FINANCIAL HIGHLIGHTS

Financial Highlights for the years ended December 31, 2014 and 2013 are as follows:

At December 31	2014	2013
Number of properties	255	249
Gross leaseable area (square feet)	17,379,000	17,558,000
Debt to gross book value – fair value basis	52.8%	53.0%

Year ended December 31 (In thousands of CAD dollars, except per unit amounts and as otherwise noted)		2014		2013
Property revenue	$	358,319	$	297,043
Property net operating income	$	248,699	$	190,370
FFO	$	142,052	$	102,343
FFO as adjusted	$	142,052	$	108,376
FFO per unit – diluted(2)	$	1.10	$	1.10
FFO payout ratio (%)(2)		80.2%		79.9%
AFFO	$	118,176	$	85,492
AFFO as adjusted	$	118,176	$	91,525
AFFO per unit – diluted(2)	$	0.93	$	0.94
Distributions per unit	$	0.89	$	0.89
AFFO payout ratio (%)(1)(2)		96.4%		94.7%

(1) AFFO payout ratio is calculated using a per square foot charge of $0.87 (2013, $1.05) for maintenance expenditures (see "AFFO" section).
(2) FFO and AFFO per unit measures and payout ratios for the year ended December 31, 2013 are calculated using FFO as adjusted and AFFO as adjusted as discussed in our December 31, 2013 MD&A.

2014 Highlights

- FFO for the year ended December 31, 2014 increased 31.1% to $142,052; or $1.10 per unit Diluted, unchanged per unit from the same period in 2013.
- FFO for the three months ended December 31, 2014 increased 19.9% to $36,363; or $0.28 per unit Diluted, an increase of $0.01 per unit from the three months ended December 31, 2013.
- AFFO for the year ended December 31, 2014 increased 29.1% to $118,176; or $0.93 per unit Diluted, a decrease of $0.01 per unit from the same period in 2013.
- AFFO for the three months ended December 31, 2014 increased 18.5% to $30,211; or $0.23 per unit Diluted, unchanged per unit from the three months ended December 31, 2013.
- FFO payout ratio of 80.2% for the year ended December 31, 2014 compared to 79.9% for the same period in 2013. AFFO payout ratio of 96.4% for the year ended December 31, 2014 compared to 94.7% for the same period in 2013. FFO payout ratio of 79.9% for the three months ended December 31, 2014 compared to 83.0% for the same period in 2013. AFFO payout ratio of 96.2% for the three months ended December 31, 2014 compared to 98.8% for the same period in 2013.
- 20.6% growth of property revenue for the year ended December 31, 2014 ($358,319 versus $297,043 for the year ended December 31, 2013). Fourth quarter property revenue of $90,602, increased $6,572 or 7.8% over fourth quarter 2013.
- Solid growth of same-asset property cash NOI for the year ended December 31, 2014 of 1.4% ($161,146 compared to $158,939 for the year ended December 31, 2013). Increase in same-asset property cash NOI of 0.8% for the three months ended December 31, 2014 compared to the same period in 2013.
- Committed occupancy was 94.0% at December 31, 2014 compared with 93.6% at September 30, 2014 and 93.2% at December 31, 2013.
- Crombie's leasing activity during the year ended December 31, 2014, included:
  - Renewals on 377,000 square feet of 2014 expiring leases at an average rate of $18.60 per square foot, an increase of 13.8% over the expiring lease rate;
  - Renewals on 316,000 square feet of 2015 and later expiring leases at an average rate of $11.47 per square foot, an increase of 6.5% over the expiring lease rate;
  - New leases of 299,000 square feet replacing vacant or expiring space in 2014 at an average rate of $17.26 per square foot; and
  - Documents have been executed for 2015 leasing on 113,000 square feet of new leases at an average rate of $14.15 per square foot and expansions of current tenants of 31,000 square feet at an average rate of $11.83.
- Debt to gross book value (fair value basis) was 52.8% at December 31, 2014, compared to 53.0% at December 31, 2013.
- Crombie's interest service coverage for the year ended December 31, 2014 was 2.58 times EBITDA and debt service coverage was 1.72 times EBITDA, compared to 2.74 times EBITDA and 1.79 times EBITDA, respectively, for the year ended December 31, 2013.
- Completed $100,000 Units and Class B LP Units issuance on May 30, 2014; $60,000 of which was the first issuance under the $500,000 Short Form Shelf Prospectus filed on May 13, 2014.
- Closed $100,000 principal amount Series B Senior Unsecured Notes offering with a seven year three month term and an effective yield of 3.9% on March 5, 2014.
- Completed acquisitions of 11 retail properties, one retail property adjacent to an existing retail property and two development additions to existing retail properties totaling 577,300 square feet for a total purchase price of $154,113. Fourth quarter of 2014 included eight retail property acquisitions from subsidiaries of Empire and three retail property acquisitions from third parties. These 11 properties, totaling 523,500 square feet, were acquired for a total purchase of $142,045 including closing and transaction costs at an implied stabilized capitalization rate of 6.3%.
- Completed dispositions of five retail properties in the fourth quarter of 2014 totaling 607,900 square feet for proceeds of approximately $65,000 before closing and transaction costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2014, with a comparison to the financial condition and results of operations for the comparable periods in 2013.

This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2014 and December 31, 2013 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

NON-GAAP FINANCIAL MEASURES

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income ("NOI"), same-asset property NOI and same-asset property cash NOI, operating income attributable to Unitholders, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), debt to gross book value, and earnings before interest, taxes, depreciation and amortization ("EBITDA"). These measures are used by management to evaluate performance and management believes certain investors may use these measures as a means of assessing relative financial performance.

INTRODUCTION

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 26, 2015, except as otherwise noted.

Financial and Operational Summary

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Property revenue	$ 90,602	$ 84,030	$ 358,319	$ 297,043
Operating income attributable to Unitholders	$ 22,227	$ (492)	$ 71,389	$ 36,552
Basic operating income attributable to Unitholders per unit	$ 0.17	$ 0.00	$ 0.56	$ 0.38
Diluted operating income attributable to Unitholders per unit	$ 0.17	$ 0.00	$ 0.56	$ 0.38
FFO	$ 36,363	$ 24,291	$ 142,052	$ 102,343
FFO as adjusted	$ 36,363	$ 30,324	$ 142,052	$ 108,376
FFO per unit – basic(2)	$ 0.28	$ 0.27	$ 1.12	$ 1.12
FFO per unit – diluted(2)	$ 0.28	$ 0.27	$ 1.10	$ 1.10
FFO payout ratio (%)(2)	79.9%	83.0%	80.2%	79.9%
AFFO	$ 30,211	$ 19,460	$ 118,176	$ 85,492
AFFO as adjusted	$ 30,211	$ 25,493	$ 118,176	$ 91,525
AFFO per unit – basic(2)	$ 0.23	$ 0.23	$ 0.93	$ 0.95
AFFO per unit – diluted(2)	$ 0.23	$ 0.23	$ 0.93	$ 0.94
Distributions per unit	$ 0.22	$ 0.22	$ 0.89	$ 0.89
AFFO payout ratio (%)(1)(2)	96.2%	98.8%	96.4%	94.7%

(1) AFFO payout ratio is calculated using a per square foot charge of $0.87 (2013, $1.05) for maintenance expenditures (see "AFFO" section).
(2) FFO and AFFO per unit measures and payout ratios for the three months and year ended December 31, 2013 are calculated using FFO as adjusted and AFFO as adjusted as discussed in our December 31, 2013 MD&A.

Overview of the Business and Recent Developments

Crombie is an unincorporated, "open-ended" real estate investment trust established pursuant to the Declaration of Trust dated January 1, 2006, as amended and restated (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. The REIT Units of Crombie trade on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a growth strategy focused primarily on the acquisition of grocery-anchored and drugstore-anchored retail properties in Canada's top 36 markets. At December 31, 2014, Crombie owned a portfolio of 255 investment properties in ten provinces, comprising approximately 17.4 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through a subsidiary, holds a 41.5% (fully diluted 39.3%) economic and voting interest in Crombie at December 31, 2014.

Significant Developments during 2014 include:

Acquisitions and dispositions completed up to and including December 31, 2014 include: (in thousands of CAD dollars, except as otherwise noted)

Acquisition/Disposition Date	Properties Acquired (Disposed)	Province	Approximate Square Footage	Initial Acquisition (Disposition) Price
Acquisitions				
January 31, 2014(1)	—	NS	6,700	$ 1,490
March 31, 2014(3)	1	AB	53,000	12,127
March 31, 2014(3)	(1)	AB	(53,000)	(12,127)
May 1, 2014	1	ON	39,400	10,176
November 17, 2014	6	ON, AB, BC	292,500	63,850
November 21, 2014	1	ON	36,000	9,140
November 24, 2014	1	PE	53,500	8,385
December 3, 2014(1)	—	AB	24,300	11,000
December 12, 2014	2	MB	117,200	47,564
December 19, 2014(1)	—	QC	7,700	2,508
Total			577,300	154,113
Dispositions				
January 16, 2014(2)	—	NS	(25,000)	(1,200)
August 21, 2014(2)	—	NB	—	(1,900)
October 17, 2014	(4)	NS, NB, NL	(374,500)	(35,000)
December 10, 2014	(1)	PE	(233,400)	(30,000)
Total			(632,900)	$ (68,100)

(1) Relates to acquisition of adjacent property or additional development on a pre-existing retail property.
(2) Relates to the partial disposition of a property.
(3) Relates to an exchange of properties in Canmore, Alberta.

Included in the above acquisitions total are three acquisitions totalling $14,998 representing one adjacent property and two add-on developments to Crombie's existing properties. In addition, subsequent to year end, Crombie acquired $15,225 in adjacent properties to two more existing properties. These adjacent acquisitions and add-ons to existing properties align with Crombie's strategy of judicious expansion and improvement of existing properties.

The initial purchase and disposition prices stated above exclude closing and transaction costs. The acquisitions were funded through Crombie's floating rate revolving credit facility.

On March 5, 2014, Crombie issued, on a private placement basis, $100,000 Series B Notes (senior unsecured) with a seven year three month term, maturing on June 1, 2021 and an effective interest rate of 3.90%.

On May 30, 2014, Crombie closed a public offering, on a bought deal basis, of 4,530,000 Units, at a price of $13.25 per Unit for proceeds of $57,366, net of issue costs. Concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited ("ECLD") purchased 3,018,868 Class B LP Units and the attached Special Voting Units ("SVU") at a price of $13.25 per Class B LP Unit for proceeds of $39,830, net of issue costs, on a private placement basis.

Business Objectives and Outlook

The objectives of Crombie are threefold:

1. Generate reliable and growing cash distributions;
2. Enhance the value of Crombie's assets and maximize long-term unitholder value through active asset management; and
3. Expand the asset base of Crombie and increase its cash available for distribution through accretive acquisitions.

Generate reliable and growing cash distributions: Management focuses both on improving the same-asset results while expanding the asset base with accretive acquisitions to grow the cash distributions to unitholders. Crombie's focus on grocery-anchored and drugstore-anchored retail properties, a stable and defensive orientated asset class, assists in enhancing the reliability of cash distributions.

Enhance value of Crombie's assets: Crombie anticipates reinvesting approximately 3% to 5% of its property revenue each year into its properties to maintain their productive capacity and thus overall value. Crombie's internal growth strategy focuses on generating greater rental income from its existing properties. Crombie plans to achieve this by strengthening its asset base through judicious expansion and improvement of existing properties, leasing vacant space at competitive market rates with the lowest possible transaction costs, and maintaining good relations with tenants. Management will continue to conduct regular reviews of properties and, based on its experience and market knowledge, assess ongoing opportunities within the portfolio.

Expand asset base with accretive acquisitions: Crombie's external growth strategy focuses primarily on acquisitions of income-producing, grocery-anchored and drugstore-anchored retail properties in Canada's top 36 markets. Crombie pursues two primary sources of acquisitions which are third party acquisitions and the relationship with ECLD and Sobeys Development Limited Partnership ("SDLP"). The relationship with ECLD and SDLP includes currently owned and future development properties, as well as opportunities through the rights of first refusal ("ROFR") that one of Empire's subsidiaries has negotiated in certain of their third party leases. Crombie will seek to identify future property acquisitions using investment criteria that focuses on the strength of anchor tenancies, market demographics, age of properties, terms of tenancies, proportion of revenue from national and regional tenants, opportunities for expansion, security of cash flow, potential for capital appreciation and potential for increasing value through more efficient management of assets being acquired, including expansion and repositioning.

Crombie continues to work closely with ECLD and SDLP to identify opportunities that further Crombie's growth strategy. The relationship with ECLD is governed by an agreement described in the Material Contracts section of Crombie's Annual Information Form and SDLP has confirmed that certain properties now held by SDLP that it acquired from ECLD continue to be governed by that agreement. In addition, Crombie has a right of first offer ("ROFO") agreement with Sobeys to acquire both existing income producing commercial properties from Sobeys as well as properties from SDLP's development pipeline, subject to certain exceptions. Through these relationships, Crombie expects to have many of the benefits associated with property development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions.

The agreements provide Crombie with a preferential right to acquire retail properties from ECLD and/or SDLP, subject to approval by Crombie's elected trustees. These relationships between Crombie and ECLD and SDLP continue to provide promising opportunities for growth of Crombie's portfolio through future developments on both new and existing sites.

The following table outlines the property transactions completed since the initial public offering ("IPO") which highlight the growth opportunities provided through the Empire/Sobeys/ECLD relationship.

(In thousand of CAD dollars) Date acquired	Number of Properties	GLA (sq. ft.)	Acquisition Cost(1)	Vendor
2006–2012	93	4,979,000	$ 795,504	Empire subsidiaries
2006–2012	39	1,922,000	478,598	Third parties
2013	73	3,284,000	1,044,730	Empire subsidiary
2013	8	388,000	176,260	Third parties
January 31, 2014(2)	—	6,700	1,490	Empire subsidiaries
March 31, 2014(3)	1	53,000	12,127	Empire subsidiaries
March 31, 2014(3)	(1)	(53,000)	(12,127)	Empire subsidiaries
May 1, 2014	1	39,000	10,176	Empire subsidiaries
November 17, 2014	6	292,000	63,850	Empire subsidiaries
November 24, 2014	1	54,000	8,385	Empire subsidiaries
December 12, 2014	1	78,000	28,750	Empire subsidiaries
December 19, 2014(2)	—	8,000	2,508	Empire subsidiaries
November 21, 2014	1	36,000	9,140	Third parties
December 3, 2014	1	24,000	11,000	Third parties
December 12, 2014	1	39,000	18,814	Third parties

(1) Excluding closing and transaction costs.
(2) Relates to an acquisition of additional development on a pre-existing retail property.
(3) Relates to an exchange of properties in Canmore, Alberta.

Through its relationships with SDLP and ECLD, Crombie is provided a preferential right to acquire retail properties developed by these entities. There is currently approximately $300,000 – $500,000 of properties in various stages of development which are anticipated to be made available to Crombie over the next four years.

Business Environment

Since the latter part of 2009, the Canadian economy continues to display strengthening results in a number of key economic areas, which indicate that a modest economic recovery has taken place. However, concerns still exist as to the sustainability of the recovery as debt levels of both governments and consumers and unemployment levels remain high. Also, during this 2009 – 2014 period, the credit and equity markets experienced a dramatic improvement in their liquidity compared to the dramatic contraction of late 2008. This liquidity expansion has helped reduce credit spreads to more historically normal levels and resulted in attractive overall financing costs which many Canadian real estate investment trusts ("REITs") and real estate companies, including Crombie, have taken advantage of to strengthen their financial position, improve liquidity and lower their weighted average cost of capital.

