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, 2011, with a comparison to the financial condition and results of operations for the comparable periods in 2010 and 2009. This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2011 and December 31, 2010, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as well as Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2010 and December 31, 2009 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Information about Crombie can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties. 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. There can be no assurance that the expectations of management of Crombie will prove to be correct.

In particular, certain statements in this document discuss Crombie's anticipated outlook of future events. These statements include, but are not limited to:

(i) the development of new properties under development and right of first offer agreements, which development activities are 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;

(ii) the acquisition of accretive 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;

(iii) reinvesting to make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual redevelopment costs;

(iv) 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;

(v) 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;

(vi) 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 and market conditions;

(vii) 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;

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

(ix) anticipated subsidy payments from ECL Developments Limited ("ECLD"), which are dependent on tenant leasing and construction activity;

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

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

(xii) the assumed estimated impact per unit upon future settlement of any interest rate swap agreements which may be impacted by changes in Canadian bond yields and swap spreads, as well as the timing and type of financing available and the related amortization period thereon;

(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) the expected completion and method of financing for agreed additional acquisitions, which may be impacted by due diligence matters and debt market conditions.

FORWARD-LOOKING INFORMATION (cont.)

Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.

NON-IFRS 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 NOI and same-asset cash NOI, operating income attributable to Unitholders, adjusted funds from operations ("AFFO"), debt to gross book value, funds from operations ("FFO"), and earnings before interest, taxes, depreciation and amortization ("EBITDA"). Management includes these measures because it believes certain investors 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 22, 2012, except as otherwise noted.

Financial and Operational Summary

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**Quarter Ended Dec. 31, 2011**	Quarter Ended Dec. 31, 2010	**Year Ended Dec. 31, 2011**	Year Ended Dec. 31, 2010
Property revenue	**$ 58,682**	$ 55,693	**$ 226,138**	$ 209,437
Operating income attributable to Unitholders	**$ 10,673**	$ 9,233	**$ 38,215**	$ 32,066
Basic and diluted operating income attributable to Unitholders per unit	**$ 0.15**	$ 0.14	**$ 0.56**	$ 0.51
FFO	**$ 19,708**	$ 18,008	**$ 74,471**	$ 66,801
FFO per unit – basic	**$ 0.27**	$ 0.27	**$ 1.09**	$ 1.06
FFO per unit – diluted(1)	**$ 0.26**	$ 0.26	**$ 1.04**	$ 1.01
FFO payout ratio (%)	**83.9%**	81.6%	**82.3%**	84.0%
AFFO	**$ 16,486**	$ 15,059	**$ 60,051**	$ 54,783
AFFO per unit – basic(3)	**$ 0.23**	$ 0.23	**$ 0.88**	$ 0.87
AFFO per unit – diluted(1)(3)	**$ 0.22**	$ 0.22	**$ 0.86**	$ 0.85
AFFO payout ratio (%)(2)(3)	**100.3%**	97.6%	**102.1%**	102.4%

(1) The diluted weighted average number of total Units and Class B LP Units with attached Special Voting Units includes the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. For both the year ended December 31, 2011 and December 31, 2010, the Series A Debentures and Series C Debentures are anti-dilutive for AFFO per unit calculations. For both the quarter ended December 31, 2011 and December 31, 2010, the Series A Debentures are anti-dilutive for AFFO per unit calculations. For both December 31, 2011 and December 31, 2010, all series of convertible debentures are anti-dilutive for operating income attributable to Unitholders per unit calculations.
(2) AFFO payout ratio is calculated using a per square foot charge of $1.10 for maintenance expenditures (see "AFFO" section).
(3) Excluding the impact of settling the forward rate swap agreement in the second quarter of 2011, AFFO for the year ended December 31, 2011, would have been $0.91 Basic and $0.88 Diluted and the AFFO payout ratio would have been 99.2%.

Adoption of IFRS

This MD&A reflects the adoption of IFRS effective from January 1, 2010, with information for 2010 being restated from that which was previously issued under Canadian GAAP. Periods prior to January 1, 2010 have not been restated.

Note 25 of Crombie's consolidated financial statements for the year ended December 31, 2011, provides a description of Crombie's transition to IFRS and the detailed impact on the previously reported Canadian GAAP financial information for 2010.

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 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. In addition, whereas the Units are classified as financial liabilities on the Balance Sheet, distributions on the Units are recognized as a finance charge on the Statements of Comprehensive Income (Loss). Prior to the transition to IFRS, distributions to holders of equity instruments were recognized as a reduction of Unitholders Equity and Non-controlling Interest, respectively.

Overview of the Business and Recent Developments

Crombie is an unincorporated, open-ended real estate investment trust established pursuant to a 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 future growth strategy focused primarily on the acquisition of grocery-anchored retail properties. At December 31, 2011, Crombie owned a portfolio of 138 investment properties in eight provinces, comprising approximately 12.6 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through its subsidiary ECLD, holds a 44.6% economic and voting interest in Crombie at December 31, 2011.

Significant developments during 2011 include:

- On January 1, 2011, Crombie transitioned to IFRS from Canadian GAAP.
- On May 2, 2011, Crombie completed the acquisition of Gaetz South Plaza, Red Deer, Alberta from a third party. The purchase price of the property was $21,850, excluding closing and transaction costs. Crombie assumed a mortgage of $10,708 with the balance being financed with Crombie's existing credit facility.
- On May 10, 2011, Crombie completed the acquisition of 500 Riddell Road, Orangeville, Ontario and Penhorn Plaza, Dartmouth, Nova Scotia from subsidiaries of Empire. The purchase price of the properties was $27,490, excluding closing and transaction costs. Crombie financed the acquisitions with mortgages of $7,100 and $13,000, with 20 year terms, 25 year amortization and fixed interest rates of 5.06% and 5.04% respectively. The balance was financed with Crombie's existing credit facility.
- On June 28, 2011, Crombie renewed its $150,000 floating rate revolving credit facility, extending the term to June 30, 2014.
- On June 29, 2011, Crombie settled the last remaining forward rate interest rate swap agreement at a cost of $1,731. This cost represents a charge of $0.03 against AFFO in the year ended December 31, 2011.
- On September 15, 2011, Crombie completed the acquisition of a Sobeys grocery anchored plaza in Shawinigan, Quebec from subsidiaries of Empire. The purchase of the property was $13,040, excluding closing and transaction costs. Crombie financed the acquisition with a $9,130 mortgage, with a 10 year term, 25 year amortization and fixed interest rate of 4.23%. The balance was financed with Crombie's existing credit facility.
- On September 28, 2011, Crombie completed the acquisition of two freestanding Sobeys stores in Bradford and Parry Sound, Ontario from subsidiaries of Empire. The purchase price of the properties was $11,780, excluding closing and transaction costs. Crombie financed the acquisitions with mortgages of $4,200 and $3,800, with 20 year terms, 25 year amortization and fixed interest rates of 4.80%. The balance was financed with Crombie's existing credit facility.
- On October 20, 2011, Crombie completed a public offering of 3,510,000 REIT Units, at a price of $12.85 per REIT Unit for gross proceeds of $45,104. Concurrent with the public offering, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units, on a private placement basis, at the same issue price of $12.85 per Class B LP Unit for gross proceeds of $30,000.
- On December 15, 2011, Crombie completed the acquisition of two retail – plazas in Bedford and Fall River, Nova Scotia; and a freestanding addition to an existing property in Nepean, Ontario, from subsidiaries of Empire. The purchase price of the properties was $67,278, excluding closing and transaction costs. Crombie financed the acquisitions with mortgages of $5,000, $16,000 and $25,000, with terms between 10 to 20 years, 25 year amortization and fixed interest rates ranging from 4.06% to 4.606%. The balance was funded with proceeds from the October 2011 public offering.
- On December 19, 2011, Crombie completed the acquisition of a retail – plaza in London, Ontario from a third party. The purchase price of the property was $5,600, with an assumed mortgage of $2,877. The balance was funded with proceeds from the October 2011 public offering.

