Our tenants, clients above all

BTB

Condensed Consolidated
Interim Financial Statements
Quarter Ended June 30th, 2019

Condensed Consolidated Interim Financial Statements

Quarter Ended June 30, 2019

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Condensed Consolidated Interim Statements of Financial Position

(Unaudited - in thousands of CAD dollars)

	Notes	As at June 30, **2019**	As at December 31, **2018**
		$	$
ASSETS			
Investment properties	3	889,236	839,015
Property and equipment		290	329
Derivative financial instruments		141	1,599
Other assets		8,265	2,210
Balance of sale	3	6,034	—
Receivables	4	3,523	3,246
Cash and cash equivalents		1,293	8,824
Total assets		**908,782**	**855,223**
Liabilities and unitholders' equity			
Mortgage loans payable	5	496,169	471,162
Convertible debentures	6	48,999	48,716
Bank loans	7	10,860	15,000
Lease liabilities		4,458	—
Class B LP Units	8	2,512	2,315
Unit-based compensation	10	687	669
Derivative financial instruments		1,014	—
Trade and other payables		21,795	17,048
Distributions payable to unitholders		2,165	1,936
Total liabilities		**588,659**	**556,846**
Unitholders' equity		**320,123**	**298,377**
		908,782	**855,223**

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on August 9, 2019.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited - in thousands of CAD dollars)

		For the three-month periods ended June 30,		For the six-month periods ended June 30,	
		2019	2018	**2019**	2018
	Notes	**$**	$	**$**	$
Operating revenues					
Rental revenues from properties	12	22,437	20,803	44,071	42,243
Operating expenses					
Public utilities and other operating costs		4,662	4,708	10,138	9,829
Property taxes and insurance		5,579	4,870	10,686	9,731
		10,241	9,578	20,824	19,560
Net operating income		**12,196**	**11,225**	**23,247**	**22,683**
Expenses					
Finance costs		6,035	5,611	11,958	11,084
Distributions - Class B LP Units	8	56	19	112	19
Fair value adjustment – Class B LP Units	8	(32)	—	197	—
Net adjustment to fair value of derivative financial instruments		746	(277)	2,472	(805)
Net financing costs	13	6,805	5,353	14,739	10,298
Trust administration expenses		(1,587)	(1,210)	(2,917)	(2,493)
Gain on disposal of owner-occupied land and building		—	7	—	1,185
Gain on debt extinguishment		—	—	—	133
Prepayment penalties		(176)	—	(176)	—
Net changes in fair value of investment properties, business acquisitions and disposals transaction costs	3	(312)	(62)	(718)	(62)
Net income being total comprehensive income for the period		**3,316**	**4,593**	**4,697**	**11,148**

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, net of issue costs	11	28,931	—	—	28,931
Distributions to unitholders	11	—	(11,882)	—	(11,882)
		303,162	(121,561)	133,825	315,426
Comprehensive income		—	—	4,697	4,697
Balance as at June 30, 2019		**303,162**	**(121,561)**	**138,522**	**320,123**
Balance at January 1, 2018		**244,115**	**(87,656)**	**92,488**	**248,947**
Issuance of units, net of issue costs	11	28,736	—	—	28,736
Distributions to unitholders	11	—	(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**

