
Our tenants, clients above all
BTB
Condensed Consolidated Interim Financial Statements
Quarter Ended March 31st, 2019

Condensed Consolidated Interim Financial Statements

Quarter Ended March 31, 2019

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Condensed Consolidated Interim Statements of Financial Position

(Unaudited - in thousands of CAD dollars)

	Notes	As at March 31, 2019	As at December 31, 2018
		$	$
Assets			
Investment properties	3	818,422	839,015
Property and equipment		318	329
Balance of sale	3	6,036	—
Derivative financial instruments		32	1,599
Other assets		8,596	2,210
Receivables	4	4,440	3,246
Cash and cash equivalents		4,833	8,824
Total assets		**842,677**	**855,223**
Liabilities and unitholders' equity			
Mortgage loans payable	5	453,169	471,162
Convertible debentures	6	48,856	48,716
Bank loans	7	15,000	15,000
Lease liabilities	2e	4,474	—
Class B LP Units	8	2,544	2,315
Unit-based compensation	10	599	669
Derivative financial instruments		159	—
Trade and other payables		21,045	17,048
Distributions payable to unitholders		1,944	1,936
Total liabilities		**547,790**	**556,846**
Unitholders' equity		**294,887**	**298,377**
		842,677	**855,223**

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on May 10, 2019.

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 March 31, 2019	2018
		$	$
Operating revenues			
Rental revenues from properties	12	21,634	21,440
Operating expenses			
Public utilities and other operating costs		5,477	5,121
Property taxes and insurance		5,106	4,861
		10,583	9,982
Net operating income		**11,051**	**11,458**
Expenses			
Finance costs		5,923	5,473
Distributions – Class B LP Units	8	56	—
Fair value adjustment – Class B LP Units	8	229	—
Net adjustment to fair value of derivative financial instruments		1,726	(528)
Net financing costs	13	7,934	4,945
Trust administration expenses		(1,330)	(1,283)
Gain on disposal of Owner-occupied land and Building		—	1,192
Gain on debt extinguishment		—	133
Net changes in fair value of investment properties, business acquisitions and disposals transaction costs	3	(406)	—
Net income being total comprehensive income for the period		**1,381**	**6,555**

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
Balance at January 1, 2019		**274,231**	**(109,679)**	**133,825**	**298,377**
Issuance of units	11	954	—	—	954
Distributions to unitholders	11	—	(5,825)	—	(5,825)
		275,185	(115,504)	133,825	293,506
Comprehensive income		—	—	1,381	1,381
Solde as at March 31, 2019		**275,185**	**(115,504)**	**135,206**	**294,887**
Balance at January 1, 2018		244,115	(87,656)	92,488	248,947
Issuance of units	11	862	—	—	862
Distributions to unitholders	11	—	(5,099)	—	(5,099)
		244,977	(92,755)	92,488	244,710
Comprehensive income		—	—	6,555	6,555
Solde as at March 31, 2018		**244,977**	**(92,755)**	**99,043**	**251,265**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - in thousands of CAD dollars)

	Notes	For the three-month periods ended March 31, 2018	2018
		$	$
Operating activities			
Net income for the period		1,381	6,555
Adjustment for:			
Net changes in fair value of investment properties and disposal transaction costs	3	10	—
Gain on debt extinguishment		—	(133)
Gain on disposal of Owner-occupiedland and Building		—	(1,192)
Depreciation of property and equipment		24	25
Unit-based compensation	10	215	133
Straight-line lease adjustment	12	757	(171)
Lease incentive amortization	12	212	738
Net financing costs	13	7,934	4,945
		10,533	10,900
Net change in non-cash operating items		(2,317)	(2,133)
Net cash from operating activities		**8,216**	**8,767**
Investing activities			
Increase in investment properties	3	(1,347)	(3,100)
Acquisition of a business	3	—	—
Net proceeds from disposal of investment properties	3	5,496	8,898
Additions to property and equipment		(13)	—
Disposition of Owner-occupied land and Building		—	3,082
Net cash used in investing activities		**4,136**	**8,880**
Financing activities			
Mortgage loans, net of financing costs		21	15,128
Repayment of mortgage loans		(5,603)	(18,363)
Bank loans, net of financing costs		—	680
Repayment of bank loans		—	(3,650)
Lease liability payments		(22)	—
Net distributions to unitholders		(5,148)	(4,416)
Net distributions – Class B LP units		(56)	—
Addition to restricted cash		—	(2,461)
Interest paid		(5,535)	(5,134)
Interest paid		**(16,343)**	**(18,216)**
Net decrease in cash and cash equivalents		**(3,991)**	**(569)**
Cash and cash equivalents, beginning of period		**8,824**	**1,918**
Cash and cash equivalents, end of period		**4,833**	**1,349**