Significant developments during 2010 included:

- On February 1, 2010, Crombie completed the refinancing for the office and retail portfolio known as Halifax Developments. The principal amount of the maturing Halifax Developments mortgages was approximately $106,079 with a weighted average fixed interest rate of 5.43%. The new Halifax Developments mortgages are for a total of $141,000, with a 10 year term, 25 year amortization and a weighted average fixed interest rate of 6.48%.
- On February 8, 2010, Crombie issued $45,000 of convertible unsecured subordinated debentures (the "Series C Debentures"). The Series C Debentures have an interest rate of 5.75%, a conversion price of $15.30 per unit and a maturity date of June 30, 2017.
- On February 22, 2010, Crombie completed the acquisition of five retail properties from subsidiaries of Empire. The cost of the five properties was $31,530, excluding closing and transaction costs, and was partially financed by the assumption of $8,358 of mortgages with a weighted average term of 8.6 years, 25 year amortization and a weighted average interest rate of 6.26%. The balance was financed with Crombie's existing credit facility.
- On February 26, 2010, Crombie completed $33,850 of mortgage financing on five properties. The mortgages have an eight year term, a fixed interest rate of 5.70% and a weighted average amortization period of 21.6 years.
- On March 24, 2010, Crombie completed the acquisition of three retail properties from subsidiaries of Empire. The purchase price of the three properties was $27,746 and was financed with Crombie's existing credit facility.

INTRODUCTION (cont.)

- On April 22, 2010, and May 20, 2010, Crombie completed three mortgage financings totalling $19,000; all with 10 year terms; interest rates ranging from 5.75% to 6.80%; and amortization periods from 15 to 25 years.
- On August 4, 2010, Crombie completed a public offering of 2,670,000 REIT Units, at a price of $11.05 per REIT Unit for gross proceeds of $29,504. Concurrent with the public offering, in satisfaction of its pre-emptive right, ECLD purchased 1,855,000 Class B LP Units and the attached Special Voting Units, on a private placement basis, at the same issue price of $11.05 per Class B LP Unit for gross proceeds of $20,498.
- On September 28, 2010, Crombie completed the acquisition of nine properties from a subsidiary of Empire. The cost of the nine properties was $84,297, excluding closing and transaction costs, and was partially financed with mortgage financing on seven of the nine properties. The mortgages total $51,570 at the time of acquisition and an additional $8,200 subsequently with terms ranging from nine to 15 years, amortization periods between 15 and 25 years, and interest rates between 4.53% and 5.19%. The properties acquired total approximately 400,000 square feet of GLA and include six properties in Alberta, one in Saskatchewan, one in Ontario and one in Nova Scotia.
- On October 28, 2010, Crombie completed the acquisition of one retail property, and on November 22, 2010 the acquisition of two retail properties, all located in Quebec. The cost of the three properties was $28,250, excluding closing and transaction costs, and was partially financed with $19,600 of mortgage financings with the balance funded with proceeds from the August 2010 equity offering. The mortgages have terms from nine to 15 years, fixed interest rates of 4.71% and 4.76% and amortization periods of 25 years.

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 unit 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 retail properties, a stable and defensive-oriented 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 retail properties. Crombie pursues two primary sources of acquisitions which are third party acquisitions and the relationship with ECLD and Sobeys Developments 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 the assets being acquired, including expansion and repositioning.

Crombie continues to work closely with ECLD and SDLP to identify opportunities that further Crombie's external 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 obtained a right of first offer from Sobeys in other Sobeys' income producing commercial properties, subject to certain exceptions. Through these relationships, Crombie expects to have many of the benefits associated with 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 also enable Crombie to avoid the uncertainties associated with property development, such as paying the carrying costs of land, securing construction financing, obtaining development approvals, managing construction projects, marketing in advance of and during construction and earning no return during the construction period.

The agreements provide Crombie with a preferential right to acquire retail properties from ECLD and/or SDLP, subject to approval by Crombie's independent elected trustees. These relationships between Crombie and ECLD and SDLP continue to provide promising opportunities for growth in 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.

Property	Date Acquired	Property Type	GLA (sq. ft.)	Acquisition Cost[(1)]	Vendor
Brampton Plaza, Brampton, Ontario	Oct. 2, 2006	Retail – Plaza	66,000	$ 13,160	Empire Subsidiaries
Taunton & Wilson Plaza, Oshawa, Ontario	Oct. 2, 2006	Retail – Plaza	83,000	$ 18,725	Empire Subsidiaries
Burlington Plaza, Burlington, Ontario	Dec. 20, 2006	Retail – Plaza	56,000	$ 14,200	3rd party
The Mews of Carleton Place, Carleton Place, Ontario	Jan. 17, 2007	Retail – Plaza	80,000	$ 11,800	3rd party
Perth Mews Shopping Mall, Perth, Ontario	Mar. 7, 2007	Retail – Plaza	103,000	$ 17,900	3rd party
International Gateway Centre, Fort Erie, Ontario	Jul. 26, 2007	Retail – Plaza	93,000	$ 19,200	3rd party ROFR
Brossard-Longueuil, Brossard, Quebec	Aug. 24, 2007	Retail – Freestanding	39,000	$ 7,300	3rd party ROFR
Town Centre, LaSalle, Ontario	Oct. 15, 2007	Retail – Plaza	88,000	$ 12,700	3rd party
61 property portfolio (the "Portfolio Acquisition")	Apr. 22, 2008	Retail – Freestanding	1,589,000	$ 428,500	Empire Subsidiaries
		Retail – Plaza	1,571,000		
		Retail – Enclosed	128,000		
River City Centre, Saskatoon, Saskatchewan	Jun. 12, 2008	Retail – Plaza	160,000	$ 27,200	3rd party
5 property portfolio	Feb. 22, 2010	Retail – Plaza	186,000	$ 31,530	Empire Subsidiaries
3 property portfolio	Mar. 24, 2010	Retail – Plaza	101,000	$ 27,746	Empire Subsidiaries
		Retail – Freestanding	46,000		
9 property portfolio	Sep. 28, 2010	Retail – Freestanding	359,000	$ 84,297	Empire Subsidiaries
		Retail – Plaza	41,000		
McMasterville, Quebec	Oct. 28, 2010	Retail – Plaza	47,000	$ 11,250	Empire Subsidiaries
St Augustin, Quebec	Nov. 22, 2010	Retail – Plaza	38,000	$ 7,368	Joint venture, in which ECLD was a partner
St Charles de Drummond, Quebec	Nov. 22, 2010	Retail – Plaza	48,000	$ 9,632	Joint venture, in which ECLD was a partner
Gaetz South Plaza, Red Deer, Alberta	May 2, 2011	Retail – Plaza	74,000	$ 21,850	3rd party
500 Riddell Road, Orangeville, Ontario	May 10, 2011	Retail – Freestanding	46,000	$ 10,040	Empire Subsidiaries
Penhorn Plaza, Dartmouth, Nova Scotia	May 10, 2011	Retail – Plaza	91,000	$ 17,450	Empire Subsidiaries
Panavista Drive, Dartmouth, Nova Scotia	May 20, 2011	Retail – Freestanding	48,000	$ 7,400	Empire Subsidiaries
West Royalty, Charlottetown, Prince Edward Island	May 20, 2011	Retail – Freestanding	(54,000)	$ (7,400)	Empire Subsidiaries
1440 –1510 Trudel Street, Shawinigan, Quebec	Sep. 15, 2011	Retail – Plaza	60,000	$ 13,043	Empire Subsidiaries
40 Melbourne Drive, Bradford, Ontario	Sep. 28, 2011	Retail – Freestanding	35,000	$ 6,235	Empire Subsidiaries
25 Pine Drive, Parry Sound, Ontario	Sep. 28, 2011	Retail – Freestanding	36,000	$ 5,545	Empire Subsidiaries
Hemlock Square, Bedford, Nova Scotia	Dec. 15, 2011	Retail – Plaza	139,000	$ 36,800	Empire Subsidiaries
Fall River Plaza, Fall River, Nova Scotia	Dec. 15, 2011	Retail – Plaza	98,000	$ 22,952	Empire Subsidiaries
Village Square Annex, Nepean, Ontario	Dec. 15, 2011	Retail – Plaza	23,000	$ 7,526	Empire Subsidiaries
771 Southdale Road East, London, Ontario	Dec. 19, 2011	Retail – Plaza	20,000	$ 5,600	3rd party
Total			5,538,000	$ 889,549	

