Condensed Consolidated Interim Financial Statements

Quarter Ended September 30th, 2019


VEOLIA
4105

Condensed Consolidated Interim Financial Statements

Quarter Ended September 30, 2019

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Condensed Consolidated Interim Statements of Financial Position

(Unaudited - in thousands of CAD dollars)

	Notes	As at September 30, **2019**	As at December 31, **2018**
		$	$
ASSETS			
Investment properties	3	886,648	839,015
Property and equipment		278	329
Derivative financial instruments		237	1,599
Other assets		6,517	2,210
Balance of sale	3	6,034	—
Receivables	4	3,815	3,246
Cash and cash equivalents		1,847	8,824
Total assets		**905,376**	**855,223**
Liabilities and unitholders' equity			
Mortgage loans payable	5	494,785	471,162
Convertible debentures	6	49,145	48,716
Bank loans	7	12,620	15,000
Lease liabilities		4,435	—
Class B LP Units	8	2,528	2,315
Unit-based compensation	10	818	669
Derivative financial instruments		1,162	—
Trade and other payables		17,602	17,048
Distributions payable to unitholders		2,171	1,936
Total liabilities		**585,266**	**556,846**
Unitholders' equity		**320,110**	**298,377**
		905,376	**855,223**

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on November 8, 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 September 30,		For the nine-month periods ended September 30,	
		2019	2018	**2019**	2018
	Notes	**$**	$	**$**	$
Operating revenues					
Rental revenues from properties	12	23,973	23,098	68,044	65,341
Operating expenses					
Public utilities and other operating expenses		4,887	4,564	15,025	14,393
Property taxes and insurance		5,610	5,204	16,296	14,935
		10,497	9,768	31,321	29,328
Net operating income		**13,476**	**13,330**	**36,723**	**36,013**
Expenses					
Financial expenses		6,207	5,906	18,165	16,990
Distributions - Class B LP Units	8	56	56	168	75
Fair value adjustment – Class B LP Units	8	16	69	213	69
Net adjustment to fair value of derivative financial instruments		52	(985)	2,524	(1,790)
Net financial expenses	13	6,331	5,046	21,070	15,344
Administration expenses		1,400	1,191	4,317	3,684
Gain on disposition of owner-occupied land and building		—	—	—	(1,192)
Gain on debt extinguishment		—	—	—	(133)
Prepayment penalties		—	—	176	—
Net change in fair value of investment properties, business combinations and disposition expenses	3	113	1,300	831	1,369
Net income being total comprehensive income for the period		**5,632**	**5,793**	**10,329**	**16,941**

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 issuance costs	11	29,794	—	—	29,794
Distributions to unitholders	11	—	(18,390)	—	(18,390)
		304,025	(128,069)	133,825	309,781
Comprehensive income		—	—	10,329	10,329
Balance as at September 30, 2019		**304,025**	**(128,069)**	**144,154**	**320,110**
Balance at January 1, 2018		**244,115**	**(87,656)**	**92,488**	**248,947**
Issuance of units, net of issuance costs	11	29,429	—	—	29,429
Distributions to unitholders		—	(16,220)	—	(16,220)
		273,544	(103,876)	92,488	262,156
Comprehensive income		—	—	16,941	16,941
Balance as at September 30, 2018		**273,544**	**(103,876)**	**109,429**	**279,097**