In 2014 a dramatic reduction in the price of oil has been a negative factor in terms of its significant impact on Canadian capital investment in the oil sector and the Canadian employment impacts arising from this reduced capital activity. On a positive note, lower oil and gas prices are expected to benefit consumers and increase disposable income. A material drop in 2014 in the value of the Canadian dollar has impacted provincial economies with some potential upside for those with greater export potential. The low dollar has been accompanied by reductions in Canadian interest rates which has potential benefits for both consumer and business borrowing costs.

In light of the improving economic conditions and improved access to capital since 2009, capitalization rates have returned to very low levels. The prospects for higher interest rates as a result of stronger consumer demand and improving economic fundamentals has disaffected unit prices for certain REITs and increased their cost of capital. While these low capitalization rates have shown no discernible change to date, REIT acquisition activity has abated somewhat as competition from pension funds and other investors with low cost of capital make accretive acquisitions difficult.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements about expected future events and the financial and operating performance of Crombie. These statements include, but are not limited to, statements made in "Overview of Business and Recent Developments", "Property Profile", "Liquidity and Capital Resources", "Finance Costs – Operations", and other statements concerning management's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical fact. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking information in this MD&A is qualified by these cautionary statements.

Specifically, this document includes, but is not limited to, forward-looking statements regarding:

(i) the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;

(ii) asset growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual development costs;

(iii) the cost and timing of new properties under development and ROFO agreements, which development activities are primarily undertaken by related parties and thus are not under the direct control of Crombie and whose activities could be impacted by real estate market cycles, the availability of labour and general economic conditions;

(iv) the disposition of properties and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions and real estate market conditions;

(v) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;

(vi) the anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses;

(vii) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities, future interest rates and market conditions;

(viii) the estimated payments on derivative and non-derivative financial liabilities, which could be impacted by interest rate subsidy payments, conversions of convertible debentures, interest rates on floating rate debt and fluctuations in the settlement value and settlement timing of any derivative financial liabilities;

(ix) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;

(x) anticipated subsidy payments from ECLD, which are dependent on tenant leasing and construction activity;

(xi) anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions;

(xii) the effect that any contingencies would have on Crombie's financial statements which could be impacted by their eventual outcome;

(xiii) anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations; and

(xiv) availability and sources of financing for future growth, including the expected completion and method of financing for agreed additional acquisitions, which may be impacted by due diligence matters and debt and equity market conditions.

These forward looking-statements are presented for the purpose of assisting Crombie's Unitholders and financial analysts in understanding Crombie's operating environment, and may or may not be appropriate for other purposes. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Crombie's current estimates and assumptions. Crombie can give no assurance that actual results will be consistent with these forward-looking statements. A number of factors, including those discussed under "Risk Management" could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements.

These forward looking statements are made as at the date of the MD&A and Crombie assumes no obligation to update or revise them to reflect new or current events or circumstances unless otherwise required by applicable securities legislation.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At December 31, 2014, Crombie's property portfolio consisted of 255 investment properties that contain approximately 17.4 million square feet of GLA in all ten provinces.

As at December 31, 2014, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	January 1, 2014	Acquisitions (Dispositions)	Other	December 31, 2014	Number of Properties	% of GLA	% of Annual Minimum Rent
AB	2,015,000	182,000	—	2,197,000	43	12.6%	17.7%
BC	1,275,000	98,000	—	1,373,000	32	7.9%	9.0%
MB	492,000	117,000	—	609,000	15	3.5%	4.5%
NB	1,733,000	(89,000)	6,000	1,650,000	21	9.5%	6.4%
NL	1,657,000	(172,000)	(47,000)	1,438,000	13	8.3%	10.8%
NS	5,543,000	(131,000)	(64,000)	5,348,000	45	30.8%	23.3%
ON	2,914,000	112,000	(19,000)	3,007,000	54	17.3%	18.2%
PE	261,000	(180,000)	(3,000)	78,000	2	0.5%	0.3%
QC	1,214,000	8,000	3,000	1,225,000	22	7.0%	7.1%
SK	454,000	—	—	454,000	8	2.6%	2.7%
Total	17,558,000	(55,000)	(124,000)	17,379,000	255	100.0%	100.0%

Since January 1, 2014, Crombie GLA has a net decrease of 55,000 square feet of GLA from acquisition and disposition activity consisting of:

- acquisition of three properties in Ontario, one property in Prince Edward Island, three properties in Alberta, two properties in British Columbia and two properties in Manitoba with a total of 539,000 square feet of GLA;
- acquisition of additional development of 7,000 square feet on an existing property in Nova Scotia, 8,000 square feet on an existing property in Quebec and an acquisition of 24,000 square feet on an existing property in Alberta;
- disposition of two properties in Nova Scotia, one property in New Brunswick, one property in Newfoundland and Labrador, and one property in Prince Edward Island resulting in a total of 608,000 square foot reduction in GLA;
- disposition of a portion of an existing property in Nova Scotia resulting in a 25,000 square foot reduction in GLA; and
- exchanged one Alberta property for another Alberta property resulting in no net change in GLA.

In 2014 Crombie has reduced GLA in four properties, two in Nova Scotia, one in Newfoundland and Labrador and one in Ontario, by 130,000 square feet. This reduction is a result of development plans for the properties.

Crombie continues to diversify its national geographic concentration through growth and divestiture opportunities. As at December 31, 2014 our % of Annual Minimum Rent consists of: Atlantic Canada 40.8%, Central Canada 25.3% and Western Canada 33.9%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

DEVELOPMENT

On a regular basis, Crombie will complete development work on properties to enhance the economic viability of a location when the environment in which it operates warrants. Properties under development are excluded from same-asset results until the development is complete and the operating results from the development property are available for the current and comparative reporting years.

As at December 31, 2014, Crombie properties currently under development include: Downsview Plaza and Downsview Mall in Halifax, Nova Scotia, Aberdeen Business Centre in New Glasgow, Nova Scotia, Amherst Centre in Amherst, Nova Scotia, and County Fair Mall in New Minas, Nova Scotia.

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

Province	Property	Current GLA
NS	Aberdeen Business Centre	395,000
NS	Amherst Centre	228,000

The development of Aberdeen Business Centre and Amherst Centre consists of redemising and redeveloping vacant anchor space in response to leasing. 40% of Aberdeen Business Centre anchor vacancy GLA and 24% of Amherst Centre anchor vacancy GLA have been leased to date. Planning and design work is currently underway on remaining space and is subject to management review and approval.

Province	Property	Current GLA	Development	Estimated Construction Cost(1)	Incurred To Date(2)	Estimated Completion
NS	County Fair Mall – New Minas	268,000	To be determined	In planning	$ —	To be determined
NS	Downsview Plaza	226,000	Reconfigure space to accommodate future leasing	Phase III – $ 1,765	$ 1,666	Substantially complete
NS	Downsview Mall	73,000	To be determined	In planning	$ —	To be determined

(1) (2) Costs exclude direct tenant amounts.

County Fair Mall – New Minas has been designated for development. Initial planning and design work is currently underway and is subject to management review and approval.

Downsview Plaza – phase III redevelopment is substantially complete. Construction scope included refurbishment of exterior building facade, construction of additional commercial retail units, and redemising of existing space to accommodate future tenants.

Downsview Mall – has also been designated for development consisting of phased demolition and redevelopment. Site density planning is underway and is subject to management review and approval. GLA at this property has been reduced by 69,000 square feet as buildings are designated for demolition or complete redevelopment as part of the long term plan.

Development on 1234 Main Street (Terminal Centres) in Moncton, New Brunswick was completed in 2014. Plans relating to Phase II on 1222 Main St are underway and subject to management approval. Development on County Fair Mall Summerside, in Summerside, Prince Edward Island was completed in 2014 and this property was then sold in the fourth quarter of 2014.

Much of the development activity above has included leasing up of former Zellers space. To date Crombie has replaced 68.5% of the vacant GLA and 86.5% of NOI related to Zellers lease terminations. Subsequent to December 31, 2014, Target Canada filed for CCAA protection. Target Canada occupies approximately 329,000 square feet of GLA under long term leases in three retail properties, one each in Nova Scotia, New Brunswick and Ontario. The total revenue from the three leases represents less than 1% of Crombie's 2014 total property revenue and one lease has an indemnity from Target Corporation. Crombie is monitoring Target's CCAA protection process to better understand the potential implications on our three leases.

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at December 31, 2014

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys(1)	50.3%	15.3 years
Shoppers Drug Mart	5.9%	12.7 years
Cineplex	1.5%	10.6 years
Province of Nova Scotia	1.3%	3.9 years
CIBC	1.2%	15.1 years
Lawtons/Sobeys Pharmacy	1.1%	12.6 years
GoodLife Fitness	1.1%	12.3 years
Best Buy Canada Ltd.	1.0%	6.6 years
Bank of Nova Scotia	0.9%	3.5 years
Dollarama	0.9%	5.1 years
Total	65.2%	

(1) Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 50.3% of annual minimum rent and Shoppers Drug Mart which accounts for 5.9% of annual minimum rent, no other tenant accounts for more than 1.5% of Crombie's annual minimum rent.

Lease Maturities and Activity

The following table sets out as of December 31, 2014, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2015	178	543,000	3.1%	$ 16.61
2016	187	960,000	5.5%	13.21
2017	170	825,000	4.8%	18.35
2018	161	650,000	3.7%	19.60
2019	167	940,000	5.4%	17.49
Thereafter	650	12,412,000	71.5%	17.81
Total	1,513	16,330,000	94.0%	$ 17.58

The weighted average remaining term of all Crombie leases is approximately 11.8 years. This lengthy remaining lease term is influenced by the average Sobeys and Shoppers Drug Mart remaining lease terms of 15.3 years and 12.7 years, respectively.

During the year ended December 31, 2014, Crombie renewed 377,000 square feet of 2014 maturities at an average rate of $18.60 per square foot, an increase of 13.8% over the expiring lease rate. The renewal activity compares favourably with the average rent per square foot on full year 2014 lease maturities of $15.90 per square foot. Crombie also renewed 316,000 square feet of 2015 and later expiring leases at an average rate of $11.47 per square foot, an increase of 6.5% over the expiring lease rate.

New leasing activity during 2014 included replacing 299,000 square feet of vacant or maturing space in 2014 at an average rate of $17.26 per square foot. Current tenants have also expanded by 15,000 square feet in 2014 at an average rate of $21.65 per square foot.

Documents have been executed for 2015 leasing on 113,000 square feet of new leases at an average rate of $14.15 per square foot and expansions of current tenants of 31,000 square feet at an average rate of $11.83.

2014 Portfolio Occupancy and Committed Activity

The portfolio occupancy and committed activity for the year ended December 31, 2014 were as follows:

		Occupied space (sq. ft.)								
Province	January 1, 2014	Acquisitions (Dispositions)	New Leases(1)	Lease Expiries	Other Changes(2)	December 31, 2014	Committed Space (sq. ft.)(3)	Total Leased Space (sq. ft.)	Leased December 31, 2014
AB	2,005,000	182,000	5,000	(1,000)	(5,000)	2,186,000	—	2,186,000	99.5%
BC	1,275,000	98,000	—	—	—	1,373,000	—	1,373,000	100.0%
MB	492,000	117,000	—	—	—	609,000	—	609,000	100.0%
NB	1,477,000	(89,000)	63,000	(67,000)	(56,000)	1,328,000	2,000	1,330,000	80.6%
NL	1,545,000	(149,000)	5,000	(18,000)	(6,000)	1,377,000	1,000	1,378,000	95.8%
NS	4,888,000	(111,000)	105,000	(86,000)	(15,000)	4,781,000	82,000	4,863,000	90.9%
ON	2,717,000	112,000	62,000	(42,000)	(11,000)	2,838,000	13,000	2,851,000	94.8%
PE	194,000	(155,000)	40,000	—	(1,000)	78,000	—	78,000	100.0%
QC	1,208,000	8,000	2,000	(6,000)	1,000	1,213,000	1,000	1,214,000	99.1%
SK	439,000	—	9,000	—	—	448,000	—	448,000	98.7%
Total	16,240,000	13,000	291,000	(220,000)	(93,000)	16,231,000	99,000	16,330,000	94.0%

(1) New leases include: new leases and expansions to existing properties.
(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space decreased from 130,000 square feet at December 31, 2013 to 99,000 square feet at December 31, 2014.

Overall leased space (occupied plus committed) increased from 93.2% at December 31, 2013 to 94.0% at December 31, 2014, in part due to the reduction of GLA of 130,000 for space designated for long term redevelopment. During 2014, Crombie had a net increase from acquisitions and dispositions of 13,000 square feet of fully leased space; had new leases exceed expiries by 71,000 square feet; and, had a reduction in committed space of 31,000 square feet related to the increase in new leases.

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

SECTOR INFORMATION

While Crombie does not distinguish or group its operations on a geographical or other basis, the following sector information is provided as supplemental disclosure.

As at December 31, 2014, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail Enclosed	7	1,632,000	9.4%	10.5%	81.7%
Retail Freestanding	125	4,881,000	28.1%	30.9%	100.0%
Retail Plazas	109	7,976,000	45.9%	47.4%	95.9%
Portfolio sub-totals for retail	241	14,489,000	83.4%	88.8%	95.7%
Mixed Use	9	1,831,000	10.5%	6.9%	86.8%
Office	5	1,059,000	6.1%	4.3%	82.8%
Total	255	17,379,000	100.0%	100.0%	94.0%

(1) For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

As at December 31, 2013, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail Enclosed	10	2,127,000	12.1%	11.9%	82.1%
Retail Freestanding	119	4,584,000	26.1%	29.8%	100.0%
Retail Plazas	106	7,937,000	45.2%	46.6%	94.6%
Portfolio sub-totals for retail	235	14,648,000	83.4%	88.3%	94.5%
Mixed Use	9	1,857,000	10.6%	7.2%	88.7%
Office	5	1,053,000	6.0%	4.5%	84.3%
Total	249	17,558,000	100.0%	100.0%	93.2%

(1) For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

Retail properties represent 83.4% of Crombie's GLA and 88.8% of annual minimum rent at December 31, 2014 compared to 83.4% of GLA and 88.3% of annual minimum rent at December 31, 2013 reflecting Crombie's strategy to focus growth primarily on retail properties.

Leased space in retail properties of 95.7% at December 31, 2014, has increased from 94.5% at December 31, 2013. During 2014 three rural retail enclosed properties were sold as part of capital recycling activities.

The following table sets out as of December 31, 2014, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail Enclosed		Retail Freestanding		Retail Plazas	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2015	115,000	7.1%	5,000	0.1%	215,000	2.7%
2016	150,000	9.2%	3,000	0.1%	436,000	5.5%
2017	213,000	13.0%	5,000	0.1%	286,000	3.6%
2018	106,000	6.5%	10,000	0.2%	364,000	4.6%
2019	193,000	11.9%	0	0.0%	370,000	4.6%
Thereafter	556,000	34.0%	4,856,000	99.5%	5,980,000	75.0%
Total	1,333,000	81.7%	4,879,000	100.0%	7,651,000	96.0%

Year	Mixed Use		Office		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2015	173,000	9.4%	35,000	3.4%	543,000	3.1%
2016	301,000	16.4%	70,000	6.7%	960,000	5.5%
2017	189,000	10.3%	132,000	12.5%	825,000	4.8%
2018	82,000	4.5%	88,000	8.2%	650,000	3.7%
2019	220,000	12.0%	157,000	14.8%	940,000	5.4%
Thereafter	625,000	34.2%	395,000	37.2%	12,412,000	71.5%
Total	1,590,000	86.8%	877,000	82.8%	16,330,000	94.0%

Of the 13,863,000 square feet of retail properties under lease, 11,392,000 square feet, or 82.2% is scheduled for maturity after 2019. This long-term stability in lease maturities is primarily driven by the longer term nature of the Sobeys and Shoppers Drug Mart leases.