(1) Excluding closing and transaction costs.

INTRODUCTION (cont.)

Through its relationships with SDLP and ECLD, Crombie is provided a preferential right to acquire properties developed by these entities. There is currently approximately $300-$500 million of properties in various stages of development which is anticipated to be made available to Crombie over the next four years. The properties are primarily retail plazas with approximately 70% of the GLA expected to be located outside of Atlantic Canada.

Business Environment

During the latter half of 2009 and throughout 2010 and 2011, the Canadian economy continued 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 continue to rise and unemployment levels remain high. Also, during this 2009–2011 period, the credit and equity markets experienced a dramatic improvement in their liquidity which occurred almost as quickly as the contraction did in 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 the second half of 2010, Crombie sourced nine and 15 year mortgage debt at rates between 4.53% and 5.19%. During 2011, Crombie sourced 20 year mortgage debt as low as 4.61% and 10 year mortgage debt as low as 4.06%.

In light of the improving economic conditions and improved access to capital, capitalization rates began to decrease after their increases during the recession. This capitalization rate reduction has resulted in a positive impact to the unit prices of many REITs and the recent improvement in both the credit and equity markets have improved Crombie's cost of capital to the level where accretive acquisitions are available. As a result, Crombie was able to complete acquisitions of eight retail properties from subsidiaries of Empire during the first quarter of 2010, an additional nine properties in the third quarter of 2010 and three properties in the fourth quarter of 2010. During 2011, Crombie acquired three additional properties in the second quarter; three properties in the third quarter and three properties in the fourth quarter as well as an addition to an existing property. Crombie will only pursue acquisitions that are accretive and provide an acceptable return, including acquisitions from relationships between Crombie and ECLD and Crombie and SDLP.

2011 HIGHLIGHTS

- Crombie completed leasing activity on 776,000 square feet of GLA during the year ended December 31, 2011, which represents approximately 71.1% of the 2011 expiring lease square footage.
- Average rent per square foot from the leasing activity was $15.71 compared to an expiring rent per square foot of $14.15, an increase of 11.0%.
- Property occupied was 93.3% at December 31, 2011 compared with 94.7% at September 30, 2011, and 95.8% at December 31, 2010. Property leased (occupied plus committed) was 94.7% at December 31, 2011 compared with 95.4% at September 30, 2011.
- The estimated $12,400 redevelopment of Sydney Shopping Centre, commenced in June 2010, was over 90% completed at December 31, 2011, and is on time and on budget for completion in January 2012.
- Property revenue for the year ended December 31, 2011 was $226,138, an increase of $16,701 or 8.0% over the $209,437 for year ended December 31, 2010.
- Same-asset cash NOI for the year ended December 31, 2011 of $118,003, an increase of $1,359, or 1.2%, compared to $116,644 for the year ended December 31, 2010.
- The FFO payout ratio for the year ended December 31, 2011 was 82.3% compared to the payout ratio of 84.0% for the same period in 2010.
- The AFFO payout ratio for the year ended December 31, 2011 was 102.1% compared to 102.4% for the same period in 2010.
- Debt to gross book value was 52.5% at December 31, 2011 compared with 54.8% at December 31, 2010.
- Crombie's interest service coverage for the year ended December 31, 2011 was 2.49 times EBITDA and debt service coverage was 1.79 times EBITDA, compared to 2.41 times EBITDA and 1.74 times EBITDA, respectively, for the same period in 2010.
- Crombie completed the renewal of its $150,000 revolving credit facility for a three year period.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At December 31, 2011 the property portfolio consisted of 138 investment properties that contain approximately 12.6 million square feet of GLA in eight provinces.

As at December 31, 2011, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	Jan. 1, 2011	Acquisitions (dispositions)	Other	Dec. 31, 2011	Number of Properties	% of GLA	% of Annual Minimum Rent
Nova Scotia	5,065,000	376,000	25,000	5,466,000	46	43.4%	38.6%
Ontario	1,771,000	160,000	5,000	1,936,000	28	15.4%	17.1%
New Brunswick	1,784,000	(49,000)	2,000	1,737,000	22	13.8%	11.4%
Newfoundland and Labrador	1,480,000	–	12,000	1,492,000	13	11.8%	15.4%
Quebec	1,042,000	60,000	6,000	1,108,000	18	8.8%	9.4%
Alberta	274,000	74,000	–	348,000	7	2.7%	4.2%
Prince Edward Island	369,000	(54,000)	(2,000)	313,000	2	2.5%	2.2%
Saskatchewan	198,000	–	–	198,000	2	1.6%	1.7%
Total	11,983,000	567,000	48,000	12,598,000	138	100.0%	100.0%

During 2011, there was an increase in GLA of 615,000 square feet primarily due to the acquisition of 10 properties totalling 623,000 square feet: five in Ontario; three in Nova Scotia; one in Quebec; and one in Alberta. This was offset by the disposition of a property in New Brunswick.

Crombie looks to diversify its geographic composition through growth opportunities, as evidenced by seven property acquisitions in Alberta, 13 in Ontario, six in Quebec, two in Saskatchewan, three in New Brunswick, four in Nova Scotia and the Portfolio Acquisition since Crombie's 2006 IPO. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

On a regular basis, Crombie will commence redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. Crombie had two properties under redevelopment: Sydney Shopping Centre in Sydney, Nova Scotia is being converted from a retail – enclosed property to a retail – plaza and Barrington Tower in Halifax, Nova Scotia is being reconfigured to accommodate new tenancies.

The following table outlines properties under redevelopment:

Province	Property	Current GLA	Redevelopment	Estimated Cost	Incurred to Date	Estimated Completion
Nova Scotia	Sydney Shopping Centre	196,000	Convert from retail – enclosed to retail – plaza	$12,400	$11,400	Completed January 2012
Nova Scotia	Barrington Tower	187,000	Reconfigure spaces to accommodate future leasing	$5,750	$825	September 2012

During the second quarter of 2010, Crombie commenced redevelopment work on Sydney Shopping Centre. During the initial phases of redevelopment, portions of the GLA were vacated. The redevelopment work was completed in January 2012.