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 June 30, 2019	2018	For the six-month periods ended June 30, 2019	2018
Operating activities		**$**	$	**$**	$
Net income for the period		3,316	4,593	4,697	11,148
Adjustment for:					
Net changes in fair value of investment properties and disposal transaction costs	3	(33)	—	(23)	—
Gain on debt extinguishment		—	—	—	(133)
Gain on disposal of Owner-occupied land and Building		—	7	—	(1,185)
Depreciation of property and equipment		33	21	57	46
Unit-based compensation	10	89	100	304	233
Straight-line lease adjustment	12	(175)	(12)	37	(183)
Lease incentive amortization	12	744	719	1,501	1,457
Net financing costs	13	6,805	5,353	14,739	10,298
		10,779	10,781	21,312	21,681
Net change in non-cash operating items		1,118	(2,977)	(1,199)	(5,110)
Net cash from operating activities		**11,897**	**7,804**	**20,113**	**16,571**
Investing activities					
Increase in investment properties	3	(28,363)	(1,494)	(29,710)	(4,594)
Acquisition of a business	3		(43)		(43)
Net proceeds from disposal of investment properties	3	6,724	—	12,220	8,898
Additions to property and equipment		(5)	(8)	(18)	(8)
Disposition of Owner-occupied land and Building		—	—	—	3,082
Net cash from (used in) investing activities		**(21,644)**	**(1,545)**	**(17,508)**	**7,335**
Financing activities					
Mortgage loans, net of financing costs		12,440	1,661	12,461	16,789
Repayment of mortgage loans		(18,332)	(3,920)	(23,935)	(22,283)
Bank loans, net of financing costs		12,800	—	12,800	—
Repayment of bank loans		(16,940)	(15,160)	(16,940)	(18,130)
Lease liability payments		(16)	—	(38)	—
Net proceeds from issue of units		27,222	27,237	27,222	27,237
Net distributions to unitholders		(5,082)	(4,474)	(10,230)	(8,890)
Net distributions – Class B LP units		(56)	(19)	(112)	(19)
Addition to restricted cash		—	2,461	—	—
Interest paid		(5,829)	(5,451)	(11,364)	(10,585)
Net cash from (used in) financing activities		**6,207**	**2,335**	**(10,136)**	**(15,881)**
Net increase (decrease) in cash and cash equivalents		**(3,540)**	**8,594**	**(7,531)**	**8,025**
Cash and cash equivalents, beginning of period		**4,833**	**1,349**	**8,824**	**1,918**
Cash and cash equivalents, end of period		**1,293**	**9,943**	**1,293**	**9,943**

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2019 and 2018 (Unaudited - in thousands of CAD dollars, except per unit amounts)t

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 June 30, 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) of the condensed consolidated interim financial statements for the quarter ended March 31, 2019.

These unaudited condensed consolidated interim financial statements were approved by the Board of Trustees on August 9, 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

The significant judgments made by management in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018.

3. Investment Properties

	Six-month period ended **June 30, 2019**	Year ended **December 31, 2018**
	$	**$**
Balance beginning of period	839,015	751,110
Initial recognition of right of use assets	3,900	—
Acquisitions of investment properties (note 3(i))	75,673	97,114
Business combination	—	7,500
Disposals of investment properties (note 3(ii))	(31,550)	(45,744)
Capital expenditures	1,664	4,341
Capitalized leasing fees	485	1,636
Capitalized lease incentives	1,564	3,614
Lease incentives amortization	(1,501)	(3,223)
Straight-line lease adjustment	(37)	525
Net changes in fair value of investment properties (note 3 (iii))	23	(22,142)
Balance end of period	**889,236**	**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 June 30 2019, external appraisals were obtained for investment properties with an aggregate fair value of $77,400 (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 June 30, 2019				
Capitalization rate	6.25% – 7.75%	6.00% – 8.50%	5.75% – 8.50%	5.00% – 8.25%
Terminal capitalization rate	6.25% – 7.75%	6.50% – 7.50%	6.25% – 8.25%	5.25% – 8.50%
Discount rate	7.25% – 8.50%	7.00% – 8.00%	6.75% – 9.00%	6.25% – 9.00%
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) Asset Acquisitions – Six-month period ended June 30, 2019

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, 2019 were as follows:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction cost**	**Mortgage loan**	**Receivable / (Trade and other payables), including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
May 2019	Industrial	St-Laurent, QC	100	11,790	(8,050)	33	3,773
June 2019	Mixed use	St-Hilaire, QC	100	19,238	(12,700)	301	6,839
June 2019	Retail	St-Bruno, QC	100	42,931	(28,000)	(32)	14,899
Transaction costs				1,714	—	(1,714)	—
Total				**75,673**	**(48,750)**	**(1,412)**	**25,511**

b) Asset acquisitions – Six-month period ended June 30, 2018

				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				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 4.00%, payable monthly, which matured 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
May 2019	Retail	Montréal, QC	7,100	—	—	(31)	7,069
Transaction costs [(note 3 (iii)]				—	—	(741)	(741)
Total			**31,550**	**(12,533)**	**(6,000)**	**(797)**	**12,220**

The balance of sale includes a loan, expiring on January 31, 2024, bearing interest at 7% for the first 3 years, at 7.50% for the 4th year, and at 8% for the 5th year. The balance of sale as at June 30, 2019 is $6,034 and includes $34 accrued interest.