In the office and mixed use properties, lease maturities after 2019 represents 41.3% of the leased square footage for these sectors. The following table sets out the average rent per square foot expiring during the periods indicated:

Year	Retail Enclosed	Retail Freestanding	Retail Plazas	Mixed Use	Office	Total
2015	$ 26.21	$ 16.47	$ 17.02	$ 10.52	$ 12.55	$ 16.61
2016	$ 19.24	$ 29.00	$ 15.18	$ 7.18	$ 13.28	$ 13.21
2017	$ 20.44	$ 26.00	$ 19.71	$ 13.60	$ 18.51	$ 18.35
2018	$ 31.23	$ 15.45	$ 19.17	$ 14.44	$ 12.68	$ 19.60
2019	$ 27.24	$ 0.00	$ 16.96	$ 14.56	$ 10.83	$ 17.49
Thereafter	$ 17.21	$ 19.13	$ 17.70	$ 12.68	$ 12.28	$ 17.81
December 31, 2014 Total	$ 21.30	$ 19.13	$ 17.65	$ 11.87	$ 13.09	$ 17.58
December 31, 2013 Total	$ 18.46	$ 19.31	$ 17.23	$ 11.66	$ 13.06	$ 17.16

FINANCIAL RESULTS

Comparison to Previous Year

	As At		
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	December 31, 2014	December 31, 2013	December 31, 2012
Total assets	$ 3,413,414	$ 3,345,165	$ 2,135,620
Total investment property debt and unsecured debt	$ 2,073,354	$ 2,043,066	$ 1,185,940
Debt to gross book value – fair value basis(1)	52.8%	53.0%	46.5%

(1) See "Debt to Gross Book Value – Fair Value Basis" for detailed calculation.

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2014	2013	Variance	Year ended December 31, 2014	2013	2012
Property revenue	$ 90,602	$ 84,030	$ 6,572	$ 358,319	$ 297,043	$ 259,866
Property operating expenses	27,324	28,563	1,239	109,620	106,673	94,522
Property NOI	63,278	55,467	7,811	248,699	190,370	165,344
NOI margin percentage	69.8%	66.0%	3.8%	69.4%	64.1%	63.6%
Other items:						
Gain on derecognition of investment properties	9,502	2,422	7,080	9,353	2,858	—
Impairment of investment properties	(7,500)	(12,270)	4,770	(10,750)	(12,270)	—
Depreciation and amortization	(16,024)	(15,045)	(979)	(64,124)	(50,028)	(44,570)
General and administrative expenses	(3,380)	(4,243)	863	(14,748)	(13,666)	(11,530)
Operating income before finance costs and taxes	45,876	26,331	19,545	168,430	117,264	109,244
Finance costs – operations	(24,449)	(29,098)	4,649	(99,466)	(82,387)	(69,409)
Operating income before taxes	21,427	(2,767)	24,194	68,964	34,877	39,835
Taxes – deferred	800	2,275	(1,475)	2,425	1,675	(100)
Operating income attributable to Unitholders	22,227	(492)	22,719	71,389	36,552	39,735
Finance costs – distributions to Unitholders	(29,052)	(25,157)	(3,895)	(113,937)	(86,620)	(75,079)
Finance income (costs) – change in fair value of financial instruments	3,446	422	3,024	289	2,473	(1,878)
Decrease in net assets attributable to Unitholders	$ (3,379)	$ (25,227)	$ 21,848	$ (42,259)	$ (47,595)	$ (37,222)
Operating income attributable to Unitholders per Unit, Basic	$ 0.17	$ 0.00		$ 0.56	$ 0.38	$ 0.48
Operating income attributable to Unitholders per Unit, Diluted	$ 0.17	$ 0.00		$ 0.56	$ 0.38	$ 0.48
Basic weighted average Units outstanding (in 000's)	130,383	111,749		127,257	96,838	83,200
Diluted weighted average Units outstanding (in 000's)	133,491	111,939		127,433	97,026	83,385
Distributions per Unit to Unitholders	$ 0.22	$ 0.22		$ 0.89	$ 0.89	$ 0.89

Comparative Figures
Certain comparative figures have been reclassified to conform to the current year's consolidated financial presentation.

Operating Results
Operating income attributable to Unitholders for the three months ended December 31, 2014 of $22,227 increased by $22,719 from the three months ended December 31, 2013. The increase was primarily due to:

- higher property NOI resulting from:
  - increased property revenue from the acquisition of 70 retail properties during the fourth quarter of 2013;
  - property acquisitions completed during 2014, including the acquisition of 11 properties during the fourth quarter of 2014 and the acquisition of additional space at three existing properties;
  - increased average rental rates; and,
  - improved expense recovery rates;
- gain on derecognition of investment properties of $9,502 for the three months ended December 31, 2014 related to the dispositions of five properties compared to $2,422 for the three months ended December 31, 2013 on the disposition of one property; and,
- Subscription Receipts Adjustment Payment and bridge facility finance costs totaling $6,033 incurred in the fourth quarter of 2013 related to financing the 70 property acquisition.

Operating income attributable to Unitholders for the year ended December 31, 2014 of $71,389 increased by $34,837 from the year ended December 31, 2013. The increase was primarily due to the factors noted above.

Classification of Crombie REIT Units and Class B LP Units with attached Special Voting Units (collectively the "Units")
On transition to IFRS, Crombie determined that in accordance with IAS 32 Financial Instruments: Presentation, Crombie's Units are to be classified as financial liabilities on the Consolidated Balance Sheet. Each of the REIT Units and Class B LP Units are puttable by the respective holder and meet the definition of financial liabilities under IFRS. IAS 32 provides an exception test which, if met, would result in either, or both, of the Units being classified as equity instruments. Crombie has determined that the exception test has not been met for either the REIT Units or Class B LP Units and as such, Crombie has no instrument meeting the definition of equity instruments within the IFRS standard. As a result, since the Units are classified as financial liabilities on the Consolidated Balance Sheet, distributions on the Units are recognized as a finance charge on the Consolidated Statements of Comprehensive Income (Loss). Had either, or both, of the Units been classified as equity instruments, the related distributions would be recognized as a reduction to equity rather than a charge against income.

Property Revenue and Property Operating Expenses

Same-asset properties are properties owned and operated by Crombie throughout the current and comparative reporting periods, excluding any property that is classified as held for sale or that was designated for development during either the current or comparative period.

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Same-asset property revenue	$ 62,342	$ 61,742	$ 600	$ 246,604	$ 242,944	$ 3,660
Acquisitions, dispositions and development property revenue	28,260	22,288	5,972	111,715	54,099	57,616
Property revenue	$ 90,602	$ 84,030	$ 6,572	$ 358,319	$ 297,043	$ 61,276

Same-asset property revenue of $62,342 for the three months ended December 31, 2014 increased 1.0% from the same period in 2013 due primarily to higher guaranteed rent and recovery revenue. Acquisitions, dispositions and development property revenue growth of $5,972 or 26.8% is primarily due to the acquisition of 11 retail properties in the fourth quarter of 2014 and 70 retail properties in the fourth quarter of 2013.

For the year ended December 31, 2014, same-asset property revenue increased $3,660 or 1.5% due to increased base rent driven by lease renewal activity, land use intensifications at several properties and increased recoveries as a result of higher recoverable property expenses. Acquisitions, dispositions and development property revenue increased $57,616 compared to the year end December 31, 2013 primarily due to the acquisition activity noted above.

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Same-asset property operating expenses	$ 22,306	$ 23,146	$ 840	$ 88,555	$ 86,843	$ (1,712)
Acquisitions, dispositions and development property operating expenses	5,018	5,417	399	21,065	19,830	(1,235)
Property operating expenses	$ 27,324	$ 28,563	$ 1,239	$ 109,620	$ 106,673	$ (2,947)

Same-asset property operating expenses for the three months ended December 31, 2014 decreased by $840 or 3.6% over the three months ended December 31, 2013 primarily due to lower non-recoverable costs.

For the year ended December 31, 2014, same-asset property operating expenses increased by $1,712 or 2.0% as compared to the same period in 2013 due primarily to higher recoverable property expenses; primarily property taxes.

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Same-asset property NOI	$ 40,036	$ 38,596	$ 1,440	$ 158,049	$ 156,101	$ 1,948
Acquisitions, dispositions and development property NOI	23,242	16,871	6,371	90,650	34,269	56,381
Property NOI	$ 63,278	$ 55,467	$ 7,811	$ 248,699	$ 190,370	$ 58,329

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the three months ended December 31, 2014 increased by $7,811 or 14.1% from the three months ended December 31, 2013 due primarily to acquisitions and completed development activity during 2014 and the fourth quarter of 2013.

Property NOI for the year ended December 31, 2014 increased by $58,329 or 30.6% from the year ended December 31, 2013 primarily due to the same factors noted above.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Three months ended December 31, 2014	2013	Variance	Year ended December 31, 2014	2013	Variance
Property NOI	$ 63,278	$ 55,467	$ 7,811	$ 248,699	$ 190,370	$ 58,329
Non-cash straight-line rent	(3,023)	(1,934)	(1,089)	(11,440)	(5,484)	(5,956)
Non-cash tenant incentive amortization	914	2,165	(1,251)	7,567	8,026	(459)
Property cash NOI	61,169	55,698	5,471	244,826	192,912	51,914
Acquisitions, dispositions and development property cash NOI	21,259	16,088	5,171	83,680	33,973	49,707
Same-asset property cash NOI	$ 39,910	$ 39,610	$ 300	$ 161,146	$ 158,939	$ 2,207

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $300 or 0.8% increase in same-asset cash NOI for the three months ended December 31, 2014 over the same period in 2013 is primarily the result of increased average rent per square foot from leasing activity and rental rate increases in existing leases and revenues from land use intensifications at several properties. Acquisitions, dispositions and development property cash NOI increased $5,171 for the three months ended December 31, 2014 over the same period in 2013 primarily due to acquisitions and development activity completed during the fourth quarter of 2013 and 2014.

For the year ended December 31, 2014 same-asset cash NOI increased by $2,207 or 1.4% and acquisitions, dispositions and development property cash NOI increased by $49,707 from the year ended December 31, 2013 primarily due to the factors noted above.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period. Same-asset property cash NOI is as follows:

(In thousands of CAD dollars)	Three months ended December 31, 2014	2013	Variance	Percent	Year ended December 31, 2014	2013	Variance	Percent
Retail Enclosed	$ 5,871	$ 5,797	$ 74	1.3%	$ 23,718	$ 22,830	$ 888	3.9%
Retail Freestanding	8,389	8,398	(9)	(0.1)%	33,849	33,095	754	2.3%
Retail Plaza	19,958	19,735	223	1.1%	79,800	78,645	1,155	1.5%
Retail total	34,218	33,930	288	0.8%	137,367	134,570	2,797	2.1%
Mixed Use	3,115	2,956	159	5.4%	12,750	12,674	76	0.6%
Office	2,577	2,724	(147)	(5.4)%	11,029	11,695	(666)	(5.7)%
Same-asset property cash NOI	$ 39,910	$ 39,610	$ 300	0.8%	$ 161,146	$ 158,939	$ 2,207	1.4%

Significant variances in same-asset property cash NOI for the three months ended December 31, 2014 compared to the same period in 2013 include:

- Retail enclosed increased $74 or 1.3% due to increased rental rates.
- Mixed use increased $159 or 5.4% due to increases in revenue from percentage rent and higher guaranteed rent.
- Office decreased $147 or 5.4% as a result of lease expiries resulting in lower rental revenues and related recoveries.

Significant variances in same-asset property cash NOI for the year ended December 31, 2014 compared to the year ended December 31, 2013 include:

- Retail enclosed increased $888 or 3.9% due to increased rental rates.
- Retail freestanding increased $754 or 2.3% due to step rent increases in several Sobeys leases during the second quarter of 2013 resulting in higher cash rent in 2014.
- Office decreased $666 or 5.7% as a result of lease expiries resulting in lower rental revenues and related recoveries.

Acquisitions, dispositions and development property cash NOI is as follows:

(In thousands of CAD dollars)	Three months ended December 31, 2014	2013	Variance	Year ended December 31, 2014	2013	Variance
Acquisitions and dispositions property cash NOI	$ 19,828	$ 14,548	$ 5,280	$ 77,856	$ 28,030	$ 49,826
Development property cash NOI	1,431	1,540	(109)	5,824	5,943	(119)
Total acquisitions, dispositions and development property cash NOI	$ 21,259	$ 16,088	$ 5,171	$ 83,680	$ 33,973	$ 49,707

The significant growth in acquisitions and dispositions property cash NOI reflects the level of property acquisitions throughout 2013, primarily in the fourth quarter of 2013.

The change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful.

Crombie undertakes development of properties to position them for long-term sustainability and growth in cash NOI resulting in improvement in value.

Property NOI for the three months ended December 31, 2014 by province was as follows:

	2014			2013	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	Property NOI	Variance
AB	$ 13,200	$ 1,338	$ 11,862	$ 8,928	$ 2,934
BC	6,232	—	6,232	3,895	2,337
MB	2,644	68	2,576	1,630	946
NB	6,376	2,849	3,527	3,913	(386)
NL	10,387	3,542	6,845	6,580	265
NS	26,081	11,769	14,312	13,437	875
ON	16,332	5,130	11,202	10,785	417
PE	853	269	584	509	75
QC	6,301	1,960	4,341	4,384	(43)
SK	2,196	399	1,797	1,406	391
Total	$ 90,602	$ 27,324	$ 63,278	$ 55,467	$ 7,811

The variances in property NOI for the three months ended December 31, 2014 compared to the same period in 2013 primarily relate to:

- Property acquisitions during 2013 and 2014, in particular the acquisition of 70 properties in Western Canada during the fourth quarter of 2013 which significantly impacted property NOI in the four western provinces;
- Property dispositions during 2013 and 2014 in New Brunswick and Nova Scotia;
- Ongoing status of various development properties in New Brunswick, Nova Scotia and Prince Edward Island;
- Land use intensification projects; and
- Increased base rent due to lease renewal activity.

Property NOI for the year ended December 31, 2014 by province was as follows:

	2014			2013	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	Property NOI	Variance
AB	$ 51,501	$ 5,242	$ 46,259	$ 19,952	$ 26,307
BC	24,487	—	24,487	3,895	20,592
MB	9,890	130	9,760	2,135	7,625
NB	26,394	11,892	14,502	15,755	(1,253)
NL	42,232	15,047	27,185	26,051	1,134
NS	102,520	47,003	55,517	56,390	(873)
ON	63,807	19,755	44,052	43,310	742
PE	3,711	1,331	2,380	2,363	17
QC	25,175	7,735	17,440	16,516	924
SK	8,602	1,485	7,117	4,003	3,114
Total	$ 358,319	$ 109,620	$ 248,699	$ 190,370	$ 58,329

The variances in property NOI from 2013 to 2014 primarily relate to the same factors noted above.