During the fourth quarter of 2011, Crombie commenced with the reconfiguration of Barrington Tower to accommodate the requirements of new tenants expected to take occupancy in September 2012.

Properties under redevelopment are excluded from same-asset results until the redevelopment is complete and the operating results from the redevelopment property are available for the current and comparative reporting periods.

(In thousands of dollars, except per unit amounts)

OVERVIEW OF THE PROPERTY PORTFOLIO (cont.)

Largest Tenants

The following table illustrates the10 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, 2011.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys[1]	37.0%	15.0 years
Shoppers Drug Mart	2.2%	8.7 years
Empire Theatres Limited	1.9%	7.5 years
GoodLife Fitness	1.7%	9.5 years
Lawtons/Sobeys Pharmacy	1.6%	13.4 years
CIBC	1.5%	18.7 years
Province of Nova Scotia	1.3%	4.4 years
Bell (Aliant)	1.2%	7.0 years
Bank of Nova Scotia	1.2%	2.2 years
Best Buy Canada Ltd.	1.1%	9.2 years
Total	50.7%	

(1) Excludes Lawtons and Fast Fuel locations.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 37.0% of the annual minimum rent, no other tenant accounts for more than 2.2% of Crombie's minimum rent.

Lease Maturities

The following table sets out as of December 31, 2011 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 ($)
2012	239	1,023,000	8.1%	$ 11.98
2013	190	921,000	7.3%	$ 12.02
2014	178	591,000	4.7%	$ 17.36
2015	141	672,000	5.3%	$ 14.46
2016	143	706,000	5.6%	$ 14.23
Thereafter	464	8,022,000	63.7%	$ 13.92
Total	1,355	11,935,000	94.7%	$ 13.82

The weighted average remaining term of all leases is approximately 10.3 years. This extended remaining lease term is reflective of the average Sobeys remaining lease term of 15.0 years.

During 2011, Crombie's lease renewals were completed at an average rate of $16.38 per square foot; while new leases were completed at an average rate of $14.43 per square foot. Both these rates compare favourably with the average rent per square foot for 2011 lease expiries of $14.15 per square foot resulting in average rent per square foot improvements of 15.8% for renewals and 2.0% for new leases.

2011 Portfolio Occupancy and Committed Activity

The portfolio occupancy and committed activity for the year ending December 31, 2011 were as follows:

	Occupied space (sq. ft.)								
Province	Jan. 1, 2011	Acquisitions (dispositions)	New leases	Lease expiries	Other changes	Dec. 31, 2011	Committed space (sq. ft.)	Total leased space (sq. ft.)	Leased Dec. 31, 2011
Nova Scotia	4,829,000	376,000	69,000	(243,000)	(55,000)	4,976,000	157,000	5,133,000	94.0%
Ontario	1,696,000	160,000	15,000	(22,000)	(20,000)	1,829,000	14,000	1,843,000	95.2%
New Brunswick	1,634,000	(49,000)	15,000	(30,000)	(5,000)	1,565,000	4,000	1,569,000	90.3%
Newfoundland and Labrador	1,454,000	–	36,000	(32,000)	(13,000)	1,445,000	9,000	1,454,000	97.5%
Quebec	1,026,000	60,000	6,000	(3,000)	(4,000)	1,085,000	–	1,085,000	98.0%
Alberta	274,000	74,000	–	–	–	348,000	–	348,000	100.0%
PEI	363,000	(54,000)	–	(1,000)	(4,000)	304,000	1,000	305,000	97.4%
Saskatchewan	198,000	–	–	–	–	198,000	–	198,000	100.0%
Total	11,474,000	567,000	141,000	(331,000)	(101,000)	11,750,000	185,000	11,935,000	94.7%

Other changes include lease terminations and surrenders; bankruptcies; and space certifications.

Crombie has not previously reported committed space in its MD&A reporting. 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.

Overall leased space (occupied plus committed) decreased from 95.4% at September 30, 2011 to 94.7% at December 31, 2011. This 0.7% decrease was the result of tenant lease expiries totalling approximately 244,000 square feet of GLA; offset in part by new leases on 88,000 square feet of GLA during the fourth quarter of 2011 and increases in committed space.

The decrease in overall occupied space to 93.3% at December 31, 2011 compared with 94.7% at September 30, 2011 was due mainly to a number of tenant lease expirations or terminations totalling approximately 244,000 square feet of GLA, including Nova Scotia Power Inc. in Barrington Tower, Halifax, Nova Scotia. The decrease was partially offset by new tenancies occupying approximately 88,000 square feet of GLA during the fourth quarter of 2011. Crombie had 266,000 square feet of GLA in new leasing activity for 2011, however not all tenant leases commenced by December 31, 2011; therefore are excluded from the period end occupied rate.

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.

As at December 31, 2011, 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 – Freestanding	53	2,176,000	17.3%	17.9%	99.9%
Retail – Plazas	60	5,196,000	41.2%	43.0%	95.8%
Retail – Enclosed	12	2,458,000	19.5%	20.8%	94.2%
Portfolio sub-totals for retail	125	9,830,000	78.0%	81.7%	96.3%
Office	5	1,051,000	8.4%	7.1%	86.3%
Mixed-Use	8	1,717,000	13.6%	11.2%	90.8%
Total	138	12,598,000	100.0%	100.0%	94.7%

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

(In thousands of dollars, except per unit amounts)

OVERVIEW OF THE PROPERTY PORTFOLIO (cont.)

As at December 31, 2010, 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	Occupancy[1]
Retail – Freestanding	51	2,095,000	17.5%	18.3%	100.0%
Retail – Plazas	54	4,683,000	39.1%	39.8%	96.7%
Retail – Enclosed	12	2,437,000	20.3%	21.7%	95.4%
Portfolio sub-totals for retail	117	9,215,000	76.9%	79.8%	97.1%
Office	5	1,049,000	8.8%	7.7%	84.8%
Mixed-Use	8	1,719,000	14.3%	12.5%	95.3%
Total	130	11,983,000	100.0%	100.0%	95.8%

(1) For purposes of calculating occupancy percentage, Crombie considers GLA covered by the head lease agreements in favour of ECLD as occupied.

Retail properties represent 78.0% of Crombie's GLA and 82.0% of annual minimum rent at December 31, 2011 reflecting of Crombie's growth strategy to focus primarily on retail properties.

Leased space in retail properties of 96.3% at December 31, 2011, has decreased from December 31, 2010, primarily due to an increase in tenant bankruptcies and non-renewed lease expiries during 2011. The most significant change in 2011 was in leased space in non-retail properties which decreased to 89.1% primarily as a result of the expiring of the NSPI lease in Barrington Tower and the resulting temporary vacancy of approximately 23,000 square feet in uncommitted space and the lease expiry of approximately 73,000 square feet in Aberdeen Business Centre in the fourth quarter of 2011.