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 [(note 3 (iii)]			—	(279)	(279)
Total			**9,215**	**(317)**	**8,898**

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net changes in fair value of investment properties (note 3)	33	—	23	279
Business combination transaction costs	—	(62)	—	(62)
Disposal transaction costs (note 3 (ii))	(345)	—	(741)	(279)
	(312)	**(62)**	**(718)**	**(62)**

4. Receivables

	As at June 30, **2019**	As at December 31, **2018**
	$	$
Rents receivable	2,579	2,556
Provision for doubtful accounts	(757)	(567)
Net rents receivable	1,822	1,989
Unbilled recoveries	989	430
Other receivables	712	827
Total	**3,523**	**3,246**

5. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $877,198 as at June 30, 2019 (December 31, 2018 – $822,945).

	As at June 30, **2019**	As at December 31, **2018**
	$	$
Fixed rate mortgage loans payable	387,478	370,988
Floating rate mortgage loans payable	110,938	102,217
Unamortized fair value assumption adjustments	733	839
Unamortized financing costs	(2,980)	(2,882)
Mortgage loans payable	**496,169**	**471,162**
Short-term portion	25,511*	70,086
Weighted average interest rate	3.93%	3.99%
Weighted average term to maturity (years)	5.32	5.56
Range of annual rates	2.77% – 6.80%	2.77% – 6.80%

* For the six-month period remaining

As at June 30, 2019, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	$	$	$
2019*	7,051	18,460	25,511
2020	14,253	56,437	70,690
2021	13,252	60,534	73,786
2022	11,489	35,160	46,649
2023	9,990	16,773	26,763
Thereafter	30,051	224,966	255,017
	86,086	**412,330**	**498,416**
Unamortized fair value assumption adjustments			733
Unamortized financing costs			(2,980)
			496,169

* 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 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 June 30, **2019**	As at December 31, **2018**
	$	%			$	$
March 2013	7,150	4.02	Monthly	April 2023	5,541	5,684
June 2016	13,000	3.45	Quarterly	June 2026	11,824	12,020
November 2017	23,200	3.8825	Monthly	November 2027	23,200	23,200
November 2017	23,075	3.905	Monthly	December 2027	22,229	22,524
Total	**66,425**				**62,794**	**63,428**

6. Convertible Debentures

As at June 30, 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 June 30, 2019			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component	270	—	270
	22,960	26,700	49,660
Unamortized financing costs	(167)	(494)	(661)
Non-derivative liability component	**22,793**	**26,206**	**48,999**
Conversion and redemption options asset component at fair value	**(39)**	**(101)**	**(140)**

	Série E	Série 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 June 30, 2019, $10,200 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 June 30, 2019, $660 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 $5,259 and by an immoveable second rank hypothec on six properties having a fair value of $129,051.

8. Class B LP Units

	Six-month period ended June 30, **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 six-month period ended June 30, 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 and of $112 during the three and six-month periods ended June 30, 2019 ($19 for the three and six-month periods ended June 30, 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, receivables, balance of sale, trade and other payables and distributions payable to unitholders, which approximated their carrying amount as at June 30, 2019 and December 31, 2018 because of their short-term maturity or because they bear interest at current market rates.

As at June 30, 2019	Carrying amount			Fair value
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 6)	141	—	—	141
Interest rate swap	(1,014)	—	(1,014)	—
For which fair values are disclosed				
Mortgage loans payable (note 5)	496,169	—	508,064	—
Convertible debentures, including their conversion and redemption features (note 6)	48,999	49,899	—	—
Bank loans (note 7)	10,860	—	10,860	—
Class B LP Units (note 8)	2,512	2,512	—	—

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	—	476,658	—
Convertible debentures, including their conversion and redemption features (note 6)	48,716	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 June 30, 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
	$
Six-month period ended June 30, 2019	
Balance beginning of period	(45)
Change for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	(96)
Balance end of period	**(141)**

	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 June 30, 2019:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	(22)	16.22
June 30, 2019	(140)	16.72
0.50%	37	17.22

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:

For the six-month periods ended June 30,	2019	2018
	Deferred units	Deferred units
Outstanding, beginning of period	37,056	12,330
Trustees' compensation	14,520	18,241
Distributions paid in units	2,055	1,015
Outstanding, end of period	**53,631**	**31,586**

As at June 30, 2019, the liability related to the plan was $253 (December 31, 2018 - $153). The related expense recorded in profit or loss amounted to $10 and $100, respectively, for the three and six-month periods ended June 30, 2019 (for the six-month period ended June 30, 2018 - $91).

