 30, 2018, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	\$		
Series E	23,000	6.90	7.90	6.15	Semi-annual	March 2020
Series F	26,700	7.15	8.47	5.65	Semi-annual	December 2020

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

	Series E	Series F
	\$	\$
Non-derivative liability component	22,690	26,700
Conversion and redemption options liability component	310	—
	23,000	26,700

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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 E	Series F	Total
	\$	\$	\$
As at June 30, 2018			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component	219	—	219
	22,909	26,700	49,609
Unamortized financing costs	(375)	(790)	(1,165)
Non-derivative liability component	22,534	25,910	48,444
Conversion and redemption options liability component at fair value	(12)	6	(6)
As at December 31, 2017			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component	195	—	195
	22,885	26,700	49,585
Unamortized financing costs	(473)	(929)	(1,402)
Non-derivative liability component	22,412	25,771	48,183
Conversion and redemption options (asset) liability component at fair value	(4)	5	1

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").

Until March 31, 2020, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

Series F

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

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These debentures are not redeemable before December 31, 2018, except in the case of a change in control. As of December 31, 2018, but before December 31, 2019, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price.

As of December 31, 2019, but before December 31, 2020, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

11. Bank Loans

The Trust has access to an acquisition line of credit in the amount of \$15,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at June 30, 2018, no amount was due under the acquisition line of credit (December 31, 2017 – \$16,650).

The Trust also has access to an operating credit facility for a maximum amount of \$3,000. This facility bears interest at a rate of 0.75% above the prime rate. As at June 30, 2018, no amount was due under the operating credit facility (December 31, 2017 – \$1,480).

The acquisition line of credit and the operating credit facility are secured by an immovable first rank hypothec on two properties having a fair value of \$3,904 and by an immovable second rank hypothec on five properties having a fair value of \$99,645.

The amount of \$2,461 that was placed in escrow has been released as at June 30, 2018.

12. Class B LP Units

	Six-month period ended June 30, 2018		Year ended December 31, 2017	
	Units	\$	Units	\$
Units outstanding, beginning of period	—	—	—	—
Issuance of Class B LP Units - Acquisitions	532,265	2,491	—	—
Units outstanding, end of period	532,265	2,491	—	—

The Class B LP Units are exchangeable into Units on a one-for-one basis at any time at the option of the holder. During the three and six month periods ended June 30, 2018, no Class B LP Units in issue were exchanged into Trust Units.

The Class B LP Units are entitled to distributions equal to distributions declared on Units, on a one-to-one basis. Distributions on Class B LP Units are recognized in the statement of comprehensive income when declared. Distributions of \$0.035 per Class B LP Unit were declared during the three and six month periods ended June 30, 2018 (no amount for the three and six month periods ended June 30, 2017).

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For the six-month periods ended June 30, 2018 and 2017
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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 June 30, 2018 and December 31, 2017 because of their short-term maturity.

As at June 30, 2018	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 10)	(6)	—	—	(6)
Interest rate swap	(2,169)	—	(2,169)	—
For which fair values are disclosed				
Mortgage loans payable (note 9)	428,184	—	418,103	—
Convertible debentures, including their conversion and redemption features (note 10)	48,438	50,699	—	—
Bank loans (note 11)	—	—	—	—
Class B LP Units (note 12)	2,491	2,491	—	—

As at December 31, 2017	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 10)	1	—	—	1
Interest rate swap	(1,371)	—	(1,371)	—
For which fair values are disclosed				
Mortgage loans payable (note 9)	428,382	—	423,677	—
Convertible debentures, including their conversion and redemption features (note 10)	48,184	50,988	—	—
Bank loans (note 11)	18,130	—	18,130	—

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 the Class B LP Units is determined with reference to the market price of the Units as at June 30, 2018.

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 Dollar Offered Rate ("CDOR") forward rates.

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - 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 following tables provide a reconciliation of Level 3 fair value measurements on the consolidated statements of financial position:

	Conversion and redemption options of convertible debentures
	\$
Six-month period ended June 30, 2018	
Balance beginning of period	21
Change for the period recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	(27)
Balance end of period	(6)

	Conversion and redemption options of convertible debentures
	\$
Year ended December 31, 2017	
Balance beginning of year	7
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	(6)
Balance end of year	1

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 June 30, 2018:

	Conversion and redemption options of convertible debentures	Volatility
	\$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	(16)	9.62
June 30, 2018	(6)	10.12
0.50%	16	10.62

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.

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
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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.

No options were outstanding as at June 30, 2018 and December 31, 2017.