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 September 30, 2019	2018	For the nine-month periods ended September 30, 2019	2018
Operating activities		**$**	$	**$**	$
Net income for the period		5,632	5,793	10,329	16,941
Adjustment for:					
Net change in fair value of investment properties and disposition expenses	3	113	1,300	831	1,300
Gain on debt extinguishment		—	—	—	(133)
Gain on disposition of Owner-occupied land and Building		—	—	—	(1,192)
Depreciation of property and equipment		25	14	82	60
Unit-based compensation	10	131	51	434	284
Straight-line lease adjustment	12	(271)	(249)	(234)	(432)
Lease incentive amortization	12	746	1,158	2,247	2,615
Net financial expenses	13	6,331	5,046	21,070	15,344
		12,707	13,113	34,759	34,787
Net change in non-cash operating items		(2,832)	(573)	(4,771)	(5,683)
Net cash from operating activities		**9,875**	**12,540**	**29,988**	**29,104**
Investing activities					
Increase in investment properties	3	(2,243)	(70,795)	(31,953)	(75,382)
Acquisition of a business	3	—	—	—	(43)
Net proceeds from disposition of investment properties	3	4,336	5,586	16,556	14,484
Additions to property and equipment		(12)	(9)	(30)	(17)
Disposition of Owner-occupied land and Building		—	—	—	3,082
Net cash from (used in) investing activities		**2,081**	**(65,218)**	**(15,427)**	**(57,876)**
Financing activities					
Mortgage loans, net of financing expenses		3,461	45,876	15,922	62,665
Repayment of mortgage loans		(4,979)	(6,193)	(28,914)	(28,476)
Bank loans, net of financing expenses		1,760	15,900	14,560	14,420
Repayment of bank loans		—	—	(16,940)	(16,650)
Lease liability payments		(23)	—	(61)	—
Net proceeds from issuance of units		18	4	27,240	27,241
Net distributions to unitholders		(5,657)	(5,088)	(15,887)	(13,978)
Net distributions – Class B LP units		(56)	(56)	(168)	(75)
Interest paid		(5,926)	(5,572)	(17,290)	(16,157)
Net cash (used in) from financing activities		**(11,402)**	**44,871**	**(21,538)**	**28,990**
Net increase (decrease) in cash and cash equivalents		**554**	**(7,807)**	**(6,977)**	**218**
Cash and cash equivalents, beginning of period		**1,293**	**9,943**	**8,824**	**1,918**
Cash and cash equivalents, end of period		**1,847**	**2,136**	**1,847**	**2,136**

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 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 September 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 November 8, 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

	Nine-month period ended September 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))	75,677	97,114
Business combination	—	7,500
Dispositions of investment properties (note 3(ii))	(35,950)	(45,744)
Capital expenditures	2,866	4,341
Capitalized leasing fees	915	1,636
Capitalized lease incentives	2,265	3,614
Lease incentives amortization	(2,247)	(3,223)
Straight-line lease adjustment	234	525
Net changes in fair value of investment properties (note 3 (iii))	(27)	22,142
Balance end of period	**886,648**	**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 September 30, 2019, external appraisals were obtained for investment properties with an aggregate fair value of $97,560 (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 September 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 – Nine-month period ended September 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 nine-month period ended September 30, 2019 were as follows:

				Fair value recognized on acquisition			
Acquisition date	Property type	Location	Interest acquired	Investment properties, including transaction costs	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				1,718	—	(1,718)	—
Total				**75,677**	**(48,750)**	**(1,416)**	**25,511**

b) Asset acquisitions – Nine-month period ended September 30, 2018

				Fair value recognized on acquisition			
Acquisition date	Property type	Location	Interest acquired	Investment properties, including transaction costs	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
July 2018	Mixed use	Montréal, QC	100	25,200	—	(121)	25,079
July 2018	Retail	Lévis, QC	100	42,600	—	349	42,949
Transaction costs				2,269	—	(2,269)	—
Total				**71,934**	**(1,399)**	**(2,041)**	**68,494**

(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.

c) 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.

(ii) Dispositions

a) 2019 Asset dispositions

Disposition date	Property type	Location	Gross proceeds	Mortgage Assumption	Balance of sale	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
August 2019	Office	Saguenay, QC	4,400	—	—	(1)	4,399
Transaction costs [(note 3 (iii)]				—	—	(804)	(804)
Total			**35,950**	**(12,533)**	**(6,000)**	**(861)**	**16,556**

The balance of sale consists of 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 September 30, 2019 is $6,034 and includes $34 of accrued interest.

b) 2018 Asset dispositions

Disposition 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
July 2018	Retail	Thetford Mines, QC	475	—	475
August 2018	Retail	Chambly, QC	5,604	32	5,636
Transaction costs [(note 3 (iii)]			—	(803)	(803)
Total			**15,294**	**(809)**	**14,484**

(iii) Net changes in fair value of investment properties, business combinations and disposition expenses

	Three-month period ended September 30,		Nine-month periods ended September 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net changes in fair value of investment properties (note 3)	(50)	(776)	(27)	(497)
Business combination expenses	—	—	—	(69)
Disposition expenses (note 3 (ii))	(63)	(524)	(804)	(803)
	(113)	**(1,300)**	**(831)**	**(1,369)**

4. Receivables

	As at September 30, **2019**	As at December 31, **2018**
	$	$
Rents receivable	3,114	2,556
Provision for doubtful accounts	(791)	(567)
Net rents receivable	2,323	1,989
Unbilled recoveries	590	430
Other receivables	902	827
Total	**3,815**	**3,246**

5. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $876,061 as at September 30, 2019 (December 31, 2018 – $822,945).