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 June 30, 2019, there was no liability related to the plan (December 31, 2018- $41). The related expense recorded in profit or loss amounted to $nil and $3, respectively, for the three and six-month periods ended June 30, 2019 (for the six-month period ended June 30, 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:

For the six-month periods ended June 30,	2019	2018
	Restricted units	Restricted units
Outstanding, beginning of period	138,919	115,628
Granted	76,133	72,819
Cancelled	(666)	(4,668)
Settled	(52,830)	(30,713)
Outstanding, end of period	**161,556**	**153,066**

As at June 30, 2019, the liability related to the plan was $434 (December 31, 2018 - $475). The related expense recorded in profit or loss amounted to $79 and $201, respectively, for the three and six-month period ended June 30, 2019 (for the six-month period ended June 30, 2018 - $142).

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:

	Six-month period ended June 30, **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	6,157,100	28,754	6,250,250	28,751
Unit issue costs	—	(1,532)	—	(1,512)
	61,474,823	301,453	54,673,368	271,354
Issue pursuant to the distribution reinvestment plan (a)	313,882	1,424	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	**61,850,788**	**303,162**	**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 June 30,		Six-month periods ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Distributions to unitholders	6,057	5,334	11,882	10,433
Distributions per unit	0.105	0.105	0.21	0.21

12. Rental Revenues from Properties

	Three-month period ended June 30,		Six-month periods ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Base rent and other lease generated revenues	13,511	12,876	26,985	25,837
Property tax and insurance recoveries	4,466	4,201	8,834	8,443
	17,977	17,077	35,819	34,280
Operating costs recoveries and other revenues	5,029	4,433	9,790	9,237
Lease incentive amortization	(744)	(719)	(1,501)	(1,457)
Straight-line lease adjustment	175	12	(37)	183
	22,437	**20,803**	**44,071**	**42,243**

13. Net Financing Cost

	Three-month period ended June 30,		Six-month periods ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Financial income	(154)	(35)	(243)	(44)
Interest on mortgage loans payable	4,602	4,130	9,146	8,278
Interest on convertible debentures	874	874	1,748	1,748
Interest on bank loans	342	293	526	460
Other interest expense	86	59	234	94
Accretion of non-derivative liability component of convertible debentures	13	12	26	24
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	272	278	521	524
Distributions - Class B LP Units	56	19	112	19
Fair value adjustment – Class B LP Units	(32)	—	197	—
Net adjustment to fair value of derivative financial instruments	746	(277)	2,472	(805)
	6,805	**5,353**	**14,739**	**10,298**

14. Expenses by Nature

	Three-month period ended June 30,		Six-month periods ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Depreciation	33	21	57	46
Employee benefits expense	1,847	1,694	3,574	3,350

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 condensed consolidated interim statements of comprehensive income. However, for disclosure purposes only, the Trust has determined basic earnings per unit using the same basis that would apply in accordance with IAS 33, *Earnings per Share*.

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

	Three-month period ended June 30,		Six-month periods ended June 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net income	3,316	4,593	4,697	11,148
Weighted average number of units outstanding – basic	56,762,218	49,514,563	56,105,724	49,026,587
Earnings per unit – basic	**0.06**	**0.09**	**0.08**	**0.23**

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 June 30, 2019					
Investment properties	263,429	373,274	145,232	107,301	**889,236**
Rental revenue from properties	6,267	10,849	2,994	2,327	**22,437**
Net operating income	3,855	5,205	1,929	1,207	**12,196**
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**

	Retail	Office	Industrial	Mixed use	Total
	$	$	$	$	$
Six-month period ended June 30, 2019					
Rental revenue from properties	12,318	21,441	5,721	4,591	**44,071**
Net operating income	7,285	10,231	3,454	2,277	**23,247**
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**

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.

BTB

Condensed Consolidated Interim Financial Statements
Quarter Ended June 30th, 2019

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