The following table sets out as of December 31, 2011, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail – Freestanding		Retail – Plazas		Retail – Enclosed	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2012	–	–%	334,000	6.4%	239,000	9.7%
2013	–	–%	417,000	8.0%	116,000	4.7%
2014	–	–%	228,000	4.4%	178,000	7.2%
2015	9,000	0.4%	312,000	6.0%	80,000	3.3%
2016	6,000	0.3%	330,000	6.4%	176,000	7.2%
Thereafter	2,158,000	99.2%	3,357,000	64.6%	1,529,000	62.2%
Total	2,173,000	99.9%	4,978,000	95.8%	2,318,000	94.3%

Year	Office		Mixed – Use		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2012	142,000	13.4%	308,000	17.9%	1,023,000	8.1%
2013	119,000	11.3%	269,000	15.7%	921,000	7.3%
2014	96,000	9.1%	89,000	5.2%	591,000	4.7%
2015	57,000	5.4%	214,000	12.5%	672,000	5.3%
2016	75,000	7.2%	119,000	6.9%	706,000	5.6%
Thereafter	420,000	39.9%	558,000	32.6%	8,022,000	63.7%
Total	909,000	86.3%	1,557,000	90.8%	11,935,000	94.7%

Of the 9,469,000 square feet of retail properties under lease, 7,044,000 square feet, or 74.4% is scheduled for maturity after 2016. This long-term stability in lease maturities is primarily driven by the extended term nature of the Sobeys leases.

In the office and mixed-use properties, lease maturities after 2016 represents 39.7% of the leased square footage.

The following table sets out the average rent per square foot expiring during the periods indicated.

Year	Retail – Freestanding	Retail – Plazas	Retail – Enclosed	Office	Mixed – Use	Total
2012	$ –	$ 11.93	$ 13.68	$ 12.02	$ 10.70	$ 11.98
2013	$ –	$ 9.69	$ 23.04	$ 13.74	$ 10.12	$ 12.02
2014	$ –	$ 15.13	$ 24.72	$ 12.56	$ 13.53	$ 17.36
2015	$ 25.32	$ 15.12	$ 22.47	$ 11.64	$ 10.86	$ 14.46
2016	$ 29.00	$ 14.20	$ 18.70	$ 13.00	$ 7.67	$ 14.23
Thereafter	$ 13.85	$ 14.74	$ 12.29	$ 11.98	$ 14.51	$ 13.92
Dec. 2011 Total	$ 14.03	$ 14.21	$ 14.64	$ 12.34	$ 11.92	$ 13.82
Dec. 2010 Total	$ 13.98	$ 13.60	$ 14.15	$ 12.81	$ 11.69	$ 13.44

FINANCIAL RESULTS YEAR TO DATE

Comparison to Previous Years

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**As at Dec. 31, 2011**	As at Dec. 31, 2010	As at Dec. 31, 2009
			Prepared under Canadian GAAP
Total assets	**$ 1,728,782**	$ 1,589,236	$ 1,457,166
Total investment property debt and convertible debentures	**$ 1,002,358**	$ 947,560	$ 817,227
Debt to gross book value(1)	**52.5%**	54.8%	52.4%

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

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**Year Ended Dec. 31, 2011**	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009
Property revenue	**$ 226,138**	$ 209,437	$ 207,254
Property operating expenses	**84,202**	79,300	75,762
Property NOI	**141,936**	130,137	131,492
NOI margin percentage	**62.8%**	62.1%	63.4%
Other items:			
Lease terminations	**168**	347	610
Depreciation and amortization	**(31,387)**	(31,246)	(46,031)
General and administrative expenses	**(10,654)**	(9,762)	(9,274)
Other expenses	**–**	–	(9,999)
Operating income before finance costs and income taxes	**100,063**	89,476	66,798
Finance costs – operations	**(62,148)**	(58,410)	(46,319)
Operating income before income taxes	**37,915**	31,066	20,479
Taxes – deferred	**300**	1,000	100
Operating income attributable to Unitholders	**38,215**	32,066	20,579
Finance costs – distributions to Unitholders	**(61,283)**	(56,090)	–
Decrease in net assets attributable to Unitholders (2009 – Income before non-controlling interest)	**$ (23,068)**	$ (24,024)	$ 20,579
Operating income attributable to Unitholders per Unit, Basic and Diluted	**$ 0.56**	$ 0.51	
Basic weighted average Units outstanding (in 000's)	**68,251**	62,802	
Diluted weighted average Units outstanding (in 000's)	**68,431**	62,968	
Distributions per Unit to Unitholders	**$ 0.89**	$ 0.89	

FINANCIAL RESULTS YEAR TO DATE (cont.)

Operating income attributable to Unitholders for the year ended December 31, 2011 of $38,215 increased by $6,149 or 19.2% from $32,066 for the year ended December 31, 2010. The increase was primarily due to:

- higher property NOI on increased average rental rates and the impact of property acquisitions during 2010 and 2011, offset in part by;
- higher finance costs in 2011 primarily related to property acquisitions.

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 was being redeveloped during either the current or comparative period.

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset property revenue	$ 188,633	$ 185,194	$ 3,439
Acquisition, disposition and redevelopment property revenue	37,505	24,243	13,262
Property revenue	$ 226,138	$ 209,437	$ 16,701

Same-asset property revenue of $188,633 for the year ended December 31, 2011 was 1.9% higher than the year ended December 31, 2010 due to increased base rent as a result of: lease renewal rates exceeding expiring lease rates; offset in part by lower occupancy rates; and higher recoverable property expenses. Acquisition, disposition and redevelopment property revenue growth of $13,262 or 54.7% is due to higher acquisition activity in 2010 and 2011.

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset property operating expenses	$ 72,223	$ 69,906	$ (2,317)
Acquisition, disposition and redevelopment property operating expenses	11,979	9,394	(2,585)
Property operating expenses	$ 84,202	$ 79,300	$ (4,902)

Same-asset property expenses of $72,223 for the year ended December 31, 2011 increased by $2,317 or 3.3% from the year ended December 31, 2010 due primarily to increased recoverable property taxes and snow clearing costs offset in part by reduced non-recoverable costs.

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset property NOI	$ 116,410	$ 115,288	$ 1,122
Acquisition, disposition and redevelopment property NOI	25,526	14,849	10,677
Property NOI	$ 141,936	$ 130,137	$ 11,799

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the year ended December 31, 2011 increased by $11,799 or 9.1% from the year ended December 31, 2010. Same-asset property NOI for the year ended December 31, 2011 increased by $1,122 or 1.0% from the year ended December 31, 2010. Crombie's acquisition activity accelerated in the second half of 2010 and in 2011 resulting in significant growth in property operating results in the year ended December 31, 2011 compared to the same period in 2010. Several redevelopment projects completed during 2010 also resulted in improved property NOI in the year ended December 31, 2011 compared to the same period in 2010.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Property NOI	$ 141,936	$ 130,137	$ 11,799
Non-cash straight-line rent	(3,619)	(3,346)	(273)
Non-cash tenant incentive amortization	5,169	4,489	680
Property cash NOI	143,486	131,280	12,206
Acquisition, disposition and redevelopment property cash NOI	25,483	14,636	10,847
Same-asset property cash NOI	$ 118,003	$ 116,644	$ 1,359

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of tenant incentive amounts. The $1,359 or 1.2% increase in same-asset cash NOI for the year ended December 31, 2011 over December 31, 2010 is primarily the result of increased average rent per square foot results from 2011 leasing activity, reduced in part by the lower occupancy rate in 2011.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period. This excludes non-cash items, straight-line rent and amortization of tenant incentives, which are impacting property NOI.

Acquisition, disposition and redevelopment property cash NOI is as follows:

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2011**	Year Ended Dec. 31, 2010	Variance
Acquisition and disposition property cash NOI	**$ 16,546**	$ 5,857	$ 10,689
Redevelopment property cash NOI	**8,937**	8,779	158
Total acquisition, disposition and redevelopment property cash NOI	**$ 25,483**	$ 14,636	$ 10,847

The significant growth in acquisition and disposition property NOI reflects the property acquisitions in 2010 and 2011.