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2019 and 2018 (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 1411 Crescent Street, Suite 300, Montreal, Quebec, Canada. The condensed consolidated interim financial statements of BTB for the three-month periods ended March 31, 2019 and 2018 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 34, Interim Financial Reporting ("IAS 34") 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, 2018 and 2017.

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, 2018 except as described in notes 2(e).

These condensed consolidated interim financial statements were approved by the Board of Trustees on May 10, 2019.

b) Basis of presentation and measurement

The unaudited 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 which are measured at fair value:

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

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

c) Functional and presentation currency

These 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.

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, 2018.

e) Change in accounting policies

On January 1, 2019, the Trust implemented the following changes in accounting policies.

i) IFRS 16, Leases

The Trust has initially adopted IFRS 16 Leases as at January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Trust, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Trust has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

On transition to IFRS 16, the Trust elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

The Trust also applied the exemption not to recognize right-of-use assets and lease liabilities for leases previously classified as an operating lease applying IAS 17 where the lease term at the transition date is less than 12 months.

Significant accounting policies

At contract inception, the Trust now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration

At inception or on reassessment of a contract that contains a lease component, the Trust allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessee

The Trust recognizes a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets that meet the definition of investment property are presented within investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Trust's accounting policies.

When applicable, the Trust presents right-of-use assets that do not meet the definition of investment property in 'property and equipment', the same line item in which it presents underlying assets of the same nature that it owns. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

However, the Trust has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g. equipment). The Trust recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Trust's incremental borrowing rate. Generally, the Trust uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

As a lessor

The Trust leases out its investment property, including right-of-use assets. The Trust has classified these leases as operating leases. The accounting policies applicable to the Trust as a lessor are not different from those under IAS 17. The Trust is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Trust has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Consequences of transition

Previously, the Trust classified its emphyteutic leases of land as operating leases under IAS 17 and included the related rent expense in operating costs. At transition, the related lease liabilities were measured at the present value of the remaining lease payments, discounted at the Trust's incremental borrowing rate as at January 1, 2019 for a similar term as that of the lease obligations being measured (the weighted- average rate applied is 5%), giving rise to an amount of $3,900. Right-of-use assets for these emphyteutic leases, which are classified as investment property, were measured at their fair value on transition, which amount approximated the amount of the lease liability.

The Trust also leases equipment that is included in one of its investment properties. This lease was classified as finance leases under IAS 17. For this finance lease, the carrying amount of the right-of-use asset and the lease liability as at January 1, 2019 were determined to be the carrying amount of the leased asset and lease liability under IAS 17 immediately before transition, i.e., an amount of $596.

	January 1st, 2019
	$
Operating lease commitments As at December 31, 2018 as disclosed in the Trust's consolidated financial statements	15,012
Recognition exemption for short-term leases and leases of low-value items	(107)
Impact of discounting using the incremental borrowing rate as at January 1, 2019	(11,005)
Finance lease liabilities previously recognized as at December 31, 2018 under IAS 17	596
Lease liabilities recognized as at January 1st, 2019	**4,496**

Impact for the period

During the three-month period ended March 31, 2019, the Trust recognized $48 of interest costs from these leases. No change in fair value was recognized for the right-of-use assets, which are classified in investment properties.

	Investment properties
	$
Balance as at January 1st, 2019	**4,496**
Balance as at March 31, 2019	**4,496**

ii) Amendments to IFRS 3, *Business combinations:*

On January 1, 2019, the Trust early adopted the amendments to IFRS 3, *Business combinations*, which clarified the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. These amendments also include an optional concentration of fair value test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments are applicable to transactions for which the acquisition date is on or after January 1st, 2019.