(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:

For the six-month periods ended June 30,	2018	2017
	Deferred units	Deferred units
Outstanding, beginning of period	12,330	4,233
Trustees' compensation	18,241	3,676
Distributions paid in units	1,015	238
Outstanding, end of period	31,586	8,145

As at June 30, 2018, the liability related to the plan was \$148 (December 31, 2017 - \$57). The related expense recorded in profit and loss amounted to \$91 for the six-month period ended June 30, 2018 (for the six-month period ended June 30, 2017 - \$20).

(c) Employee unit purchase plan

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

As at June 30, 2018, the liability related to the plan was \$nil (December 31, 2017- \$44). The related expense recorded in profit and loss amounted to \$nil for the six-month period ended June 30, 2018 (for the six-month period ended June 30, 2017 - \$1). The 9,691 units related to 2017 purchases were issued in February 2018 (9,062 units related to 2016 purchases - February 2017).

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2018 and 2017
(Unaudited - in thousands of CAD dollars, except per unit amounts)

(d) Restricted unit compensation plan

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

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

For the six-month periods ended June 30,	2018	2017
	Restricted units	Restricted units
Outstanding, beginning of period	115,628	77,673
Granted	72,819	51,990
Cancelled	(4,668)	—
Settled	(30,713)	(14,035)
Outstanding, end of period	153,066	115,628

As at June 30, 2018, the liability related to the plan was \$397 (December 31, 2017 - \$397). The related expense recorded in profit and loss amounted to \$142 for the six-month period ended June 30, 2018 (for the six-month period ended June 30, 2017 - \$120).

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 in accordance with IAS 32.

In June 2018, the Trust completed a public issue of 6,250,250 units, including the over-allotment option, for total net proceeds of \$27,237.

Trust units issued and outstanding are as follows:

	Six-month period ended June 30, 2018		Year ended December 31, 2017	
	Units	\$	Units	\$
Units outstanding, beginning of period	48,423,118	244,115	42,342,373	217,816
Issue pursuant to a public issue	6,250,250	28,751	5,561,400	25,304
Unit issue costs	—	(1,514)	—	(1,341)
	54,673,368	271,352	47,903,773	241,779
Issue pursuant to the distribution reinvestment plan (a)	299,383	1,313	496,248	2,231
Issue pursuant to the employee unit purchase plan (note 13 (c))	9,691	44	9,062	42
Issue pursuant to the restricted unit compensation plan (note 13 (d))	30,713	142	14,035	63
Units outstanding, end of period	55,013,155	272,851	48,423,118	244,115

(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 3% discount.

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(b) Distributions

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Distributions to unitholders	5,334	4,469	10,433	8,925
Distributions per unit	0.105	0.105	0.21	0.21

16. Rental Revenues from Properties

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017 (restated – see note 2(f))	2018	2017 (restated – see note 2(f))
	\$	\$	\$	\$
Base rent and other lease generated revenues	12,876	11,347	25,837	22,679
Property tax and insurance recoveries	4,201	3,845	8,443	7,722
Operating costs recoveries and other revenues	17,077	15,192	34,280	30,401
Lease incentive amortization	4,433	3,692	9,237	8,059
Lease incentive amortization	(719)	(604)	(1,457)	(1,189)
Straight-line lease adjustment	12	112	183	167
	20,803	18,392	42,243	37,438

17. Net Financing Costs

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial income	(34)	(15)	(43)	(27)
Interest on mortgage loans payable	4,130	3,584	8,278	7,236
Interest on convertible debentures	874	874	1,748	1,748
Interest on bank loans	311	23	489	40
Other interest expense	40	17	64	38
Accretion of non-derivative liability component of convertible debentures	12	11	24	22
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	278	239	524	496
Net adjustment to fair value of derivative financial instruments	(277)	(229)	(805)	(185)
	5,334	4,504	10,279	9,368

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For the six-month periods ended June 30, 2018 and 2017
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18. Net changes in fair value of investment properties and disposals transaction costs

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net changes in fair value of investment properties (note 3)	—	—	279	482
Disposals transaction costs (note 5)	—	—	(279)	(350)
	—	—	—	132

19. Expenses by Nature

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Depreciation	21	39	46	80
Employee benefits expense	1,694	1,434	3,350	2,948

20. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32 (see note 14), the Trust is not required to report a profit or loss per unit figure on its consolidated statements of comprehensive income. However, for disclosure purposes only, the Trust has determined basic earnings per unit using the same basis that would apply in accordance with IAS 33, *Earnings per Share*.