Cash NOI for redevelopment properties increased $158 or 1.8% for the year ended December 31, 2011 over December 31, 2010 as a result of completed redevelopment properties offset in part by redevelopment work at Sydney Shopping Centre in Sydney, Nova Scotia which included short-term displacement of GLA and tenants.

Change in cash NOI from redevelopment properties period-over-period is impacted by the timing of commencement and completion of each redevelopment project. The nature and extent of redevelopment projects results in operations being impacted minimally in some instances and a significant disruption in others, thus affecting the comparability of period-over-period redevelopment operating results.

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

Property NOI for the year ended December 31, 2011 by province was as follows:

	2011				2010	
(In thousands of CAD dollars)	**Property Revenue**	**Property Expenses**	**Property NOI**	**NOI % of revenue**	NOI % of revenue	Variance
Nova Scotia	**$ 94,686**	**$ 41,659**	**$ 53,027**	**56.0%**	55.6%	0.4%
Ontario	**35,757**	**12,074**	**23,683**	**66.2%**	65.3%	0.9%
Newfoundland and Labrador	**33,212**	**10,074**	**23,138**	**69.7%**	70.3%	(0.6)%
New Brunswick	**27,157**	**11,353**	**15,804**	**58.2%**	58.6%	(0.4)%
Quebec	**20,622**	**6,006**	**14,616**	**70.9%**	72.1%	(1.2)%
Alberta	**6,505**	**734**	**5,771**	**88.7%**	95.8%	(7.1)%
Prince Edward Island	**4,583**	**1,315**	**3,268**	**71.3%**	74.2%	(2.9)%
Saskatchewan	**3,616**	**987**	**2,629**	**72.7%**	71.8%	0.9%
Total	**$ 226,138**	**$ 84,202**	**$ 141,936**	**62.8%**	62.1%	0.7%

The increase in NOI as a percentage of revenue in Saskatchewan is due to increased base rents as a result of renewals and acquisition of a freestanding property in the third quarter of 2010. The increase in NOI as a percentage of revenue in Ontario is primarily due to acquisitions in the third quarter of 2010 and 2011 of higher margin freestanding properties. The decrease in NOI as a percentage of revenue in Quebec is due to an increase in non-recovered expenses. The decrease in NOI as a percentage of revenue in Prince Edward Island is due to the exchange of one freestanding property for a freestanding property in Nova Scotia during the second quarter of 2011. The decrease in NOI as a percentage of revenue in Alberta is reflective of 2010 properties only including freestanding stores, while 2011 results include a retail plaza acquired in May 2011, with the NOI as a percentage of revenue on retail plazas being lower than on freestanding properties.

FINANCIAL RESULTS YEAR TO DATE (cont.)

Depreciation and Amortization

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset depreciation and amortization	$ **26,090**	$ 29,125	$ 3,035
Acquisition, disposition and redevelopment depreciation and amortization	**5,297**	2,121	(3,176)
Depreciation and amortization	$ **31,387**	$ 31,246	$ (141)

Same-asset depreciation and amortization of $26,090 for the year ended December 31, 2011 was $3,035 or 10.4% lower than the year ended December 31, 2010 due primarily to intangible assets related to tenant relationships and components of the buildings associated with properties purchased at the date of IPO being fully amortized. Depreciation and amortization consists of:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Depreciation of investment properties	$ **25,849**	$ 24,463	$ (1,386)
Amortization of intangible assets	**5,026**	6,330	1,304
Amortization of deferred leasing costs	**512**	453	(59)
Depreciation and amortization	$ **31,387**	$ 31,246	$ (141)

General and Administrative Expenses

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

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Salaries and benefits	$ **5,775**	$ 4,710	$ (1,065)
Professional fees	**1,541**	1,764	223
Public company costs	**1,286**	1,291	5
Rent and occupancy	**787**	813	26
Other	**1,265**	1,184	(81)
General and administrative expenses	$ **10,654**	$ 9,762	$ (892)
As a percentage of property revenue	**4.7%**	4.7%	–%

Salaries and benefits in the fourth quarter of 2010 were favourably impacted by the recognition of actuarial gains on Crombie's benefit plans.

Finance Costs – Operations

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset finance costs	$ **45,083**	$ 46,518	$ 1,435
Acquisition, disposition and redevelopment finance costs	**9,717**	5,306	(4,411)
Amortization of effective swaps and deferred financing charges	**7,348**	6,586	(762)
Finance costs – operations	$ **62,148**	$ 58,410	$ (3,738)

Same-asset finance costs for the year ended December 31, 2011 decreased by $1,435 or 3.1% compared to the year ended December 31, 2010 primarily due to the conversions of Series B Convertible Debentures, one mortgage matured and was refinanced with the Revolving Credit Facility at a lower interest rate and one mortgage was refinanced at a lower interest rate.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% for the remaining term of certain mortgages that were assumed at Crombie's IPO. The remaining mortgage terms mature through April 2022, and management expects to realize a further $4,837 over that period. The amount of interest rate subsidy received during the year ended December 31, 2011 was $1,268 (year ended December 31, 2010 – $1,627).

Growth in acquisition, disposition and redevelopment finance costs is consistent with Crombie's significant acquisition activity in 2010 and 2011.

Amortization of effective swaps and deferred financing charges has been impacted by the increase in amortization of deferred financing charges from $2,553 in 2010 to $3,021 in 2011, partially the result of the conversion of Series B Convertible Debentures.

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 the 2010 and 2011 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.

The deferred tax liability represents the future tax provision 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.

Retail – Freestanding Properties

	Year Ended December 31, 2011			Year Ended December 31, 2010		
(In thousands of CAD dollars, except as otherwise noted)	**Same-asset**	**Acquisitions, Dispositions & Redevelopments**	**Total**	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	**$ 25,015**	**$ 8,588**	**$ 33,603**	$ 24,409	$ 2,661	$ 27,070
Property operating expenses	**4,931**	**815**	**5,746**	4,552	169	4,721
Property NOI	**$ 20,084**	**$ 7,773**	**$ 27,857**	$ 19,857	$ 2,492	$ 22,349
NOI Margin %	**80.3%**	**90.5%**	**82.9%**	81.4%	93.6%	82.6%
Actual occupancy %	**99.7%**	**100%**	**99.8%**	100%	100%	100%

Same-asset property revenue and property operating expenses increased due to an increase in the amount of property taxes being paid by Crombie and recovered from tenants.

Retail – Plaza Properties

	Year Ended December 31, 2011			Year Ended December 31, 2010		
(In thousands of CAD dollars, except as otherwise noted)	**Same-asset**	**Acquisitions, Dispositions & Redevelopments**	**Total**	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	**$ 71,744**	**$ 16,117**	**$ 87,861**	$ 70,394	$ 8,062	$ 78,456
Property operating expenses	**24,311**	**4,796**	**29,107**	23,409	2,513	25,922
Property NOI	**$ 47,433**	**$ 11,321**	**$ 58,754**	$ 46,985	$ 5,549	$ 52,534
NOI Margin %	**66.1%**	**70.2%**	**66.9%**	66.7%	68.8%	67.0%
Actual occupancy %	**94.2%**	**99.1%**	**95.3%**	95.9%	98.3%	96.2%

Same-asset property revenue increased compared with 2010 as a result of higher recoverable expenses. Same-asset property operating expenses increased primarily due to increases in direct tenant costs and recoverable expenses.

FINANCIAL RESULTS YEAR TO DATE (cont.)