3. Investment Properties

	Three-month period ended **March 31, 2019**	Year ended **December 31, 2018**
	$	**$**
Balance beginning of period	839,015	751,110
Initial recognition of right of use assets (note 2(e))	3,900	—
Acquisitions of investment properties (note 3(i))	—	97,114
Business combination	—	7,500
Disposals of investment properties (note 3(ii))	(24,450)	(45,744)
Capital expenditures	318	4,341
Capitalized leasing fees	245	1,636
Capitalized lease incentives	373	3,614
Lease incentives amortization	(757)	(3,223)
Straight-line lease adjustment	(212)	525
Net changes in fair value of investment properties (note 3 (iii))	(10)	(22,142)
Balance end of period	**818,422**	**839,015**

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 March 31, 2019 no external appraisals were obtained for investment properties (December 31, 2018 - $548,940).

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 March 31, 2019				
Capitalization rate	6.25% – 7.75%	6.00% – 8.50%	5.75% – 8.50%	5.00% – 7.25%
Terminal capitalization rate	6.25% – 7.75%	6.50% – 7.50%	6.25% – 8.25%	5.25% – 7.50%
Discount rate	7.25% – 8.50%	7.00% – 8.00%	6.75% – 9.00%	6.25% – 8.25%
As at December 31, 2018				
Capitalization rate	6.25% – 7.75%	6.00% – 8.50%	5.75% – 8.50%	5.00% – 7.25%
Terminal capitalization rate	6.25% – 7.75%	6.50% – 7.50%	6.25% – 8.25%	5.25% – 7.50%
Discount rate	7.25% – 8.50%	7.00% – 8.00%	6.75% – 9.00%	6.25% – 8.25%

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.

(i) Acquisitions

a) 2019 Asset Acquisitions

There was no acquisition during the three-month period ended March 31, 2019.

b) 2018 Asset acquisitions

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction cost**	**Balance of purchase price**	**Receivable / (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				28	—	(28)	—
Total				**1,893**	**(1,399)**	**(28)**	**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.

(ii) Disposals

a) 2019 Asset disposals

Disposal date	Property type	Location	Gross proceeds	Mortgage Assumption	Selling Price Balance	Receivable / (Trade and other payables), including transaction costs	Net proceeds
			$	$	$	$	$
February 2019	Retail	Delson, QC	22,500	(12,533)	(6,000)	(20)	3,947
March 2019	Retail	Delson, QC	1,950	—	—	(5)	1,945
Transaction costs[1]			—	—	—	(396)	(396)
Total			**24,450**	**(12,533)**	**(6,000)**	**(421)**	**5,496**

(1) Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs (see note 3 (iii)).

The balance of sale includes a loan, expiring on January 31, 2024, bearing interest at 7% for the 3 first years, at 7.50% for the 4th year, and 8% for the 5th year. The balance of sale as at March 31, 2019 is $6,036.

b) 2018 Asset disposals

Disposal date	Property type	Location	Gross proceeds	Receivable / (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 3 (iii)).

(iii) Net changes in fair value of investment properties, acquisitions and disposals transaction costs

Three-month period ended	**2019**	**2018**
	$	$
Net changes in fair value of investment properties (note 3)	(10)	279
Disposal transaction costs (note 3 (ii))	(396)	(279)
	(406)	—

4. Receivables

	As at March 31, **2019**	As at December 31, **2018**
	$	$
Rents receivable	3,659	2,556
Provision for doubtful accounts	(577)	(567)
Net rents receivable	3,082	1,989
Unbilled recoveries	747	430
Other receivables	611	827
Total	**4,440**	**3,246**

5. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $806,439 as at March 31, 2019 (December 31, 2018 – $822,945).

	As at March 31, **2019**	As at December 31, **2018**
	$	$
Fixed rate mortgage loans payable	353,346	370,988
Floating rate mortgage loans payable	101,722	102,217
Unamortized fair value assumption adjustments	787	839
Unamortized financing costs	(2,686)	(2,882)
Mortgage loans payable	**453,169**	**471,162**
Short-term portion	64,115	44,619
Weighted average interest rate	3.97%	3.99%
Weighted average term to maturity (years)	5.21	5.56
Range of annual rates	2.77% - 6.80%	2.77% - 6.80%

As at March 31, 2019, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	**Principal maturity**	**Total**
	$	$	$
2019*	8,813	55,302	64,115
2020	11,869	44,313	56,182
2021	11,129	57,384	68,513
2022	9,549	27,878	37,427
2023	8,316	12,466	20,782
Thereafter	28,701	179,348	208,049
	78,377	**376,691**	**455,068**
Unamortized fair value assumption adjustments			787
Unamortized financing costs			(2,686)
			453,169