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

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net income	4,593	4,362	11,148	8,346
Weighted average number of units outstanding – basic	49,514,563	42,540,906	49,026,587	42,480,021
Earnings per unit – basic	0.09	0.10	0.23	0.20

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.

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22. Operating Segments

For investment properties, discrete financial information is provided to the CEO on an aggregated investment property basis. The information provided is net rentals (including gross rent and property expenses), the change in fair value of investment properties and fair value of investment properties. The individual investment properties are aggregated into segments with similar economic characteristics. The CEO considers that this is best achieved by aggregating into retail, office, industrial and mixed use segments.

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

- Retail
- Office
- Industrial
- Mixed use

	Retail	Office	Industrial	Mixed use	Total
	\$	\$	\$	\$	\$
Three-month period ended June 30, 2018					
Investment properties	229,499	344,465	118,310	61,421	753,695
Rental revenue from properties	6,255	10,575	2,081	1,892	20,803
Net operating income	3,680	5,034	1,540	971	11,225

Three-month period ended June 30, 2017					
Investment properties	174,832	291,650	116,315	59,508	642,305
Rental revenue from properties (restated – see note 2(f))	4,875	8,457	3,111	1,949	18,392
Net operating income	2,930	3,962	2,102	1,048	10,042

	Retail	Office	Industrial	Mixed use	Total
	\$	\$	\$	\$	\$
Six-month period ended June 30, 2018					
Rental revenue from properties	12,450	21,235	4,718	3,840	42,243
Net operating income	7,353	9,939	3,477	1,914	22,683

Six-month period ended June 30, 2017					
Rental revenue from properties (restated – see note 2(f))	9,938	17,119	6,285	4,096	37,438
Net operating income	5,827	7,631	4,290	2,142	19,890

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23. Commitments and Contingencies

(a) Operating leases as lessee

The annual future payments required under operating leases expiring between 2018 and 2070 are as follows:

	Total
	\$
Within one year*	113
Beyond one year but within five years	856
Beyond five years	14,094
	15,063

* For the six-month period remaining

The related expense recorded in profit and loss amounted to \$211 for the six-month period ended June 30, 2018 (for the six-month period ended June 30, 2017 - \$121).

(b) Finance lease as lessee

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

	As at June 30, 2018			As at December 31, 2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	\$	\$	\$	\$	\$	\$
Within one year*	71	19	52	143	39	104
Beyond one year but within five years	496	97	399	496	97	399
Beyond five years	206	10	196	206	10	196
	773	126	647	845	146	699

* As at June 30, 2018, for the six-month period remaining

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

(c) Covenant

As at June 30, 2018, the Trust was in compliance with all the covenants to which it was subject except for one loan. For this loan, the Trust does not meet the debt service coverage ratio, which must be at least 1.3. As at December 31, 2017, this ratio was 1.48. The balance of the loan as at June 30, 2018 was \$5,823. The fair value of the mortgaged properties at the same date was \$11,232. The Trust has always met the other loan provisions and has never been late on a monthly payment. The Trust has obtained a waiver from the mortgage lender maturing March 31, 2019. The breach of the covenant is due to the low occupancy rate of this property. The Trust believes that this default will be corrected in the normal course of business.

(d) Litigation

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

Notes to Condensed Consolidated Interim Financial Statements

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24. Comparatives Figures

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

25. Subsequent Events

On July 12, 2018, the Trust closed the previously announced acquisition of mixed-use property (with a retail and an office component) located at the corner of Sainte-Catherine and Crescent Streets in Montreal, Québec which represents a leasable area of approximately 31,000 square feet. The purchase price of approximately \$25,200 (excluding closing costs) was financed by a \$18,000 mortgage at a rate of 1.30% above prime rate, maturing in June 2020. The balance of the purchase price was paid from the net proceeds of the equity financing completed in June 2018. An additional credit facility of \$ 3,000 has been obtained to finance the development work.

On July 20, 2018, the Trust sold a retail property under redevelopment located in Thetford Mines, province of Quebec for \$475. This property, known under the name « Promenades St-Noël » was fully vacant.

On July 31, 2018, the Trust closed the previously announced acquisition of a retail power center known as the “Méga Centre Rive-Sud” in Lévis, Québec which represents an approximate total leasable area of 205,000 square feet. This \$42,600 transaction, excluding transaction fees, was financed by a debt assumption of \$26,231 and a new mortgage of \$2,000. The balance of the purchase price was paid from the net proceeds of the equity financing completed in June 2018 and from the line of credit.

In July 2018, the Trust entered into a binding agreement under which the Trust is committed to sell an investment property for a consideration of approximately \$5,560. The transaction is expected to close in the third quarter of 2018.

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