Retail – Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2011 Same-asset	Year Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2011 Total	Year Ended December 31, 2010 Same-asset	Year Ended December 31, 2010 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2010 Total
Property revenue	$ 42,961	$ 4,165	$ 47,126	$ 41,933	$ 4,749	$ 46,682
Property operating expenses	15,733	2,211	17,944	15,265	2,619	17,884
Property NOI	$ 27,228	$ 1,954	$ 29,182	$ 26,668	$ 2,130	$ 28,798
NOI Margin %	63.4%	46.9%	61.9%	63.6%	44.9%	61.7%
Actual occupancy %	94.6%	88.6%	93.7%	94.9%	92.9%	94.6%

Same-asset property revenue increased due to increased base rent and higher recoverable expenditures.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2011 Same-asset	Year Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2011 Total	Year Ended December 31, 2010 Same-asset	Year Ended December 31, 2010 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2010 Total
Property revenue	$ 17,767	$ 4,767	$ 22,534	$ 16,447	$ 4,969	$ 21,416
Property operating expenses	10,812	2,237	13,049	10,261	2,300	12,561
Property NOI	$ 6,955	$ 2,530	$ 9,485	$ 6,186	$ 2,669	$ 8,855
NOI Margin %	39.1%	53.1%	42.1%	37.6%	53.7%	41.3%
Actual occupancy %	82.2%	32.0%	73.2%	83.9%	100%	86.7%

During the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed-use properties to office properties. The impact is an increase in office properties revenue and NOI margin percentage and a decrease in mixed-use properties revenue and NOI margin percentage. The reclassification reflects parking revenue generated by tenants of the office properties.

Mixed – Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2011 Same-asset	Year Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2011 Total	Year Ended December 31, 2010 Same-asset	Year Ended December 31, 2010 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2010 Total
Property revenue	$ 31,146	$ 3,868	$ 35,014	$ 32,011	$ 3,802	$ 35,813
Property operating expenses	16,436	1,920	18,356	16,419	1,793	18,212
Property NOI	$ 14,710	$ 1,948	$ 16,658	$ 15,592	$ 2,009	$ 17,601
NOI Margin %	47.2%	50.4%	47.6%	48.7%	52.8%	49.1%
Actual occupancy %	93.7%	80.9%	90.7%	94.5%	95.7%	94.8%

During the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed-use properties to office properties. The impact is an increase in office properties revenue and NOI margin percentage and a decrease in mixed-use properties revenue and NOI margin percentage. The reclassification reflects parking revenue generated by tenants of the office properties.

OTHER 2011 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-IFRS measures:

(In thousands of CAD dollars, except as otherwise noted)	**Year Ended Dec. 31, 2011**	Year Ended Dec. 31, 2010
Operating income attributable to Unitholders	**$ 38,215**	$ 32,066
Operating income attributable to Unitholders per unit – Basic	**$ 0.56**	$ 0.51
Operating income attributable to Unitholders per unit – Diluted	**$ 0.56**	$ 0.51
FFO – Basic	**$ 74,471**	$ 66,801
FFO – Diluted	**$ 83,168**	$ 76,393
FFO per Unit – Basic	**$ 1.09**	$ 1.06
FFO per Unit – Diluted	**$ 1.04**	$ 1.01
AFFO – Basic	**$ 60,051**	$ 54,783
AFFO – Diluted	**$ 64,062**	$ 59,975
AFFO per Unit – Basic(1)	**$ 0.88**	$ 0.87
AFFO per Unit – Diluted(1)	**$ 0.86**	$ 0.85

(1) Excluding the impact of settling the forward rate swap agreement in the second quarter of 2011, AFFO per unit would have been $0.91 Basic and $0.88 Diluted for the year ended December 31, 2011.

Operating income attributable to Unitholders is determined before deducting financing costs – distributions to Unitholders and represents the most equivalent measure to net income available to all Unitholders, had the Units been classified as equity instruments.

The diluted FFO and AFFO are adjusted 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:

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Basic number of Units for all measures	**68,250,912**	62,802,083
Diluted for operating income attributable to Unitholders purposes	**68,431,285**	62,968,162
Diluted for FFO purposes	**79,644,833**	75,501,805
Diluted for AFFO purposes	**74,397,118**	70,567,319

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:

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2011**	Year Ended Dec. 31, 2010	Variance
Operating income attributable to Unitholders	**$ 38,215**	$ 32,066	$ 6,149
Finance costs – distributions to Unitholders	**(61,283)**	(56,090)	(5,193)
Decrease in net assets attributable to Unitholders	**$ (23,068)**	$ (24,024)	$ 956

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-IFRS 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-IFRS industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-IFRS 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.

OTHER 2011 PERFORMANCE MEASURES (cont.)

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 gains or losses from sales of investment properties, depreciation and amortization expense, deferred taxes, impairment losses (or reversals) on investment properties and transaction costs expensed on an investment property acquisition accounted for as a business combination. 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. A calculation of FFO for the year ended December 31, 2011 and December 31, 2010 is as follows:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Decrease in net assets attributable to Unitholders	**$ (23,068)**	$ (24,024)	$ 956
Add (deduct):			
Finance costs – distributions to Unitholders	**61,283**	56,090	5,193
Amortization of tenant incentives	**5,169**	4,489	680
Depreciation of investment properties	**25,849**	24,463	1,386
Amortization of intangible assets	**5,026**	6,330	(1,304)
Amortization of deferred leasing costs	**512**	453	59
Taxes – deferred	**(300)**	(1,000)	700
FFO	**$ 74,471**	$ 66,801	$ 7,670

The increase in FFO for the year ended December 31, 2011 was primarily due to higher NOI from 2010 and 2011 acquisition properties and growth in same-asset cash NOI offset in part by higher finance costs related to those acquisitions.

Adjusted Funds from Operations (AFFO)

Crombie considers AFFO to be a measure useful in evaluating the recurring economic performance of Crombie's operating activities which will be used to support future distribution payments. AFFO reflects cash available for distribution after the provision for non-cash adjustments to revenue, 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

Crombie's policy had been to track actual expenditures on these three cost categories and assess whether there was productive capacity enhancement from the costs incurred. To the extent that the expenditures did not provide productive capacity enhancement, they were charged against AFFO. This had led to volatility in reported AFFO from quarter to quarter as costs are generally not incurred on a consistent basis during the year, or from year to year. In addition, the costs incurred in one reporting period do not necessarily reflect the period of benefit derived from that cost.

In order to better reflect the ongoing impact of maintenance costs on AFFO, Crombie charges AFFO with a normalized rate per square foot for all of these expenditures. Crombie uses an annual rate of $1.10 per square foot to be charged against AFFO for 2011 and 2010. 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 for comparative purposes.

The calculation of AFFO for the year ended December 31, 2011 and 2010 is as follows:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
FFO	**$ 74,471**	$ 66,801	$ 7,670
Add (deduct):			
Amortization of effective swap agreements	**4,327**	4,033	294
Straight-line rent adjustment	**(3,619)**	(3,346)	(273)
Settlement of effective swap agreement	**(1,731)**	–	(1,731)
Maintenance expenditures on a square footage basis	**(13,397)**	(12,705)	(692)
AFFO	**$ 60,051**	$ 54,783	$ 5,268

The AFFO for the year ended December 31, 2011 was $60,051, an increase of $5,268 or 9.6% over the same period in 2010, due primarily to the improved FFO results as previously discussed, offset in part by the negative impact of settlement of the swap agreement. Excluding the impact of the swap settlement, AFFO for the year ended December 31, 2011 would have been $61,782, an increase of $6,999 or 12.8% over the same period in 2010.