* For the nine-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 9). 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 March 31, **2019**	As at December 31, **2018**
	$	%			$	$
March 2013	7,150	4.02	Monthly	April 2023	5,612	5,684
June 2016	13,000	3.45	Quarterly	June 2026	11,955	12,020
November 2017	23,200	3.8825	Monthly	November 2027	23,200	23,200
November 2017	23,075	3.905	Monthly	December 2027	22,374	22,524
Total	**66,425**				**63,141**	**63,428**

6. Convertible Debentures

As at March 31, 2019, 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

	Series E	Series F	Total
	$	$	$
As at March 31, 2019			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component	257	—	257
	22,947	26,700	49,647
Unamortized financing costs	(221)	(570)	(791)
Non-derivative liability component	**22,726**	**26,130**	**48,856**
Conversion and redemption options asset component at fair value	**(16)**	**(16)**	**(32)**

	Series E	Series F	Total
	$	$	$
As at December 31, 2018			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component	244	—	244
	22,934	26,700	49,634
Unamortized financing costs	(273)	(645)	(918)
Non-derivative liability component	**22,661**	**26,055**	**48,716**
Conversion and redemption options (asset) liability component at fair value	**(48)**	**3**	**(45)**

7. Bank Loans

The Trust has access to an acquisition line of credit in the amount of $19,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at March 31, 2019, $15,000 was due under the acquisition line of credit (December 31, 2018 – $15,000).

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 March 31, 2019, no amount was due under the operating credit facility (December 31, 2018 – nil).

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on two properties having a fair value of $5,203 and by an immoveable second rank hypothec on six properties having a fair value of $128,351.

8. Class B LP Units

	Three-month period ended March 31, **2019**		Year ended December 31, **2018**	
	Units	$	Units	$
Units outstanding, beginning of period	532,265	2,315	—	—
Issuance of Class B LP Units - Acquisitions	—	—	532,265	2,491
Fair value adjustment	—	229	—	(176)
Units outstanding, end of period	**532,265**	**2,544**	532,265	2,315

The Class B LP Units are exchangeable into Units of the Trust on a one-for-one basis at any time at the option of the holder. During the three-month period ended March 31, 2019, 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. Monthly distributions of $0.035 per Class B LP Unit were declared for a total amount of $56 during the three-month period ended March 31, 2019 (no amount for the three-month period ended March 31, 2018).

9. 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 March 31, 2019 and December 31, 2018 because of their short-term maturity or bear interest at current market rates.

As at March 31, 2019	Carrying amount			Fair value
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 6)	32	—	—	32
Interest rate swap	(159)	—	(159)	—
For which fair values are disclosed				
Mortgage loans payable (note 5)	453,169	—	465,409	—
Convertible debentures, including their conversion and redemption features (note 6)	48,856	50,604	—	—
Bank loans (note 7)	15,000	—	15,000	—
Class B LP Units (note 8)	2,544	2,544	—	—

As at December 31, 2018	Carrying amount			Fair value
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 6)	45	—	—	45
Interest rate swap	1,554	—	1,554	—
For which fair values are disclosed				
Mortgage loans payable (note 5)	471,672	—	459,633	—
Convertible debentures, including their conversion and redemption features (note 6)	48,671	49,946	—	—
Bank loans (note 7)	15,000	—	15,000	—
Class B LP Units (note 8)	2,315	2,315	—	—

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 Trust Units as at March 31, 2019 and December 31, 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.

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
	$
Three-month period ended March 31, 2019	
Balance beginning of period	(45)
Change for the period recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	13
Balance end of period	**(32)**

	Conversion and redemption options of convertible debentures
	$
Year ended December 31, 2018	
Balance beginning of year	1
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	(46)
Balance end of year	**(45)**

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 March 31, 2019:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	(52)	16.45
March 31, 2019	(32)	16.95
0.50%	52	17.45

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.