Depreciation, Amortization and Impairment

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Same-asset depreciation and amortization	$ 9,629	$ 9,908	$ 279	$ 38,431	$ 40,118	$ 1,687
Acquisitions, dispositions and development depreciation/amortization	6,395	5,137	(1,258)	25,693	9,910	(15,783)
Depreciation and amortization	$ 16,024	$ 15,045	$ (979)	$ 64,124	$ 50,028	$ (14,096)

Depreciation and amortization increased by $979 for the three months ended December 31, 2014 and $14,096 for the year ended December 31, 2014 compared to the same periods in 2013. The increase in depreciation is primarily related to Crombie's increased acquisition and development activity in the fourth quarter of 2013.

Depreciation and amortization consists of:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Depreciation of investment properties	$ 14,634	$ 12,967	$ (1,667)	$ 57,983	$ 42,101	$ (15,882)
Amortization of intangible assets	1,261	1,947	686	5,606	7,383	1,777
Amortization of deferred leasing costs	129	131	2	535	544	9
Depreciation and amortization	$ 16,024	$ 15,045	$ (979)	$ 64,124	$ 50,028	$ (14,096)

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $563,060 at December 31, 2014 (December 31, 2013 – $567,980). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

During the fourth quarter of 2014, Crombie disposed of five retail properties for a net gain of approximately $6,000 after impairment. Two of the properties were sold for less than their carrying value, and as such, Crombie recorded an impairment of $3,250 during the third quarter. Crombie recognized a gain of approximately $9,400 on the disposition of the remaining three properties in the fourth quarter of 2014. In addition, Crombie recorded an impairment charge of $7,500 during the fourth quarter of 2014 on two mixed use properties. Both properties are experiencing lower occupancy rates; renewals at reduced square footage; and indications of non-renewals when leases mature. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property.

General and Administrative Expenses

The following table outlines the major categories of general and administrative expenses:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Salaries and benefits	$ 1,903	$ 2,725	$ 822	$ 8,878	$ 7,724	$ (1,154)
Professional fees	368	311	(57)	1,560	1,590	30
Public company costs	454	400	(54)	1,772	1,610	(162)
Rent and occupancy	198	245	47	948	961	13
Other	457	562	105	1,590	1,781	191
General and administrative expenses	$ 3,380	$ 4,243	$ 863	$ 14,748	$ 13,666	$ (1,082)
As a percentage of property revenue	3.7%	5.0%	1.3%	4.1%	4.6%	0.5%

For the three months ended December 31, 2014 general and administrative expenses, as a percentage of property revenue, were 3.7%, a decrease of 1.3% from the same period in 2013, with expenses decreasing $863 or 20.3% and property revenue increasing 7.8%. For the year ended December 31, 2014 general and administrative expenses, as a percentage of property revenue, decreased by 0.5% compared to the year ended December 31, 2013 with expenses increasing $1,082 or 7.9% and property revenue increasing by 20.6%. Salaries and benefits increased due to the hiring of additional staff related to continued growth as well as higher incentive payments.

Finance Costs – Operations

(In thousands of CAD dollars)	Three months ended December 31, 2014	2013	Variance	Year ended December 31, 2014	2013	Variance
Same-asset finance costs	$ 14,308	$ 15,768	$ 1,460	$ 53,703	$ 58,205	$ 4,502
Acquisitions, dispositions and development finance costs	8,708	9,331	623	39,795	15,262	(24,533)
Amortization of effective swaps and deferred financing charges	1,433	3,999	2,566	5,968	8,920	2,952
Finance costs – operations	$ 24,449	$ 29,098	$ 4,649	$ 99,466	$ 82,387	$ (17,079)

Same-asset finance costs for the three months and year ended December 31, 2014 decreased compared to the same periods in 2013 primarily due to lower interest rates on refinancing of maturing debt.

Acquisitions, dispositions and development finance costs for the three months ended December 31, 2014 decreased by $623 compared to the same period in 2013 due to one time costs related to arranging financing for the 70 property acquisition incurred in the fourth quarter of 2013. Acquisition, disposition and development finance costs for the year ended December 31, 2014 increased by $24,533 compared to the same period in 2013 primarily due to the significant acquisition activity during the fourth quarter of 2013. Development finance costs are impacted by the timing of the commencement and completion of development projects.

Amortization of effective swaps and deferred financing costs decreased for the three months ended December 31, 2014 by $2,566 compared to the same period in 2013.This decrease is primarily due to amortization of deferred financing charges in 2013 related to financing obtained for the acquisition of 70 retail properties which was repaid during the fourth quarter of 2013.

Income Taxes

A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders that would otherwise apply to trusts classified as specified investment flow-through entities ("SIFTs").

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout 2014 and continues to do so. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

In the ordinary course of business, Crombie is subject to audits by tax authorities. One of Crombie's non-taxable subsidiaries is currently subject to audit by Canada Revenue Agency ("CRA") for fiscal years 2010 and 2011. While Crombie believes that its tax filing positions are appropriate, certain matters are under review by CRA. The audit is ongoing and the outcome is indeterminable at this time.

The deferred tax liability of $78,400 represents the future tax provision relating to the difference in tax and book values offset by non-capital losses for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

SECTOR INFORMATION

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure.

Non-cash adjustments in the tables below remove the impact of non-cash straight-line rent and amortization of tenant incentive amounts.

Retail Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Three months ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 5,769	$ 834	$ 6,603	$ 5,577	$ 1,052	$ 6,629
Non-cash adjustments	102	(32)	70	220	250	470
Property Cash NOI	$ 5,871	$ 802	$ 6,673	$ 5,797	$ 1,302	$ 7,099
NOI Margin %	62.6%	44.6%	59.6%	63.7%	39.0%	57.9%
Actual occupancy %	92.3%	54.7%	80.8%	92.8%	63.7%	79.8%

Fourth quarter same-asset property cash NOI increased $74 or 1.3% over 2013 primarily due to increased rental rates. Acquisitions, dispositions and development cash NOI results decreased primarily due to property dispositions in the fourth quarter of 2013 and 2014.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 22,949	$ 3,973	$ 26,922	$ 21,885	$ 5,235	$ 27,120
Non-cash adjustments	769	271	1,040	945	662	1,607
Property Cash NOI	$ 23,718	$ 4,244	$ 27,962	$ 22,830	$ 5,897	$ 28,727
NOI Margin %	62.5%	42.8%	58.5%	62.1%	45.1%	57.9%
Actual occupancy %	92.3%	54.7%	80.8%	92.8%	63.7%	79.8%

2014 same-asset property cash NOI increased $888 or 3.9% primarily due to rental rate increases, higher miscellaneous rents, and land use intensification development. Acquisitions, dispositions and development cash NOI results decreased primarily due to the factors noted above and low occupancy rates during 2014.

Retail Freestanding Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Three months ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 8,593	$ 11,731	$ 20,324	$ 8,623	$ 7,500	$ 16,123
Non-cash adjustments	(204)	(1,256)	(1,460)	(225)	(780)	(1,005)
Property Cash NOI	$ 8,389	$ 10,475	$ 18,864	$ 8,398	$ 6,720	$ 15,118
NOI Margin %	80.3%	98.7%	90.0%	79.4%	100.0%	87.8%
Actual occupancy %	99.8%	100.0%	99.9%	100.0%	100.0%	100.0%

Fourth quarter same-asset NOI Margin % increased 0.9% as a result of lower non-recoverable property operating expenses. Acquisitions, dispositions and redevelopment property cash NOI increased significantly from 2013 primarily due to the acquisition of 54 freestanding properties in November, 2013.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 34,703	$ 45,302	$ 80,005	$ 34,384	$ 8,214	$ 42,598
Non-cash adjustments	(854)	(4,949)	(5,803)	(1,289)	(837)	(2,126)
Property Cash NOI	$ 33,849	$ 40,353	$ 74,202	$ 33,095	$ 7,377	$ 40,472
NOI Margin %	80.5%	99.0%	90.0%	80.4%	100.0%	83.5%
Actual occupancy %	99.8%	100.0%	99.9%	100.0%	100.0%	100.0%

2014 same-asset property cash NOI increased $754 or 2.3% primarily due to rental rate increases and lower non-recoverable costs. Acquisitions, dispositions and development property cash NOI increased $32,976 for the year ended December 31, 2014 compared to 2013 primarily due to acquisition factors noted above.

Retail Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Three months ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 20,259	$ 9,503	$ 29,762	$ 19,609	$ 7,110	$ 26,719
Non-cash adjustments	(301)	(668)	(969)	126	(398)	(272)
Property Cash NOI	$ 19,958	$ 8,835	$ 28,793	$ 19,735	$ 6,712	$ 26,447
NOI Margin %	65.6%	85.3%	70.8%	63.3%	81.4%	67.3%
Actual occupancy %	94.5%	97.9%	95.4%	93.9%	93.4%	93.8%

Fourth quarter same-asset property cash NOI increased $223 or 1.1% as a result of improved occupancy and increased rental rates offset in part by higher non-recoverable costs. Acquisitions, dispositions and development results increased significantly from 2013 primarily due to the acquisitions completed during the fourth quarter of 2013.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 79,125	$ 37,437	$ 116,562	$ 78,638	$ 15,812	$ 94,450
Non-cash adjustments	675	(2,652)	(1,977)	7	(750)	(743)
Property Cash NOI	$ 79,800	$ 34,785	$ 114,585	$ 78,645	$ 15,062	$ 93,707
NOI Margin %	65.8%	85.0%	71.0%	66.2%	74.2%	67.4%
Actual occupancy %	94.5%	97.9%	95.4%	93.9%	93.4%	93.8%

2014 same-asset property cash NOI increased $1,155 or 1.5% as a result of increased rental rates offset in part by higher non-recoverable costs. Acquisitions, dispositions and development results increased primarily due to the factors noted above.

Mixed Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Three months ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 3,012	$ 1,128	$ 4,140	$ 2,690	$ 1,141	$ 3,831
Non-cash adjustments	103	92	195	266	126	392
Property Cash NOI	$ 3,115	$ 1,220	$ 4,335	$ 2,956	$ 1,267	$ 4,223
NOI Margin %	46.8%	40.8%	45.0%	43.3%	38.9%	41.8%
Actual occupancy %	85.1%	89.0%	86.5%	90.7%	84.1%	88.3%

Fourth quarter same-asset property NOI increased $159 or 5.4% primarily due to increases in revenue from percentage rent, higher guaranteed rent and recovery revenue. Acquisition, dispositions and redevelopment property NOI decreased by $47 or 3.7% compared to the same period in 2013 due to lower percentage rent offset in part by lower non-recoverable costs.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 12,109	$ 4,524	$ 16,633	$ 11,916	$ 5,384	$ 17,300
Non-cash adjustments	641	399	1,040	758	527	1,285
Property Cash NOI	$ 12,750	$ 4,923	$ 17,673	$ 12,674	$ 5,911	$ 18,585
NOI Margin %	46.2%	41.2%	44.8%	46.2%	46.2%	46.2%
Actual occupancy %	85.1%	89.0%	86.5%	90.7%	84.1%	88.3%

2014 same-asset property cash NOI increased $76 or 0.6% and acquisitions, dispositions and development property cash NOI decreased by $988 or 16.7% compared to 2013 primarily due to lower percentage rent.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Three months ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 2,403	$ 46	$ 2,449	$ 2,097	$ 68	$ 2,165
Non-cash adjustments	174	(119)	55	627	19	646
Property Cash NOI	$ 2,577	$ (73)	$ 2,504	$ 2,724	$ 87	$ 2,811
NOI Margin %	47.0%	7.7%	42.9%	42.6%	16.2%	40.6%
Actual occupancy %	89.3%	41.1%	79.9%	94.5%	39.7%	84.0%

Fourth quarter same-asset property cash NOI decreased $147 or 5.4% attributed to lower occupancy from lease expiries and related lower recoveries Acquisitions, dispositions and development property cash NOI decreased by $160 due to higher non-recoverable operating expenses.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 9,163	$ (586)	$ 8,577	$ 9,278	$ (376)	$ 8,902
Non-cash adjustments	1,866	(39)	1,827	2,417	102	2,519
Property Cash NOI	$ 11,029	$ (625)	$ 10,404	$ 11,695	$ (274)	$ 11,421
NOI Margin %	45.0%	(34.8)%	28.9%	45.5%	(29.0)%	41.0%
Actual occupancy %	89.3%	41.1%	79.9%	94.5%	39.7 %	84.0%

2014 same-asset property cash NOI decreased $666 or 5.7% and acquisition, disposition and development Property Cash NOI decreased by $351 compared to the year end December 31, 2013 primarily due to the factors noted above.

OTHER 2014 PERFORMANCE MEASURES

Per Unit Measures

In order to provide a comparative measure of operating results on a per unit basis, Crombie is providing the following non-GAAP measures:

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014	2013	Year ended December 31, 2014	2013
Operating income attributable to Unitholders	$ 22,227	$ (492)	$ 71,389	$ 36,552
Operating income attributable to Unitholders per unit – Basic	$ 0.17	$ 0.00	$ 0.56	$ 0.38
Operating income attributable to Unitholders per unit – Diluted	$ 0.17	$ 0.00	$ 0.56	$ 0.38
FFO – Basic	$ 36,363	$ 24,291	$ 142,052	$ 102,343
FFO – Diluted	$ 38,745	$ 25,928	$ 151,550	$ 110,183
FFO as adjusted – Basic	$ 36,363	$ 30,324	$ 142,052	$ 108,376
FFO as adjusted – Diluted	$ 38,745	$ 32,717	$ 151,550	$ 116,216
FFO per Unit – Basic(1)	$ 0.28	$ 0.27	$ 1.12	$ 1.12
FFO per Unit – Diluted(1)	$ 0.28	$ 0.27	$ 1.10	$ 1.10
AFFO – Basic	$ 30,211	$ 19,460	$ 118,176	$ 85,492
AFFO – Diluted	$ 31,837	$ 19,463	$ 124,674	$ 86,234
AFFO as adjusted – Basic	$ 30,211	$ 25,493	$ 118,176	$ 91,525
AFFO as adjusted – Diluted	$ 31,837	$ 27,130	$ 124,674	$ 96,365
AFFO per Unit – Basic(1)	$ 0.23	$ 0.23	$ 0.93	$ 0.95
AFFO per Unit – Diluted(1)	$ 0.23	$ 0.23	$ 0.93	$ 0.94

(1) FFO and AFFO per unit measures for the three months and year ended December 31, 2013 are calculated using FFO as adjusted and AFFO as adjusted as discussed in our December 31, 2013 MD&A.

Operating income attributable to Unitholders is determined before finance costs associated with distributions to Unitholders and change in fair value of financial instruments.

The diluted FFO and AFFO are calculated by adding back the finance costs on any convertible debenture series that is dilutive for the reporting period for that specific calculation.

Weighted average number of Units outstanding for per unit measures calculations:

	Three months ended December 31, 2014	2013	Year ended December 31, 2014	2013
Basic number of Units for all measures	130,383,466	111,749,228	127,257,062	96,837,669
Diluted for operating income attributable to Unitholders purposes	130,549,576	111,938,795	127,432,519	97,026,365
Diluted for FFO purposes	140,814,020	122,255,223	137,714,312	105,800,789
Diluted for AFFO purposes	137,828,945	119,270,148	134,729,238	102,815,715

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures should be reconciled to the most directly comparable GAAP measure, which, in the case of Operating income attributable to Unitholders, is Decrease in net assets attributable to Unitholders from the Statement of Comprehensive Income (Loss). The reconciliation is as follows:

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	2014	2013	2014	2013
Operating income attributable to Unitholders	$ 22,227	$ (492)	$ 71,389	$ 36,552
Finance costs – distributions to Unitholders	(29,052)	(25,157)	(113,937)	(86,620)
Finance income (costs) – change in fair value of financial instruments	3,446	422	289	2,473
Decrease in net assets attributable to Unitholders	$ (3,379)	$ (25,227)	$ (42,259)	$ (47,595)

FFO AND AFFO

FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. As such, these non-GAAP financial measures should not be considered as an alternative to cash provided by operating activities or any other measure prescribed under IFRS. FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-GAAP measure is relevant to the ability of Crombie to earn and distribute returns to Unitholders. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REIT's and, accordingly, may not be comparable to other such issuers.