	As at September 30, **2019**	As at December 31, **2018**
	$	$
Fixed rate mortgage loans payable	388,018	370,988
Floating rate mortgage loans payable	108,919	102,217
Unamortized fair value assumption adjustments	680	839
Unamortized financing expenses	(2,832)	(2,882)
Mortgage loans payable	**494,785**	**471,162**
Short-term portion	21,939*	70,086
Weighted average interest rate	3.92%	3.99%
Weighted average term to maturity (years)	5.06	5.56
Range of annual rates	2.77% – 6.80%	2.77% – 6.80%

* For the three-month period remaining.

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

	Scheduled repayments	**Principal maturity**	**Total**
	$	$	$
2019*	3,525	18,414	21,939
2020	14,317	55,082	69,399
2021	13,308	63,846	77,154
2022	11,488	35,161	46,649
2023	9,990	16,772	26,762
Thereafter	36,134	218,900	255,034
	88,762	**408,175**	**496,937**
Unamortized fair value assumption adjustments			680
Unamortized financing expenses			(2,832)
			494,785

* For the three-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 September 30, **2019**	As at December 31, **2018**
	$	%			$	$
March 2013	7,150	4.02	Monthly	April 2023	5,467	5,684
June 2016	13,000	3.45	Quarterly	June 2026	11,726	12,020
November 2017	23,200	3.8825	Monthly	November 2027	23,200	23,200
November 2017	23,075	3.905	Monthly	December 2027	22,090	22,524
Total	**66,425**				**62,483**	**63,428**

6. Convertible Debentures

As at September 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	November 2019
Series F	26,700	7.15	8.47	5.65	Semi-annual	December 2020

Series E

In February 2013, the Trust issued Series E subordinated convertible, redeemable, unsecured debentures bearing 6.90% interest payable semi-annually and initially maturing in March 2020, in the amount of $23,000. The debentures were redeemed for their nominal value on November 1, 2019.

	Series E	Series F	Total
	$	$	$
As at September 30, 2019			
Non-derivative liability component upon issuance	22,690	26,700	49,390
Accretion of non-derivative liability component	283	—	283
	22,973	26,700	49,673
Unamortized financing expenses	(112)	(416)	(528)
Non-derivative liability component	**22,861**	**26,284**	**49,145**
Conversion and redemption options asset component at fair value	**(21)**	**(216)**	**(237)**

	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 expenses	(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 September 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 September 30, 2019, $2,420 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 $5,392 and by an immoveable second rank hypothec on six properties having a fair value of $129,883.

8. Class B LP Units

	Nine-month period ended September 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		213		(176)
Units outstanding, end of period	**532,265**	**2,528**	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 nine-month period ended September 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 $168 during the three and nine-month periods ended September 30, 2019 ($56 and $75 for the three and nine-month periods ended September 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 September 30, 2019 and December 31, 2018 because of their short-term maturity or because they bear interest at current market rates.

As at September 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)	(237)	—	—	(237)
Interest rate swap liability	1,162	—	1,162	—
Class B LP Units (note 8)	2,528	2,528	—	—
For which fair values are disclosed				
Mortgage loans payable (note 5)	494,785	—	515,519	—
Convertible debentures, including their conversion and redemption features (note 6)	48,908	49,843	—	—
Bank loans (note 7)	12,620	—	12,620	—

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 asset	(1,554)	—	(1,554)	—
Class B LP Units (note 8)	2,315	2,315	—	—
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)	48,671	49,946	—	—
Bank loans (note 7)	15,000	—	15,000	—

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 September 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
	$
Nine-month period ended September 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	(192)
Balance end of period	**(237)**

	Conversion and redemption options of convertible debentures
	$
Year ended December 31, 2018	
Balance beginning of year	1
Change for the year recognized in profit or 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 September 30, 2019:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	(245)	9.46
September 30, 2019	(237)	9.96
0.50%	(229)	10.46

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 nine-month periods ended September 30,	2019	2018
	Deferred units	Deferred units
Outstanding, beginning of period	37,056	12,330
Trustees' compensation	16,364	20,058
Distributions paid in units	3,279	1,755
Outstanding, end of period	**56,699**	**34,143**

As at September 30, 2019, the liability related to the plan was $269 (December 31, 2018 - $153). The related expense recorded in profit or loss amounted to $16 and $116, respectively, for the three and nine-month periods ended September 30, 2019 (for the three and nine-month periods ended September 30, 2018 - $17 and $108).