10. Unit-based Compensation

a) 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:

Three-month period ended March 31	2019	2018
	Deferred units	Deferred units
Outstanding, beginning of period	37,055	12,330
Trustees' compensation	12,669	16,364
Distributions paid in units	932	399
Outstanding, end of period	**50,656**	**29,093**

As at March 31, 2019, the liability related to the plan was $244 (December 31, 2018 - $153). The related expense recorded in profit and loss amounted to $90 for the three-month period ended March 31, 2019 (for the three-month period ended March 31, 2018 - $77).

b) 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 March 31, 2019, there was no liability related to the plan (December 31, 2018 - $41). The related expense recorded in profit and loss amounted to $3 for the three-month period ended March 31, 2019 (for the three-month period ended March 31, 2018 - $nil). The 9,253 units related to 2018 purchases were issued in February 2019 (9,691 units related to 2017 purchases - February 2018).

c) 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:

Three-month period ended March 31	2019	2018
	Restricted units	Restricted units
Outstanding, beginning of period	138,919	115,628
Granted	15,213	12,544
Cancelled	—	(4,668)
Settled	(52,830)	(30,713)
Outstanding, end of period	**101,302**	**92,791**

As at March 31, 2019, the liability related to the plan was $355 (December 31, 2018 - $475). The related expense recorded in profit and loss amounted to $122 for the three-month period ended March 31, 2019 (for the three-month period ended March 31, 2018 - $56).

11. 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.

Trust units issued and outstanding are as follows:

	Three-month period ended March 31, **2019**		Year ended December 31, **2018**	
	Units	$	Units	$
Units outstanding, beginning of period	55,317,723	274,231	48,423,118	244,115
Issue pursuant to a public issue	—	—	6,250,250	28,751
Unit issue costs	—	—	—	(1,512)
	55,317,723	274,231	54,673,368	271,354
Issue pursuant to the distribution reinvestment plan (a)	150,304	669	603,951	2,691
Issue pursuant to the employee unit purchase plan (note 10 (b))	9,253	43	9,691	44
Issue pursuant to the restricted unit compensation plan (note 10 (c))	52,830	242	30,713	142
Units outstanding, end of period	**55,530,110**	**275,185**	**55,317,723**	**274,231**

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.

b) Distributions

Three-month period ended March 31	**2019**	**2018**
	$	$
Distributions to unitholders	5,825	5,099
Distributions per unit	0.105	0.105

12. Rental Revenues from Properties

Three-month period ended March 31	**2019**	**2018**
	$	$
Base rent and other lease generated revenues	13,473	12,961
Property tax and insurance recoveries	4,369	4,242
	17,842	17,203
Operating costs recoveries and other revenues	4,761	4,804
Lease incentive amortization	(757)	(738)
Straight-line lease adjustment	(212)	171
	21,634	**21,440**

13. Net Financing Costs

Three-month period ended March 31	2019	2018
	$	$
Financial income	(89)	(9)
Interest on mortgage loans payable	4,544	4,148
Interest on convertible debentures	874	874
Interest on bank loans	189	178
Other interest expense	143	24
Accretion of non-derivative liability component of convertible debentures	13	12
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	249	246
Distributions - Class B LP Units	56	—
Fair value adjustment – Class B LP Units	229	—
Net adjustment to fair value of derivative financial instruments	1,726	(528)
	7,934	**4,945**

14. Expenses by Nature

Three-month period ended March 31	2019	2018
	$	$
Depreciation	24	25
Employee benefits expense	1,725	1,656

15. 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*.

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

Three-month period ended March 31	2019	2018
	$	$
Net income	1,381	6,555
Weighted average number of units outstanding – basic	55,441,935	48,533,188
Earnings per unit – basic	**0.02**	**0.14**

16. 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 March 31, 2019					
Investment properties	226,808	372,076	132,320	87,218	**818,422**
Rental revenue from properties	6,051	10,592	2,727	2,264	**21,634**
Net operating income	3,429	5,027	1,525	1,070	**11,051**
Three-month period ended March 31, 2018					
Investment properties	229,451	336,139	118,342	61,483	**745,415**
Rental revenue from properties	6,195	10,661	2,637	1,947	**21,440**
Net operating income	3,673	4,905	1,937	943	**11,458**

17. Commitments and Contingencies

a) 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.

18. Subsequent Events

On May 7, 2019, the Trust completed the sale of a property in Montreal (Québec) for $7.1 million.

On May 10, 2019, the Trust completed the purchase of an industrial property in St-Laurent (Québec) for $11.9 million.

BTB

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