Funds from Operations (FFO)

Crombie follows the recommendations of the Real Property Association of Canada ("REALpac") in calculating FFO and defines FFO as increase (decrease) in net assets attributable to Unitholders (computed in accordance with IFRS), adjusted for the following applicable amounts:

- Gain or loss on derecognition of investment properties and related tax;
- Impairment charges and recoveries;
- Depreciation and amortization expense, including amortization of tenant incentives charged against property revenue;
- Deferred taxes;
- Finance costs – distributions on Crombie's REIT and Class B LP Units classified as financial liabilities; and
- Change in fair value of financial instruments.

REALpac provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the three months and year ended December 31, 2014 and 2013 is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Decrease in net assets attributable to Unitholders	$ (3,379)	$ (25,227)	$ 21,848	$ (42,259)	$ (47,595)	$ 5,336
Add (deduct):						
Amortization of tenant incentives	914	2,165	(1,251)	7,567	8,026	(459)
Gain on derecognition of investment properties	(9,502)	(2,422)	(7,080)	(9,353)	(2,858)	(6,495)
Impairment of investment properties	7,500	12,270	(4,770)	10,750	12,270	(1,520)
Depreciation of investment properties	14,634	12,967	1,667	57,983	42,101	15,882
Amortization of deferred leasing costs	129	131	(2)	535	544	(9)
Amortization of intangible assets	1,261	1,947	(686)	5,606	7,383	(1,777)
Taxes – deferred	(800)	(2,275)	1,475	(2,425)	(1,675)	(750)
Finance costs – distributions to Unitholders	29,052	25,157	3,895	113,937	86,620	27,317
Finance costs (income) – change in fair value of financial instruments	(3,446)	(422)	(3,024)	(289)	(2,473)	2,184
FFO	$ 36,363	$ 24,291	$ 12,072	$ 142,052	$ 102,343	$ 39,709

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
FFO as calculated above	$ 36,363	$ 24,291	$ 12,072	$ 142,052	$ 102,343	$ 39,709
Adjusted for the following:						
Finance costs – operations(1)	—	6,033	(6,033)	—	6,033	(6,033)
FFO as adjusted	$ 36,363	$ 30,324	$ 6,039	$ 142,052	$ 108,376	$ 33,676

(1) Related to the financing of 70 retail properties acquired during the fourth quarter of 2013, Crombie incurred $3,437 as a Subscription Receipt Adjustment Payment in accordance with our prospectus dated August 8, 2013. In addition, Crombie incurred costs of $2,596 related to a bridge facility in place as interim financing related to the acquisition.

The $12,072 and $39,709 increase in FFO for the three months and year ended December 31, 2014 was primarily due to acquisitions and completed development activity during 2013, resulting in significant growth in property NOI offset in part by higher finance costs – operations.

Adjusted Funds from Operations (AFFO)

Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating activities which will be used to support future distribution payments. AFFO reflects cash available for distributions after the provision for non-cash adjustments to revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

Maintenance Capital Expenditures, Maintenance Tenant Incentives and Leasing Costs ("Maintenance Expenditures")

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate of $0.87 (2013 – $1.05) per square foot as a charge against AFFO. The significant rate decrease in 2014 relates to the 70 property acquisition in the fourth quarter of 2013 adding 3,105,000 square feet for which Sobeys, as Crombie's tenant, is responsible for all maintenance capital expenditures, maintenance TI and leasing costs; thus lowering Crombie's cost per square foot. The rate will be reviewed periodically and adjusted if required. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. This per square foot charge removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year.

The calculation of AFFO for the three months and year ended December 31, 2014 and 2013 is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
FFO	$ 36,363	$ 24,291	$ 12,072	$ 142,052	$ 102,343	$ 39,709
Add (deduct):						
Amortization of effective swap agreements	642	889	(247)	2,797	3,759	(962)
Straight-line rent adjustment	(3,023)	(1,908)	(1,115)	(11,440)	(5,458)	(5,982)
Maintenance expenditures on a square footage basis	(3,771)	(3,812)	41	(15,233)	(15,152)	(81)
AFFO	$ 30,211	$ 19,460	$ 10,751	$ 118,176	$ 85,492	$ 32,684

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
AFFO as calculated above	$ 30,211	$ 19,460	$ 10,751	$ 118,176	$ 85,492	$ 32,684
Adjusted for the following: Finance costs – operations(1)	—	6,033	(6,033)	—	6,033	(6,033)
AFFO as adjusted	$ 30,211	$ 25,493	$ 4,718	$ 118,176	$ 91,525	$ 26,651

(1) Refer to the explanation under FFO.

AFFO for the three months ended December 31, 2014 was $30,211, an increase of $10,751 or 55.2% over the same period in 2013 and $118,176 for the year ended December 31, 2014 an increase of $32,684 or 38.2% over the same period in 2013. The increases were primarily due to the improved FFO results as previously discussed offset in part by the impact of straight-line rent on AFFO.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable IFRS measure, which is interpreted to be the cash flow from operating activities. The reconciliation is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in) operating activities	$ 10,494	$ 13,339	$ (2,845)	$ 21,985	$ 27,310	$ (5,325)
Add back (deduct):						
Finance costs – distributions to Unitholders	29,052	25,157	3,895	113,937	86,620	27,317
Change in other non-cash operating items	(4,398)	(12,104)	7,706	1,093	(8,085)	9,178
Unit-based compensation expense	(11)	(10)	(1)	(42)	(40)	(2)
Amortization of deferred financing charges	(762)	(3,110)	2,348	(3,171)	(5,161)	1,990
Amortization of issue premium on senior unsecured notes	45	—	45	45	—	45
Non-cash distributions to Unitholders in the form of DRIP Units	(438)	—	(438)	(438)	—	(438)
Maintenance expenditures on a square footage basis	(3,771)	(3,812)	41	(15,233)	(15,152)	(81)
AFFO	$ 30,211	$ 19,460	$ 10,751	$ 118,176	$ 85,492	$ 32,684

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to fund the finance costs on debt, general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund TI costs and distributions to Unitholders.

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to fund future growth:

(i) secured short-term financing through an authorized three year revolving credit facility, maturing June 30, 2018, of up to $300,000, subject to available borrowing base, of which $145,000 ($145,979 including outstanding letters of credit) was drawn at December 31, 2014;

(ii) mortgage and term debt on unencumbered assets;

(iii) senior unsecured notes;

(iv) unsecured convertible debentures; and,

(v) the issue of new units.

On May 13, 2014 Crombie filed a Short Form Shelf Prospectus allowing for the issuance, from time to time, of Units and debt securities, or any combination thereof, having an aggregate offering price of up to $500,000. This document is valid for a 25 month period. On May 30, 2014 Crombie issued 4,530,000 Units at a price of $13.25 per Unit under this Base Shelf Prospectus.

During 2013, Crombie achieved an investment grade credit rating which has further expanded available sources of financing; particularly senior unsecured notes. On October 31, 2013, DBRS Limited ("DBRS") assigned the 3.986% Series A Notes (senior unsecured) (the "Series A Notes") a rating of "BBB (low)", with a "Stable" trend. On March 4, 2014, DBRS assigned the 3.962% Series B Notes (senior unsecured) (the "Series B Notes") a rating of "BBB (low)", with a "Stable" trend. The Series A Notes and Series B Notes are collectively referred to as "Notes". The requests for such credit ratings were initiated by Crombie.

DBRS provides credit ratings of debt securities for commercial entities and the following description has been sourced from information made publicly available by DBRS. DBRS ratings are opinions that reflect the creditworthiness of an issuer, a security, or an obligation. They are opinions based on forward-looking measurements that assess an issuer's ability and willingness to make timely payments on outstanding obligations (whether principal, interest, dividend, or distributions) with respect to the terms of an obligation. Ratings are opinions based on the quantitative and qualitative analysis of information sourced and received by DBRS, which information is not audited or verified by DBRS. DBRS cautions that no two issuers possess exactly the same characteristics, nor are they likely to have the same future opportunities. Consequently, two issuers with the same rating should not be considered to be of exactly the same credit quality. The DBRS long-term rating scale provides an opinion on the risk of default, that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued.

The BBB (low), with a Stable trend, rating assigned to Crombie and the Notes by DBRS is the fourth highest rating of DBRS' ten rating categories, which range from AAA to D. With the exception of the AAA and D categories, DBRS uses high or low designations to indicate the relative standing of the securities being rated within a particular rating category, and the absence of either a high or low designation indicates the rating is in the middle of the category. Under the DBRS rating system, debt securities rated BBB are of adequate credit quality and the capacity for payment of financial obligations is considered acceptable, but the entity may be vulnerable to future events.

DBRS uses "rating trends" for its ratings in, among other areas, the real estate investment trust sector. DBRS' rating trends provide guidance in respect of DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories: "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue or, in some cases, unless challenges are addressed. In general, DBRS' view is based primarily on an evaluation of the issuer, but may also include consideration of the outlook for the industry or industries in which the issuer operates. A "Positive" or "Negative" trend assigned by DBRS is not an indication that a rating change is imminent, but represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a "Stable" trend was assigned.

The credit rating assigned to Crombie and the Notes by DBRS is not a recommendation to buy, hold or sell securities of Crombie. A rating is not a comment on the market price of a security nor is it an assessment of ownership given various investment objectives. There is no assurance that any rating will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed and discontinued. Non-credit risks that can meaningfully impact the value of the securities issued include market risk, trading liquidity risk and covenant risk. DBRS uses rating symbols as a simple and concise method of expressing its opinion to the market, although DBRS ratings usually consist of broader contextual information regarding the security provided by DBRS in rating reports, which generally set out the full rationale for the chosen rating symbol, and in other releases.

Crombie paid to DBRS the customary fee in connection with the ratings assigned to Crombie and the Notes and will continue to make payments to DBRS from time to time in connection with the confirmation of such ratings for purposes of securities offerings, if any, from time to time.

Capital Structure

(In thousands of CAD dollars)	December 31, 2014		December 31, 2013		December 31, 2012	
Investment property debt	$1,624,547	49.9%	$1,694,200	53.3%	$1,065,411	54.2%
Senior unsecured notes	273,592	8.4%	173,937	5.5%	—	—%
Convertible debentures	175,215	5.4%	174,929	5.5%	120,529	6.1%
Crombie REIT Unitholders	716,025	22.0%	680,935	21.6%	470,747	23.9%
Special Voting Units and Class B Limited Partnership Unitholders	467,289	14.3%	443,363	14.1%	311,254	15.8%
	$3,256,668	100.0%	$3,167,364	100.0%	$1,967,941	100.0%

Bank Credit Facilities and Investment Property Debt

Revolving Credit Facility

Crombie has in place an authorized floating rate revolving credit facility of up to $300,000 (the "revolving credit facility"), of which $145,000 ($145,979 including outstanding letters of credit) was drawn as at December 31, 2014. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers' acceptance rates plus a spread or specified margins over prime rate. The spread or specified margin increases as Crombie's overall debt leverage increases beyond specific thresholds. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at December 31, 2014, Crombie had sufficient Borrowing Base to permit $300,000 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

Mortgage Debt

As of December 31, 2014, Crombie had fixed rate mortgages outstanding of $1,485,591 ($1,490,187 after including the fair value debt adjustment of $4,596), carrying a weighted average interest rate of 4.77% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 7.4 years.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). Crombie currently has no outstanding interest rate swap agreements.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
12 Months Ending	Fixed Rate	Floating Rate	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
December 31, 2015	$ 80,326	$ —	$ 80,326	6.5%	$ 45,830	$ 126,156	7.7%
December 31, 2016	36,322	—	36,322	2.9%	44,006	80,328	4.9%
December 31, 2017	44,833	145,000	189,833	15.3%	41,057	230,890	14.2%
December 31, 2018	46,206	—	46,206	3.7%	40,787	86,993	5.3%
December 31, 2019	72,030	—	72,030	5.8%	41,432	113,462	7.0%
Thereafter	818,803	—	818,803	65.8%	173,959	992,762	60.9%
Total[(1)]	$1,098,520	$ 145,000	$1,243,520	100.0%	$ 387,071	$1,630,591	100.0%

(1) Excludes fair value debt adjustment of $4,596 and deferred financing charges of $10,640.

Subsequent to year end the maturity date of the revolving credit facility was extended to June 30, 2018.

Of the maturing debt balances, only 14.7% of fixed rate debt, and 24.7% of total maturing debt balances mature over the next three years, reducing to 13.0% with the extension of the maturity date of the revolving credit facility.

Senior Unsecured Notes

	Maturity Date	Effective Interest Rate	December 31, 2014	December 31, 2013
Series A senior unsecured notes	October 31, 2018	3.986%	$ 175,000	$ 175,000
Series B senior unsecured notes	June 1, 2021	3.900%	100,000	—
Unamortized Series B issue premium			348	—
Deferred financing charges			(1,756)	(1,063)
			$ 273,592	$ 173,937

On February 10, 2015 Crombie issued on a private placement basis, $125,000 Series C Notes maturing February 10, 2020 with an annual interest rate of 2.775%. Interest is payable in equal semi-annual installments in arrears on February 10 and August 10. The first semi-annual interest payment date is August 10, 2015.

On March 5, 2014, Crombie issued, on a private placement basis, $100,000 Series B Notes maturing June 1, 2021 with an annual interest rate of 3.962%. The Series B Notes were issued at $100,393, resulting in an effective interest rate of 3.90%. Interest is payable in equal semi-annual installments in arrears on June 1 and December 1. The first semi-annual interest payment date was June 1, 2014.

Crombie also has outstanding $175,000 Series A Notes maturing October 31, 2018 with an annual interest rate of 3.986%. Interest is payable in equal semi-annual installments in arrears on April 30 and October 31.

There are no required periodic principal payments with the full face value of the Notes due on their respective maturity dates.

Convertible Debentures

(In thousands of CAD dollars, except per unit amounts)	Series C	Series D	Series E
Issue value	$ 45,000	$ 60,000	$ 75,000
Outstanding amount as at December 31, 2014	$ 45,000	$ 60,000	$ 74,400
Annual interest rate (payable semi-annually)	5.75%	5.00%	5.25%
Conversion price per Unit	$ 15.30	$ 20.10	$ 17.15
REIT Units issuable per one thousand dollars principal	65.3595	49.7512	58.3090
Maximum REIT Units issuable at December 31, 2014	2,941,176	2,985,074	4,338,192
Issue date	February 8, 2010	July 3, 2012	August 14, 2013
Maturity date	June 30, 2017	September 30, 2019	March 31, 2021
Trading symbol	CRR.DB.C	CRR.DB.D	CRR.DB.E

During the third quarter of 2014, $600 of Series E Debentures were converted to 34,984 REIT Units. There has been no other conversions or redemptions during 2014.

On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series C Unsecured Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the term of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015 for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

The Series C Debentures paid interest semi-annually on June 30 and December 31 of each year; the Series D Debentures and the Series E Debentures pay interest semi-annually on March 31 and September 30 of each year and Crombie has the option to pay interest on any interest payment date by issuing REIT Units and applying the proceeds to satisfy its interest obligation.