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 September 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 nine-month periods ended September 30, 2019 (for the three and nine-month periods ended September 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 nine-month periods ended September 30,	2019	2018
	Restricted units	Restricted units
Outstanding, beginning of period	138,919	115,628
Granted	82,469	72,819
Cancelled	(666)	(18,815)
Settled	(52,830)	(30,713)
Outstanding, end of period	**167,892**	**138,919**

As at September 30, 2019, the liability related to the plan was $549 (December 31, 2018 - $475). The related expense recorded in profit or loss amounted to $115 and $315, respectively, for the three and nine-month periods ended September 30, 2019 (for the three and nine-month periods ended September 30, 2018 - $35 and $177).

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:

	Nine-month period ended September 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 issuance costs	—	(1,514)	—	(1,512)
	61,474,823	301,471	54,673,368	271,354
Issue pursuant to the distribution reinvestment plan (a)	499,240	2,269	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	**62,036,146**	**304,025**	**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 September 30,		Nine-month periods ended September 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Distributions to unitholders	6,507	5,787	18,390	16,220
Distributions per unit	0.105	0.105	0.315	0.315

12. Rental Revenues from Properties

	Three-month period ended September 30,		Nine-month periods ended September 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Base rent and other lease generated revenues	14,945	14,044	41,930	39,881
Lease cancellation fees	—	1,477	—	1,477
Property tax and insurance recoveries	4,856	4,317	13,690	12,760
	19,801	19,838	55,620	54,118
Operating expenses recoveries and other revenues	4,647	4,169	14,437	13,406
Lease incentive amortization	(746)	(1,158)	(2,247)	(2,615)
Straight-line lease adjustment	271	249	234	432
	23,973	**23,098**	**68,044**	**65,341**

13. Net Financial expenses

	Three-month period ended September 30,		Nine-month periods ended September 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Financial income	(112)	(19)	(355)	(62)
Interest on mortgage loans payable	4,867	4,585	14,013	12,862
Interest on convertible debentures	874	874	2,622	2,622
Interest on bank loans	210	162	751	622
Other interest expense	88	36	307	130
Accretion of non-derivative liability component of convertible debentures	13	12	39	36
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	267	256	788	780
Distributions - Class B LP Units	56	56	168	75
Fair value adjustment – Class B LP Units	16	69	213	69
Net adjustment to fair value of derivative financial instruments	52	(985)	2,524	(1 790)
	6,331	**5,046**	**21,070**	**15,344**

14. Expenses by Nature

	Three-month period ended September 30,		Nine-month periods ended September 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Depreciation	24	16	81	60
Employee benefits expense	1,874	986	5,448	3,064

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 September 30,		Nine-month periods ended September 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Net income	5,632	5,793	10,329	16,941
Weighted average number of units outstanding – basic	61,944,033	55,088,713	58,073,213	51,069,501
Earnings per unit – basic	**0.09**	**0.105**	**0.18**	**0.33**

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 September 30, 2019					
Investment properties	262,304	370,475	146,060	107,809	**886,648**
Rental revenue from properties	7,005	10,585	3,474	2,909	**23,973**
Net operating income	4,140	5,450	2,471	1,415	**13,476**
Three-month period ended September 30, 2018					
Investment properties	267,000	344,673	118,829	88,873	**819,375**
Rental revenue from properties	6,889	11,091	2,761	2,357	**23,098**
Net operating income	4,379	5,474	2,206	1 271	**13,330**

	Retail	Office	Industrial	Mixed use	Total
	$	$	$	$	$
Nine-month period ended September 30, 2019					
Rental revenue from properties	19,323	32,026	9,195	7,500	**68,044**
Net operating income	11,425	15,681	5,925	3,692	**36,723**
Nine-month period ended September 30, 2018					
Rental revenue from properties	19,339	32,326	7,479	6,197	**65,341**
Net operating income	11,732	15,413	5,683	3,185	**36,013**

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 litigation 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 Event

In October 2019, the Trust completed a public issue of Series G subordinated convertible, redeemable, unsecured debentures bearing 6.00% interest payable semi-annually and maturing in October 2024, in the amount of $24,000, for total estimated net proceeds of $22,710. The net proceeds have been used in November 2019 to redeem the Series E debentures at their nominal value of $23,000.

19. Comparatives Figures

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

BTB

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

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