For the first three years from the date of issue, there is no ability to redeem the convertible debentures, after which, each series of convertible debentures has a period, lasting two years during which the convertible debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the five year period from the date of issue, and prior to the maturity date, the convertible debentures may be redeemed, in whole or in part, at any time at the redemption price equal to the principal amount thereof plus accrued and unpaid interest.

REIT Units and Class B LP Units and the Attached Special Voting Units

On May 30, 2014, Crombie closed a public offering, on a bought deal basis, of 4,530,000 Units, at a price of $13.25 per Unit for proceeds of $57,366. Concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit, for proceeds of $39,830 net of issue costs, on a private placement basis.

In March 2014 there were 55,467 REIT Units awarded as part of the Employee Unit Purchase Plan (March 2013 – 43,522 REIT Units).

For the year ended December 31, 2014, a total of $600 of 5.25% Series E Debentures were converted for a total of 34,984 Units. For the year ended December 31, 2013, a total of $17,115 of 6.25% Series B Debentures were converted for a total of 1,555,887 REIT Units.

During the fourth quarter of 2014, Crombie implemented a distribution reinvestment plan ("DRIP") and issued 21,364 REIT Units and 15,153 Class B LP Units under the DRIP at a three percent (3%) discount to market prices as determined under the DRIP.

Total units outstanding at January 31, 2015, including DRIP issuances and debenture conversions since December 31, 2014, were as follows:

Units	77,328,734
Special Voting Units(1)	53,292,753

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 53,292,753 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

In addition to the total units outstanding at January 31, 2015, Crombie had convertible debentures which could result in a total of 10,264,442 REIT Units being issued should all outstanding debentures be converted, reduced to 7,323,266 REIT Units with the redemption of the Series C Debentures.

Sources and Uses of Funds

Crombie's sources and uses of funds are summarized as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in):						
Operating activities	$ 10,494	$ 13,339	$ (2,845)	$ 21,985	$ 27,310	$ (5,325)
Financing activities	89,057	988,826	(899,769)	108,320	1,224,514	(1,116,194)
Investing activities	$ (98,940)	$ (994,998)	$ 896,058	$ (136,861)	$ (1,244,657)	$ 1,107,796

Operating Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in):						
Net assets attributable to Unitholders						
and non-cash items	$ 6,096	$ 1,235	$ 4,861	$ 23,078	$ 19,225	$ 3,853
Non-cash operating items	4,398	12,104	(7,706)	(1,093)	8,085	(9,178)
Cash provided by (used in) operating activities	$ 10,494	$ 13,339	$ (2,845)	$ 21,985	$ 27,310	$ (5,325)
Cash distributions included in operating activities	$ 28,611	$ 22,919	$ 5,692	$ 112,930	$ 84,311	$ 28,619

Crombie's REIT and Class B Units are considered liabilities under IFRS. As such, distributions are recognized as an expense and are included in cash from operating activities. The increase in distributions relates to new units issued in November 2013 and May 2014.

Net assets attributable to Unitholders increased by $4,861 in the three months ended December 31, 2014 compared to the same period in 2013 primarily due to a $9,502 gain on derecognition of investment properties. The decrease in non-cash operating items was primarily influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments. As at December 31, 2014, Crombie's payables for tenant incentives and capital expenditures were $14,418 lower than December 31, 2013 as a result of the timing of expenditure incurrence and payments.

Financing Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in):						
Net issue (repayment) of mortgage loans and borrowings	$ 88,816	$ 448,433	$ (359,617)	$ (71,568)	$ 613,503	$ (685,071)
Net issue of senior unsecured notes	(26)	173,906	(173,932)	99,350	173,906	(74,556)
Net issue of units	49	367,421	(367,372)	97,196	365,621	(268,425)
Net issue of convertible debentures	—	(1,071)	1,071	—	70,516	(70,516)
Other items (net)	218	137	81	(16,658)	968	(17,626)
Cash provided by (used in) financing activities	$ 89,057	$ 988,826	$ (899,769)	$ 108,320	$ 1,224,514	$ (1,116,194)

Cash from financing activities decreased by $899,769 for the three months ended December 31, 2014 compared to the same period in 2013. During the three months ended December 31, 2013, Crombie raised cash through mortgage financing and the issuance of REIT Units, Series A and Class B LP Units to finance the acquisition of investment properties as reflected in Investing Activities. Cash from financing activities decreased by $1,116,194 for the year ended December 31, 2014 compared to the same period in 2013. During the year ended December 31, 2014, Crombie raised funds through the issuance of REIT Units, Class B LP Units and Series B Notes. Funds raised from both issuances were used to repay maturing mortgages and reduce the revolving credit facility. In the first quarter of 2014, Crombie also entered into a $11,856 loan agreement with SDLP to partially finance SDLP's acquisition of development lands in Langford, British Columbia.

Investing Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in):						
Acquisition of investment properties and intangible assets	$ (145,651)	$ (996,702)	$ 851,051	$ (157,544)	$(1,217,189)	$ 1,059,645
Additions to investment properties	(9,869)	(8,009)	(1,860)	(32,584)	(23,395)	(9,189)
Proceeds on disposal of investment properties	61,761	12,550	49,211	67,053	14,250	52,803
Additions to tenant incentives	(4,957)	(2,772)	(2,185)	(18,683)	(17,980)	(703)
Additions to deferred leasing costs	(224)	(186)	(38)	(933)	(633)	(300)
Other items (net)	—	121	(121)	5,830	290	5,540
Cash provided by (used in) investing activities	$ (98,940)	$ (994,998)	$ 896,058	$ (136,861)	$(1,244,657)	$ 1,107,796

Cash used in investing activities was $98,940 for the three months ended December 31, 2014 and $136,861 for the year ended December 31, 2014. The decrease of $896,058 and $1,107,796 for the three months and year ended December 31, 2014 is reflective of a decrease in cash required to fund investment property acquisitions primarily in the fourth quarter of 2014 as compared to the same periods in 2013.

Tenant Incentives ("TI") and Capital Expenditures

There are two types of TI and capital expenditures:

- maintenance TI and leasing costs and maintenance capital expenditures that maintain existing productive capacity; and
- productive capacity enhancement expenditures.

Maintenance TI and leasing costs and maintenance capital expenditures are reinvestments in the portfolio to maintain the productive capacity of the existing assets. These costs are capitalized and depreciated or charged against revenue over their useful lives and deducted when calculating AFFO.

Productive capacity enhancement expenditures are costs incurred that increase the property NOI, or expand the GLA of a property by a minimum threshold, or otherwise enhance the property's overall value. Productive capacity enhancement expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO.

Obligations for expenditures for TI's occur when renewing existing tenant leases or for new tenants occupying a space. Typically, leasing costs for existing tenants are lower on a per square foot basis than for new tenants. However, new tenants may provide more overall cash flow to Crombie through higher rents or improved traffic to a property. The timing of such expenditures fluctuates depending on the satisfaction of contractual terms contained in the leases.

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	2014	2013	2014	2013
Total additions to investment properties	$ 9,869	$ 8,009	$ 32,584	$ 23,395
Less: productive capacity enhancements and recoverable amounts	(10,521)	(5,662)	(26,579)	(17,924)
Maintenance capital expenditures	$ (652)	$ 2,347	$ 6,005	$ 5,471

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	2014	2013	2014	2013
Total additions to TI and deferred leasing costs	$ 5,181	$ 2,958	$ 19,616	$ 18,613
Less: productive capacity enhancements	(2,575)	(1,504)	(12,488)	(12,526)
Maintenance TI and deferred leasing costs	$ 2,606	$ 1,454	$ 7,128	$ 6,087

As maintenance TI and capital expenditures are not incurred or paid for evenly throughout the fiscal year, there can be comparative volatility from period- to-period.

Maintenance capital expenditures for the year ended December 31, 2014, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during 2013 and 2014.

Productive capacity enhancements during the year ended December 31, 2014 consisted primarily of development work and GLA expansions at: Elmsdale Plaza, Elmsdale, NS; Millwoods Common, Edmonton, AB; Paspebiac Plaza, Paspebiac, QC; Penhorn Plaza, Halifax, NS; Riviere-du-Loup Plaza, Riviere-du-Loup, QC; Russell Lake, Halifax, NS; Spryfield, Halifax, NS; and, Woodstock Plaza, Woodstock, ON. As well, development work at: Amherst Centre, Amherst, NS; Barrington Place, Halifax, NS; County Fair Mall, Summerside, PE; Downsview Plaza, Halifax, NS; Grimsby Mews, Grimsby, ON; Parry Sound, Parry Sound, ON; Prince Street Plaza, Sydney, NS; Rymal Road Plaza, Hamilton, ON; Scotia Square Mall, Halifax, NS; Tantallon Plaza, Halifax, NS; and, 1234 Main Street (Terminal Centres), Moncton, NB.

Borrowing Capacity and Debt Covenants

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess of fair market value over first mortgage financing of assets subject to a second security position or a negative pledge (the "Borrowing Base"). The revolving credit facility provides Crombie with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements; and
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

The revolving credit facility also contains a covenant limiting the amount which may be utilized under the revolving credit facility at any time. This covenant provides that the aggregate of amounts drawn under the revolving credit facility plus any outstanding letters of credit may not exceed the "Aggregate Coverage Amount", which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At December 31, 2014, the remaining amount available under the revolving credit facility was $155,000 (prior to reduction for standby letters of credit outstanding of $979) and was not limited by the Aggregate Coverage Amount.

At December 31, 2014, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value – Fair Value Basis

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as obligations for borrowed money including obligations incurred in connection with acquisitions, excluding specific deferred taxes payable, trade payables and accruals in the ordinary course of business and distributions payable. Gross book value means, at any time, the book value of the assets of Crombie and its consolidated subsidiaries plus deferred financing charges, accumulated depreciation and amortization in respect of Crombie's properties (and related intangible assets) and cost of any below-market component of properties less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie and (ii) the amount of deferred tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties. If approved by a majority of the independent trustees, the appraised value of the assets of Crombie and its consolidated subsidiaries may be used instead of book value.

Debt to gross book value on a fair value basis includes investment properties measured at fair value with all other components of gross book value measured at cost.

The debt to gross book value on a fair value basis was 52.8% and 53.0% at December 31, 2014 and December 31, 2013, respectively. These leverage ratios are below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value – fair value basis, depending upon Crombie's future acquisitions and financing opportunities as well as new unit issuances.

(In thousands of CAD dollars, except as otherwise noted)	As at Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013
Fixed rate mortgages	$ 1,490,187	$ 1,507,127	$ 1,527,904	$ 1,565,873	$ 1,585,960
Senior unsecured notes	275,000	275,000	275,000	275,000	175,000
Convertible debentures	179,400	179,400	180,000	180,000	180,000
Revolving credit facility payable	145,000	39,270	28,785	50,000	120,000
Total debt outstanding	2,089,587	2,000,797	2,011,689	2,070,873	2,060,960
Less: Applicable fair value debt adjustment	(2,203)	(2,357)	(2,526)	(2,709)	(2,903)
Debt	$ 2,087,384	$ 1,998,440	$ 2,009,163	$ 2,068,164	$ 2,058,057
Investment properties, at fair value	$ 3,939,000	$ 3,854,000	$ 3,864,000	$ 3,877,000	$ 3,877,000
Long term receivables	13,631	13,583	13,547	13,532	1,821
Other assets, cost(1)	23,232	30,241	35,883	24,158	21,327
Cash and cash equivalents	611	—	—	1,119	7,167
Deferred financing costs	16,581	17,331	17,847	18,472	17,894
Interest rate subsidy	(2,203)	(2,357)	(2,526)	(2,709)	(2,903)
FV adjustment to deferred taxes	(34,645)	(38,545)	(38,545)	(38,545)	(38,585)
Gross book value – fair value basis	$ 3,956,207	$ 3,874,253	$ 3,890,206	$ 3,893,027	$ 3,883,721
Debt to gross book value – fair value basis	52.8%	51.6%	51.6%	53.1%	53.0%

(1) Other assets exclude Tenant incentives, Accrued straight-line rent receivable and Assets related to derecognized property.

Crombie, through the issuance of Notes, convertible debentures, mortgage financings, refinancings and bank debt continues to maintain leverage at an appropriate level while staying conservatively within its maximum borrowing capacity.

Debt and Interest Service Coverage

Crombie's interest and debt service coverage ratios for the year ended December 31, 2014 were 2.58 times EBITDA and 1.72 times EBITDA. This compares to 2.74 times EBITDA and 1.79 times EBITDA respectively for the year ended December 31, 2013. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014	2013
Property revenue	$ 358,319	$ 297,043
Amortization of tenant incentives	7,567	8,026
Adjusted property revenue	365,886	305,069
Property operating expenses	(109,620)	(106,673)
General and administrative expenses	(14,748)	(13,666)
EBITDA (1)	$ 241,518	$ 184,730
Finance costs – operations	$ 99,466	$ 82,387
Amortization of deferred financing charges	(3,171)	(5,161)
Amortization of effective swap agreements	(2,797)	(3,759)
Finance costs associated with arranging financing for the 70 property acquisition		
Subscription receipts adjustment payment	—	(3,437)
Bridge facility costs	—	(2,596)
Adjusted interest expense (2)	$ 93,498	$ 67,434
Debt repayments	$ 111,838	$ 213,586
Amortization of fair value debt premium	(1,295)	(1,887)
Payments relating to interest rate subsidy	(700)	(888)
Payments relating to credit facilities	24,550	(156,561)
Lump sum payments on mortgages	(87,633)	(18,608)
Adjusted debt repayments (3)	$ 46,760	$ 35,642
Interest service coverage ratio {(1)/(2)}	2.58	2.74
Debt service coverage ratio {(1)/((2)+(3))}	1.72	1.79

Distributions and Distribution Payout Ratios

Distribution Policy

Pursuant to Crombie's Declaration of Trust, cash distributions are to be determined by the Trustees at their discretion. Crombie intends, subject to approval of the Board of Trustees, to make distributions to Unitholders of not less than the amount equal to the net income and net realized capital gains of Crombie, to ensure that Crombie will not be liable for income taxes. Crombie, subject to the discretion of the Board of Trustees, targets to make annual cash distributions to Unitholders equal to approximately 95% of its AFFO on an annual basis.

Details of distributions to Unitholders are as follows:

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	2014	2013	2014	2013
Distributions to Unitholders	$ 17,199	$ 14,854	$ 67,427	$ 50,664
Distributions to Special Voting Unitholders	11,853	10,303	46,510	35,956
Total distributions	$ 29,052	$ 25,157	$ 113,937	$ 86,620
FFO payout ratio	79.9%	83.0%	80.2%	79.9%
AFFO payout ratio (target ratio = 95%)	96.2%	98.8%	96.4%	94.7%

Distribution Reinvestment Plan ("DRIP")

During the fourth quarter of 2014, Crombie announced the implementation of a DRIP whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. Units issued under the DRIP are issued directly from the treasury of Crombie REIT at a price equal to 97% of the volume-weighted average trading price of the REIT units on the TSX for the five trading days immediately preceding the relevant distribution payment made, which is typically on or about the 15th day of the month following the declaration. The DRIP began with eligible Unitholders of record November 30, 2014 and the first issuance of Units from the DRIP was December 15, 2014. Crombie issued 21,364 REIT Units and 15,153 Class B LP Units under the DRIP (December 31, 2013 – 0).

Taxation of Distributions

Crombie, through its subsidiaries, has a large asset base that is depreciable for Canadian income tax purposes. Consequently, certain of the distributions from Crombie are treated as returns of capital and are not taxable to Canadian resident Unitholders for Canadian income tax purposes. The composition for tax purposes of distributions from Crombie may change from year to year, thus affecting the after-tax return to Unitholders.

The following table summarizes the last five years of the taxation of distributions from Crombie:

Taxation Year	Return of Capital	Investment Income	Capital Gains
2013 per $ of distribution	90.2%	9.8%	0.0%
2012 per $ of distribution	67.1%	32.9%	0.0%
2011 per $ of distribution	62.5%	37.5%	0.0%
2010 per $ of distribution	64.7%	35.3%	0.0%
2009 per $ of distribution	51.0%	49.0%	0.0%

Related Party Transactions

Related party transactions are transactions with associates, post employment benefit plans, and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this communication.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2014, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 39.3%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

		Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	Note	2014	2013	2014	2013
Property revenue	(a)	$ 36,240	$ 32,629	$ 152,855	$ 106,926
Head lease income	(b)	$ 258	$ 205	$ 947	$ 712
Management support services provided	(c)	$ 146	$ 134	$ 431	$ 344
Property management services	(d)	$ 107	$ 134	$ 500	$ 224
Rental expense	(e)	$ 47	$ 46	$ 187	$ 187
Property operating expenses		$ 42	$ —	$ 145	$ —
Interest rate subsidy	(b)	$ 154	$ 248	$ 700	$ 888
Finance costs – operations	(f)	$ 303	$ 303	$ 1,200	$ 1,200
Finance costs – distributions to Unitholders		$ 12,054	$ 8,508	$ 47,318	$ 36,766

(a) Crombie earned property revenue from Sobeys Inc. and other subsidiaries of Empire.

(b) For various periods, ECL Developments Limited has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006, between Crombie Developments Limited, Crombie Limited Partnership and ECL Developments Limited. The rental income is included in Property revenue and the interest rate subsidy is netted against Finance costs – operations.

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain subsidiaries of Empire on a cost sharing basis pursuant to a Management Cost Sharing Agreement, dated March 23, 2006, between Crombie Developments Limited, a subsidiary of Crombie, and ECL Developments Limited, a subsidiary of Empire.

(d) Certain on-site maintenance and management employees of Crombie provide property management services to certain subsidiaries of Empire on a cost sharing basis pursuant to the Management Cost Sharing Agreement. The costs recovered by Crombie pursuant to the Agreement were netted against property expenses.

(e) Crombie leases its head office space from ECL Developments Limited under a lease that expires December 2027.

(f) Empire holds $24,000 of Series D Convertible Debentures with an annual interest rate of 5.00%.

In addition to the above:

- During the fourth quarter of 2014, Crombie issued 15,153 Units to ECL Developments Limited under the DRIP.
- During the fourth quarter of 2014, Crombie acquired eight retail properties from Empire for $100,985 excluding closing adjustments and transaction costs. The properties, containing approximately 424,000 square feet of GLA, included one in Prince Edward Island, Ontario and Manitoba, three in Alberta and two in British Columbia. Crombie also acquired additional development space from Empire on a pre-existing retail property for $2,508 excluding closing and transaction costs.
- During the third quarter of 2014, Crombie received $2,650 from a subsidiary of Empire related to a prepayment of their future obligation under a land sub-lease. The amount has been deferred and will be recognized as a reduction in property operating expenses over the remaining term of the land lease.
- On May 30, 2014, ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,830, net of issue costs, on a private placement basis.
- During the second quarter of 2014, Crombie acquired a retail property from SDLP for $10,176 excluding closing and transaction costs. The property, located in Ontario, contains approximately 39,000 square feet of fully occupied space.
- During the first quarter of 2014, Crombie exchanged properties with a subsidiary of Empire by acquiring 1200 Railway Avenue in Canmore, Alberta in exchange for disposing of 555 Main Street in Canmore, Alberta. Crombie also acquired additional development space from Empire on a pre-existing retail property for $1,490 excluding closing and transaction costs.
- During the first quarter of 2014, Crombie entered into a loan agreement with SDLP to partially finance SDLP's acquisition of development lands in Langford, British Columbia. The $11,856 loan bears interest at a rate of 6% per annum and has no principal repayments until maturity on October 1, 2016.
- During the fourth quarter of 2013, Crombie acquired 70 properties (the "Acquisition Properties") from a wholly-owned subsidiary of Sobeys Inc. ("Sobeys") for an aggregate purchase price of $991,300, excluding closing and transition costs (the "Acquisition"). As part of the closing of the Acquisition, Sobeys and Sobeys West Inc. ("Sobeys West") entered into an omnibus environmental indemnity agreement with Crombie LP, Snowcat Properties Holdings Limited and Crombie providing for an unlimited indemnity by Sobeys and Sobeys West for any issues related to the presence of hazardous materials on the applicable Acquisition Properties identified in the course of Crombie's environmental due diligence and for which any additional work as required or recommended by an independent professional consulting engineering firm retained by Crombie for matters identified up to 90 days after the closing of the acquisition of the Acquisition Properties (the "Omnibus Environmental Indemnity").
- On November 4, 2013, contemporaneously with the closing of the acquisition of 70 properties, a subsidiary of Empire purchased 11,811,024 Class B LP Units and the attached Special Voting Units at a price of $12.70 per Class B LP Unit for proceeds of $149,905, net of issue costs, on a private placement basis.
- During the second quarter of 2013, Crombie acquired one property from a subsidiary of Empire for a total purchase price of $20,875, excluding closing and transaction costs.
- During the first quarter of 2013, Crombie acquired two properties and acquired one development addition to an existing retail property from subsidiaries of Empire for a total purchase price of $32,555 excluding closing and transaction costs.

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Crombie. The following are considered to be Crombie's key management personnel: the Chief Executive Officer, Chief Financial Officer and the three other highest compensated executives.

The remuneration of members of key management during the period was approximately as follows:

(In thousands of CAD dollars)	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Salary, bonus and other short-term employee benefits	$ 1,066	$ 809	$ 4,158	$ 3,251
Other long-term benefits	26	22	103	94
	$ 1,092	$ 831	$ 4,261	$ 3,345

Critical Accounting Estimates

Upon acquisition, Crombie performs an assessment of investment properties being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders. Crombie performs an assessment of the fair value of the properties' related tangible and intangible assets and liabilities and allocates the purchase price to the acquired assets and liabilities. Crombie assesses and considers fair value based on cash flow projections that take into account relevant discount and capitalization rates and any other relevant sources of market information available. Estimates of future cash flow are based on factors that include historical operating results, if available, and anticipated trends, local markets and underlying economic conditions.

Crombie allocates the purchase price based on the following:

Land – The amount allocated to land is based on an appraisal estimate of its fair value.

Buildings – Buildings are recorded at the estimated fair value of the building and its components and significant parts.

Intangible Assets – Intangible assets are recorded for tenant relationships, based on estimated costs avoided should the respective tenants renew their leases at the end of the initial lease term, adjusted for the estimated probability of renewal.

Fair value of debt – Values ascribed to fair value of debt are determined based on the differential between contractual and market interest rates on long-term liabilities assumed at acquisition.

Investment Properties

Investment properties are properties which are held to earn rental income.

Investment properties include land, buildings and intangible assets. Investment properties are carried at cost less accumulated depreciation and are reviewed periodically for impairment.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, the estimated useful life of the building (not exceeding 40 years) and its components, significant parts and residual value.

Repairs and maintenance improvements are expensed as incurred or, in the case of major items that constitute a capital asset, are capitalized to the building and amortized on a straight-line basis over the expected useful life of the improvement.

Change in Useful Life of Investment Properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties constitute a change in accounting estimate and is accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

Revenue Recognition

Property revenue includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries, and other incidental income. Certain leases have rental payments that change over their term due to changes in rates. Crombie records the rental revenue from leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. In addition, tenant incentives are amortized on a straight-line basis over the term of existing leases and the amortization is shown as a reduction in property revenue. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. Realty tax and operating cost recoveries, and other incidental income, are recognized on an accrual basis.

Use of Estimates and Judgments

The preparation of consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgement, estimate and assumption items include impairment, employee future benefits, income taxes, investment properties, purchase price allocations and fair value of financial instruments. These estimates are based on historical experience and management's best knowledge of current events and actions that Crombie may undertake in the future. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the preparation of these financial statements that have significant effect and estimates with a significant risk of material adjustment to the carrying amount of assets and liabilities are as follows:

Impairment of Long-lived Tangible and Definite Life Intangible Assets

Long-lived tangible and definite life intangible assets are reviewed for impairment at each reporting period for events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

Defined Benefit Liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of Crombie's defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account Crombie's specific anticipation of future salary increases. Discount factors are determined each reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of Crombie's defined benefit obligations.

Investment Property Valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the date of the valuation, represent an estimate of the price that would be agreed upon between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Internal quarterly revaluations are performed using internally generated valuation models prepared by considering the aggregate cash flows received from leasing the property. A yield obtained from an independent valuation company, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual cash flows to arrive at the property valuation.

Deferred Taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on Crombie's latest budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Crombie recognizes expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax balances in the period when such determination is made.

Purchase Price Allocation

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Upon acquisition, management allocates the purchase price of the acquisition. This allocation contains a number of estimates and underlying assumptions including, but not limited to, estimated cash flows, discount rates, lease-up rates, inflation rates, renewal rates and leasing costs.

Fair Value of Financial Instruments

The fair value of marketable financial instruments is the estimated amount for which an instrument could be exchanged, or a liability settled, by Crombie and a knowledgeable, willing party in an arm's length transaction.

The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions.

Financial Instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 2,123	$ 2,123
Total financial assets measured at fair value	$ —	$ —	$ 2,123	$ 2,123
Financial liabilities				
Interest rate swaps	$ —	$ —	$ —	$ —
Embedded derivatives in convertible debentures	—	—	—	—
Total financial liabilities measured at fair value	$ —	$ —	$ —	$ —

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

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2014.

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Cash and cash equivalents
- Trade receivables
- Restricted cash
- Trade and other payables (excluding interest rate swaps, embedded derivatives and liabilities related to derecognized property)

The fair value of other financial instruments is based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The following table summarizes the estimated fair value of other financial instruments which have a fair value different from their carrying value:

	December 31, 2014		December 31, 2013	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Assets related to derecognized property	$ —	$ —	$ 5,733	$ 5,830
Long term receivables	13,663	13,631	1,901	1,821
Total other financial assets	$ 13,663	$ 13,631	$ 7,634	$ 7,651
Financial liabilities				
Investment property debt	$ 1,757,910	$ 1,635,187	$ 1,725,981	$ 1,705,960
Senior unsecured notes	284,778	275,000	175,035	175,000
Convertible debentures	183,698	179,400	183,863	180,000
Liabilities related to derecognized property	—	—	5,676	5,627
Total other financial liabilities	$ 2,226,386	$ 2,089,587	$ 2,090,555	$ 2,066,587

Commitments and Contingencies

There are various claims and litigation which Crombie is involved with arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies would not have a significant adverse effect on these operating results.

Crombie has agreed to indemnify its trustees and officers, and particular employees, in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire.

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. As at December 31, 2014, Crombie has a total of $979 in outstanding letters of credit related to:

	Year ended December 31,	
	2014	2013
Construction work being performed on investment properties	$ 979	$ 714
Mortgage lender primarily to satisfy defeasance of derecognized property	—	1,715
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	—	1,700
Total outstanding letters of credit	$ 979	$ 4,129

Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

Land leases have varying terms ranging from 10 to 75 years including renewal options. For the three months and year ended December 31, 2014, Crombie paid $308 and $1,225 respectively in land lease payments to third party landlords (three months and year ended December 31, 2013 – $313 and $1,240 respectively).

As at December 31, 2014, Crombie had signed construction contracts totaling $12,181 of which $10,558 has been paid.

RISK MANAGEMENT

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks, and the action taken to manage them, are as follows:

Real Property Ownership and Tenant Risks

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. In addition, certain significant expenditures, including property taxes, ground rent, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Crombie than those of an existing lease. The ability to rent unleased space in the properties in which Crombie has an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors. Management utilizes staggered lease maturities so that Crombie is not required to lease unusually large amounts of space in any given year. In addition, the diversification of our property portfolio by geographic location, tenant mix and asset type also help to mitigate this risk.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. A provision for doubtful accounts is taken for all anticipated collectability risks.

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at December 31, 2014:

- Excluding Sobeys and Shoppers Drug Mart (which accounts for 50.3% and 5.9%, respectively of Crombie's minimum rent), no other tenant accounts for more than 1.5% of Crombie's minimum rent; and
- Over the next five years, leases on no more than 5.5% of the GLA area of Crombie will expire in any one year.

Crombie earned property revenue for the year ended December 31, 2014 of $152,855 (year ended December 31, 2013 – $106,926) from subsidiaries of Empire.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general, balances over 30 days are considered past due. None of the receivable balances are considered impaired.

The provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable from independent accounts and is recorded as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable. Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

There have been no significant changes to Crombie's credit risk since December 31, 2013.

	Year ended December 31,	
(In thousands of CAD dollars)	2014	2013
Provision for doubtful accounts, beginning of period	$ 47	$ 439
Additional provision	(43)	279
Recoveries	(33)	(222)
Write-offs	88	(449)
Provision for doubtful accounts, end of period	$ 59	$ 47

Competition

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Crombie in seeking tenants. Some of the properties located in the same markets as Crombie's properties are newer, better located, less levered or have stronger anchor tenants than Crombie's properties. Some property owners with properties located in the same markets as Crombie's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. Competitive pressures in such markets could have a negative effect on Crombie's ability to lease space in its properties and on the rents charged or concessions granted.

Risk Factors Related to the Business of Crombie

Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 51.4% of the annual minimum rent generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending could adversely impact Crombie's financial condition.

Crombie's portfolio of properties was historically heavily concentrated in Atlantic Canada. Since the fourth quarter of 2013 Crombie acquired 78 retail properties in Western Canada, reducing Crombie's geographic concentration in Atlantic Canada, and reducing the adverse impact an economic downturn concentrated in Atlantic Canada could have on Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2014 is detailed under the Property Portfolio section.

Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk. The percentage of annual minimum rent to be earned in Atlantic Canada has decreased from 43.4% at December 31, 2013 to 40.8% at December 31, 2014.

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt. As at December 31, 2014:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 7.4 years;
- Crombie had a floating rate revolving credit facility available to a maximum of $300,000, subject to available borrowing base of $300,000, with a balance of $145,000.

Crombie estimates that $2,520 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2015, based on all settled swap agreements as of December 31, 2014.

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

(In thousands of CAD dollars) Impact on operating income attributable to Unitholders of interest rate changes on the floating rate credit facilities	Impact of a 0.5% interest rate change Decrease in Rate	 Increase in Rate
Three months ended December 31, 2014	$ 109	$ (109)
Three months ended December 31, 2013	$ 191	$ (191)
Year ended December 31, 2014	$ 334	$ (334)
Year ended December 31, 2013	$ 648	$ (648)

Crombie does not enter into interest rate swap transactions on a speculative basis. Crombie currently has no outstanding interest rate swap agreements. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

There have been no significant changes to Crombie's interest rate risk since December 31, 2013.

Liquidity Risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program, refinance the debt obligations as they mature or meet its ongoing obligations as they arise.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited to the amount utilized under the facility plus the amount of any outstanding letters of credit and cannot exceed the borrowing base security provided by Crombie.

The estimated payments, including principal and interest, on non-derivative financial liabilities to maturity date are as follows:

(In thousands of CAD dollars)	Contractual Cash Flows(1)	Year ending December 31, 2015	2016	2017	2018	2019	Thereafter
Fixed rate mortgages(2)	$1,904,322	$ 175,329	$ 142,343	$ 143,638	$ 140,623	$ 163,996	$1,138,393
Senior unsecured notes	327,164	10,938	10,938	10,938	184,775	3,962	105,613
Convertible debentures	224,533	9,494	9,494	53,200	6,906	66,156	79,283
	2,456,019	195,761	162,775	207,776	332,304	234,114	1,323,289
Floating rate revolving credit facility	155,875	4,350	4,350	147,175	—	—	—
Total	$2,611,894	$ 200,111	$ 167,125	$ 354,951	$ 332,304	$ 234,114	$1,323,289

(1) Contractual cash flows include principal and interest and ignore extension options.
(2) Reduced by the interest rate subsidy payments to be received from ECLD.

There have been no significant changes to Crombie's liquidity risk since December 31, 2013.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Canada, Crombie is subject to various Canadian federal, provincial and municipal laws relating to environmental matters.

Such laws provide that Crombie could become liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. The failure to remove or otherwise address such substances or properties, if any, may adversely affect Crombie's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against Crombie by public or private parties by way of civil action.

Crombie's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment.

Crombie is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. Crombie has implemented policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

Potential Conflicts of Interest

The trustees will, from time to time, in their individual capacities, deal with parties with whom Crombie may be dealing, or may be seeking investments similar to those desired by Crombie. The interests of these persons could conflict with those of Crombie. The Declaration of Trust contains conflict of interest provisions requiring the trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of independent trustees only.

Conflicts may exist due to the fact that certain trustees, senior officers and employees of Crombie are directors and/or senior officers of ECL and/or its affiliates or will provide management or other services to ECL and its affiliates. ECL and its affiliates are engaged in a wide variety of real estate and other business activities. Crombie may become involved in transactions that conflict with the interests of the foregoing. The interests of these persons could conflict with those of Crombie. To mitigate these potential conflicts, Crombie and ECL have entered into a number of agreements to outline how potential conflicts of interest will be dealt with including a Non-Competition Agreement, Management Cost Sharing Agreement and Development Agreement. As well, the Declaration of Trust contains a number of provisions to manage potential conflicts of interest including setting limits to the number of ECL appointees to the Board, "conflict of interest" guidelines, as well as outlining which matters require the approval of a majority of the independent elected trustees such as any property acquisitions or dispositions between Crombie and ECL or another related party.

Reliance on Key Personnel

The management of Crombie depends on the services of certain key personnel. The loss of the services of any key personnel could have an adverse effect on Crombie and adversely impact Crombie's financial condition. Crombie does not have key-man insurance on any of its key employees.

Reliance on ECL, Sobeys and Other Empire Affiliates

ECL has agreed to support Crombie under an omnibus subsidy agreement and to pay ongoing rent pursuant to a head lease and a ground lease. Sobeys and Sobeys West have provided the Omnibus Environmental Indemnity described above under "Related Party Transactions". In addition, a significant portion of Crombie's rental income will be received from tenants that are affiliates of Empire. Finally, ECL has obligations to indemnify Crombie in respect to the cost of environmental remediation of certain properties acquired by Crombie from ECL to a maximum permitted amount. There is no certainty that ECL will be able to perform its obligations to Crombie in connection with these agreements. ECL, Sobeys or Sobeys West has not provided any security to guarantee these obligations. If ECL, Sobeys, Sobeys West, Empire or such affiliates are unable or otherwise fail to fulfill their obligations to Crombie, such failure could adversely impact Crombie's financial condition.

Prior Commercial Operations

Crombie LP acquired from ECL all of the outstanding shares of CDL. CDL is the company resulting from the amalgamation of predecessor companies which began their operations in 1964 and have since been involved in various commercial activities in the real estate sector. In addition, the share capital of CDL and its predecessors has been subject to various transfers, redemptions and other modifications. Pursuant to the acquisition, ECL made certain representations and warranties to Crombie with respect to CDL, including with respect to the structure of its share capital and the scope and amount of its existing and contingent liabilities. ECL also provided an indemnity to Crombie under the acquisition which provides, subject to certain conditions and thresholds, that ECL will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that ECL will be in a position to indemnify Crombie if any such breach occurs. ECL has not provided any security for its obligations and is not required to maintain any cash within ECL for this purpose.

Crombie LP acquired from ECL directly and indirectly 61 properties on April 22, 2008 (the "Portfolio Acquisition"). Pursuant to the Portfolio Acquisition, ECL made certain representations and warranties to Crombie with respect to the properties, including with respect to the scope and amount of its existing and contingent liabilities. ECL also provided an indemnity to Crombie under the Portfolio Acquisition which provides, subject to certain conditions and thresholds, that ECL will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that ECL will be in a position to indemnify Crombie if any such breach occurs. ECL has not provided any security for its obligations and is not required to maintain any cash within ECL for this purpose.

Risk Factors Related to the Units

Cash Distributions Are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by Crombie's properties. The ability of Crombie to make cash distributions and the actual amount distributed are entirely dependent on the operations and assets of Crombie and its subsidiaries, and are subject to various factors including financial performance, obligations under applicable credit facilities, the sustainability of income derived from anchor tenants and capital expenditure requirements. Cash available to Crombie to fund distributions may be limited from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures and redemptions of Units, if any. Crombie may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The market value of the Units will deteriorate if Crombie is unable to maintain its distribution in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Restrictions on Redemptions

It is anticipated that the redemption of Units will not be the primary mechanism for holders of Units to liquidate their investments. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by Crombie in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; and (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date.

Potential Volatility of Unit Prices

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Crombie.

Tax-Related Risk Factors

Crombie intends to make distributions not less than the amount necessary to eliminate Crombie's liability for tax under Part I of the Income Tax Act (Canada). Where the amount of net income and net realized capital gains of Crombie in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

Income fund or REIT structures in which there is a significant corporate subsidiary such as CDL generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable. Management believes that the interest expense inherent in the structure of Crombie is supportable and reasonable in the circumstances; however, there can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted on the debt owing by CDL to Crombie LP. If such a challenge were to succeed, it could adversely affect the amount of cash available for distribution.

Certain properties have been acquired by Crombie LP on a tax deferred basis, whereby the tax cost of these properties is less than their fair market value. Accordingly if one or more of such properties are disposed of, the gain for tax purposes recognized by Crombie LP will be in excess of that which it would have been if it had acquired the properties at a tax cost equal to their fair market values.

The cost amount for taxation purposes of various properties of CDL will be lower than their fair market value, generally resulting in correspondingly lower deductions for taxation purposes and higher recapture of depreciation or capital gains on their disposition. In addition, CDL (unlike Crombie) may not reduce its taxable income through cash distributions. If CDL should become subject to corporate income tax, the cash available for distribution to Unitholders would likely be reduced.

On June 22, 2007, tax legislation Bill C-52, the Budget Implementation Act, 2007 (the "Act") was passed into law. The Act related to the federal income taxation of publicly traded income trusts and partnerships. The Act subjects all existing income trusts, or specified investment flow-through entities ("SIFTs"), to corporate tax rates, beginning in 2011, subject to an exemption for real estate investment trusts ("REITs"). The exemption for REITs was provided to "recognize the unique history and role of collective real estate investment vehicles," which are well-established structures throughout the world. A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders or be subject to the restrictions on its growth that would apply to SIFTs.

While REITs were exempted from the SIFT taxation, the Act proposed a number of technical tests to determine which entities would qualify as a REIT. These technical tests did not fully accommodate the business structures used by many Canadian REITs.

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008 through 2014 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

Notwithstanding that Crombie may meet the criteria for a REIT under the Act and thus be exempt from the distribution tax, there can be no assurance that the Department of Finance (Canada) or other governmental authority will not undertake initiatives which have an adverse impact on Crombie or its Unitholders.

Indirect Ownership of Units by Empire

ECLD holds a 41.5% (fully diluted 39.3%) economic interest in Crombie through the ownership of REIT and Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, ECL is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Debentures

The Debentures may trade at lower than issued prices depending on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Crombie's financial condition, historic financial performance and future prospects.

Ownership of Notes

There is no market through which the Notes may be sold. Crombie does not intend to list the Notes on any securities exchange or include the Notes in any automated quotation system.

Therefore, an active market for the Notes may not develop or be maintained, which would adversely affect the market price and liquidity of the Notes. In such case, the holders of the Notes may not be able to sell their Notes at a particular time or at a favorable price. If a trading market were to develop, future trading prices of the Notes may be volatile and will depend on many factors, including:

- the number of holders of Notes;
- prevailing interest rates;
- Crombie's operating performance and financial condition;
- the interest of securities dealers in making a market for them; and
- the market for similar securities.

Even if an active trading market for the Notes does develop, there is no guarantee that it will continue. The Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar Notes, Crombie's performance and other factors.

SUBSEQUENT EVENTS

(a) On January 15, 2015, Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2015 to and including, January 31, 2015. The distributions were paid on February 13, 2015, to Unitholders of record as of January 31, 2015.

(b) On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series C Unsecured Subordinated Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the terms of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015, for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

(c) On January 15, 2015, Target Corporation ("Target") announced its intent to cease their Canadian operations and that Target Canada (an indirect wholly-owned subsidiary of Target) had entered into Companies' Creditors Arrangement Act (Canada) ("CCAA") to wind down its operations. Crombie has three Target Canada leased locations representing less than 1% of Crombie's 2014 total property revenue and less than 2% of total gross leaseable area.

The Target Canada leases have a weighted average remaining term of 9.4 years and one of the leases is guaranteed through an indemnity agreement with Target.

IFRS requires conditions existing at the reporting date be considered in the determination of fair value. Conditions and assumptions arising after the reporting date related to the Target Canada departure will need be considered in future occupancy rates and future estimated net operating income.

Due to the uncertainty as to the nature, timing and outcome of the CCAA proceedings, as of the date of authorization of these consolidated financial statements, Crombie is not able to estimate the future financial impact of Target's announcement.

(d) On February 10, 2015, Crombie issued, on a bought-deal, private placement basis, $125,000 aggregate principal amount of 2.775% Series C Notes (senior unsecured) with a five-year term maturing February 10, 2020.

(e) On February 18, 2015, Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2015 to and including, February 28, 2015. The distributions will be paid on March 13, 2015, to Unitholders of record as of February 28, 2015.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie is accumulated and communicated to Crombie's management, including its President and Chief Executive Officer ("CEO") and Executive Vice President, Chief Financial Officer and Secretary ("CFO"), as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2014. They have concluded that our current disclosure controls and procedures are effective.

In addition, our CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in National Instrument 52-109. The control framework management used to design and assess the effectiveness of ICFR is *Internal Control-Integrated Framework (2013)* issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR as at December 31, 2014, and have concluded that our current ICFR was effective based on that evaluation. There have been no material changes to Crombie's internal controls during the year.

QUARTERLY INFORMATION

The following table shows information for revenues, expenses, increase (decrease) in net assets attributable to Unitholders, AFFO, FFO, distributions and per unit amounts for the eight most recently completed quarters.

	Three Months Ended							
(In thousands of CAD dollars, except per unit amounts)	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013
Property revenue	$ 90,602	$ 87,796	$ 89,008	$ 90,913	$ 84,030	$ 71,161	$ 71,270	$ 70,582
Property operating expenses	27,324	25,333	27,409	29,554	28,563	25,596	25,696	26,818
Property net operating income	63,278	62,463	61,599	61,359	55,467	45,565	45,574	43,764
Gain (loss) on derecognition	9,502	11	(3)	(157)	2,422	—	6	430
Expenses:								
General and administrative	(3,380)	(3,529)	(4,083)	(3,756)	(4,243)	(2,851)	(3,366)	(3,206)
Finance costs – operations	(24,449)	(24,701)	(25,070)	(25,246)	(29,098)	(18,834)	(17,648)	(16,807)
Depreciation and amortization	(16,024)	(15,632)	(15,943)	(16,525)	(15,045)	(11,876)	(11,985)	(11,122)
Impairment	(7,500)	(3,250)	—	—	(12,270)	—	—	—
Operating income before taxes	21,427	15,362	16,500	15,675	(2,767)	12,004	12,581	13,059
Taxes – deferred	800	900	500	225	2,275	(500)	—	(100)
Operating income	22,227	16,262	17,000	15,900	(492)	11,504	12,581	12,959
Finance costs – distributions to Unitholders	(29,052)	(29,050)	(28,480)	(27,355)	(25,157)	(20,545)	(20,480)	(20,438)
Finance income (costs) – change in fair value of financial instruments	3,446	(3,342)	130	55	422	(151)	1,585	617
Increase (decrease) in net assets attributable to Unitholders	$ (3,379)	$ (16,130)	$ (11,350)	$ (11,400)	$ (25,227)	$ (9,192)	$ (6,314)	$ (6,862)
Operating income per unit – Basic	$ 0.17	$ 0.12	$ 0.14	$ 0.13	$ —	$ 0.13	$ 0.14	$ 0.14
Operating income per unit – Diluted	$ 0.17	$ 0.12	$ 0.14	$ 0.13	$ —	$ 0.12	$ 0.14	$ 0.14

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013 (as adjusted)[2]	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013
AFFO	$ 30,211	$ 30,224	$ 28,972	$ 28,769	$ 25,493	$ 21,993	$ 22,433	$ 21,606
FFO	$ 36,363	$ 36,359	$ 34,836	$ 34,494	$ 30,324	$ 25,841	$ 26,490	$ 25,721
Distributions	$ 29,052	$ 29,050	$ 28,480	$ 27,355	$ 25,157	$ 20,545	$ 20,480	$ 20,438
AFFO per unit – basic	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.24	$ 0.24	$ 0.24
AFFO per unit – diluted[1]	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.24	$ 0.24	$ 0.23
FFO per unit – basic	$ 0.28	$ 0.28	$ 0.28	$ 0.28	$ 0.27	$ 0.28	$ 0.28	$ 0.28
FFO per unit – diluted[1]	$ 0.28	$ 0.28	$ 0.27	$ 0.28	$ 0.27	$ 0.28	$ 0.28	$ 0.28
Distributions per unit	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22

(1) FFO and AFFO per unit are calculated on a diluted basis. The diluted weighted average number of total Units and Special Voting Units included the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.

(2) FFO and AFFO results for the three months ended December 31, 2013 were as adjusted to add back $6,033 of finance costs related to the arranging of financing for the 70 property acquisition.

Variations in quarterly results over the past eight quarters have been influenced by the following specific transactions and ongoing events:

- Property acquisitions and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
  - December 31, 2014 – 11 retail properties and one development addition to an existing retail property for a total purchase price of $142,447 and five retail property dispositions for proceeds of $65,000;
  - June 30, 2014 – one retail property for a total purchase price of $10,176;
  - December 31, 2013 – 70 retail properties for a total purchase price of $991,300;
  - September 30, 2013 – four retail properties for a total purchase price of $44,370;
  - June 30, 2013 – one retail property for a total purchase price of $20,875;
  - March 31, 2013 – six retail properties and one development addition to an existing retail property for a total purchase price of $164,445; and
- Property revenue and property operating expenses – Crombie's business is not subject to significant seasonal fluctuations. However, property operating expenses during winter months include particular expenses such as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include particular expenses such as paving and roof repairs.
- Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs of: $97,147 in the quarter ended June 30, 2014; and of $365,621 in the quarter ended December 31, 2013.

Additional information relating to Crombie, including its latest Annual Information Form, can be found on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

Dated: February 26, 2015
Stellarton, Nova Scotia, Canada