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:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Cash provided by operating activities	**$ 20,022**	$ 18,795	$ 1,227
Add back (deduct):			
Finance costs – distributions to Unitholders	**61,283**	56,090	5,193
Settlement of effective swap agreement	**(1,731)**	–	(1,731)
Change in other non-cash operating items	**(3,058)**	(4,767)	1,709
Unit-based compensation expense	**(47)**	(77)	30
Amortization of deferred financing charges	**(3,021)**	(2,553)	(468)
Maintenance expenditures on a square footage basis	**(13,397)**	(12,705)	(692)
AFFO	**$ 60,051**	$ 54,783	$ 5,268

The following provides an analysis of the impact of the transition to IFRS on previously reported non-IFRS measures included in this MD&A.

(In thousands of CAD dollars)	Year Ended Dec. 31, 2010
FFO, as previously reported	$ 68,675
Adjustments:	
Amortization of above-market leases	3,089
Amortization of below-market leases	(6,158)
Accretion of Notes receivable	380
Recognition of unamortized employee future benefits obligation	815
FFO, as currently reported	$ 66,801
AFFO, as previously reported	$ 53,175
Adjustments:	
Maintenance expenditures on a square footage basis	(12,705)
Maintenance capital expenditures, actual	6,286
Maintenance TI and leasing costs, actual	6,832
Accretion of Notes receivable	380
Recognition of unamortized employee future benefits obligation	815
AFFO, as currently reported	$ 54,783

OTHER 2011 PERFORMANCE MEASURES (cont.)

Amortization of above-market and below-market leases was previously included in the determination of property revenue, and thus impacted the calculation of FFO. Under IFRS, these amounts are not recognized as separate intangible assets and liabilities and their amount, if any, is included in the determination of the total value of investment properties with their depreciation included in depreciation of investment properties. These amounts do not impact the calculation of AFFO.

On transition to IFRS, Crombie present valued the long-term note receivable. The note receivable is being accreted with the interest income being recognized as an offset to finance costs – operations. The accretion increases the previously reported FFO and AFFO.

As previously discussed, Crombie is now charging AFFO with a rate per square foot for maintenance expenditures. The impact of this change on previously reported AFFO for the year ended December 31, 2010 is as follows:

AFFO increase	$	413
AFFO per unit, basic	$	–
AFFO per unit, diluted	$	0.01
AFFO payout ratio		0.8%

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 service the finance costs on debt, fund 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 finance future growth: secured short-term financing through an authorized revolving credit facility of up to $150,000, of which $40,000 was drawn at December 31, 2011; the issue of new units; mortgage debt on unencumbered assets; and, unsecured convertible debentures pursuant to the Declaration of Trust.

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

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2011**	Year Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Operating activities	**$ 20,022**	$ 18,795	$ 1,227
Financing activities	**$ 134,273**	$ 175,931	$ (41,658)
Investing activities	**$ (159,411)**	$ (189,556)	$ 30,145

Operating Activities

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2011**	Year Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	**$ 16,964**	$ 14,028	$ 2,936
Non-cash operating items	**3,058**	4,767	(1,709)
Cash provided by operating activities	**$ 20,022**	$ 18,795	$ 1,227

Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)		Year Ended Dec. 31, 2011		Year Ended Dec. 31, 2010		Variance
Cash provided by (used in):						
Net issue of loans and borrowings	**$**	**62,392**	$	83,197	$	(20,805)
Net issue of convertible debentures		**–**		42,977		(42,977)
Net issue of units		**72,858**		48,536		24,322
Settlement of interest rate swap agreement		**(1,731)**		–		(1,731)
Other items (net)		**754**		1,221		(467)
Cash provided by financing activities	**$**	**134,273**	$	175,931	$	(41,658)

Cash from financing activities in the year ended December 31, 2011 decreased by $41,658 over the year ended December 31, 2010. During the year ended December 31, 2010, Crombie raised cash through the issuance of convertible debentures, mortgage refinancing and the issuance of units to finance the acquisitions of investment properties. The primary source of cash from financing activities during the year ended December 31, 2011 was proceeds from mortgage financings and the issuance of units.

Investing Activities

(In thousands of CAD dollars)		Year Ended Dec. 31, 2011		Year Ended Dec. 31, 2010		Variance
Cash provided by (used in):						
Acquisition of investment properties	**$**	**(135,360)**	$	(165,394)	$	30,034
Proceeds on disposal of investment properties		**7,000**		–		7,000
Additions to investment properties		**(21,863)**		(15,589)		(6,274)
Additions to tenant incentives		**(8,771)**		(8,204)		(567)
Additions to deferred leasing costs		**(686)**		(628)		(58)
Other items (net)		**269**		259		10
Cash used in investing activities	**$**	**(159,411)**	$	(189,556)	$	30,145

Cash used in investing activities for the year ended December 31, 2011 was $159,411. The decrease of $30,145 from the same period in 2010 is reflective of the reduced cash used in investment property acquisitions.

Tenant Improvement 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 level 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.

LIQUIDITY AND CAPITAL RESOURCES (cont.)

Obligations for expenditures for TI's occur when renewing existing tenant leases or for new tenants occupying a new 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.

(In thousands of CAD dollars)	Year Ended Dec. 31 2011	Year Ended Dec. 31 2010
Total additions to investment properties	**$ 21,863**	$ 15,589
Less: amounts recoverable from ECLD	**–**	–
Net additions to investment properties	**21,863**	15,589
Less: productive capacity enhancements and recoverable amounts	**(16,084)**	(10,229)
Maintenance capital expenditures	**$ 5,779**	$ 5,360

(In thousands of CAD dollars)	Year Ended Dec. 31 2011	Year Ended Dec. 31 2010
Total additions to TI and deferred leasing costs	**$ 9,457**	$ 8,832
Less: amounts recoverable from ECLD	**–**	(214)
Net additions to TI and deferred leasing costs	**9,457**	8,618
Less: productive capacity enhancements	**(1,399)**	(860)
Maintenance TI and deferred leasing costs	**$ 8,058**	$ 7,758

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, 2011 are primarily payments for completion of parking deck and structural repairs at the Scotia Square parkade in Halifax, Nova Scotia, roof replacements, and building interior and exterior 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 2011.

Productive capacity enhancements during the year ended December 31, 2011 consisted primarily of redevelopment work on Sydney Shopping Centre in Sydney, Nova Scotia and GLA expansions underway at Taunton & Wilson Plaza in Oshawa, Ontario, Baie Comeau, Quebec, Avalon Mall in St. John's, Newfoundland and Labrador and Beauport Plaza in Beauport, Quebec.

Capital Structure

(In thousands of CAD dollars)	December 31, 2011		December 31, 2010		December 31, 2009 Prepared under Canadian GAAP	
Investment property debt	**$ 878,007**	**55.4%**	$ 799,127	55.1%	$ 706,369	54.8%
Convertible debentures	**124,351**	**7.9%**	148,433	10.3%	110,858	8.6%
Special Voting Units and Class B Limited Partnership Unitholders	**255,174**	**16.1%**	233,774	16.1%	225,367	17.5%
Crombie REIT Unitholders	**326,487**	**20.6%**	268,201	18.5%	246,975	19.1%
	$ 1,584,019	**100.0%**	$ 1,449,535	100.0%	$ 1,289,569	100.0%

Bank Credit Facilities and Investment Property Debt

Crombie has in place an authorized floating rate revolving credit facility of up to $150,000 (the "Revolving Credit Facility"), of which $40,000 was drawn as at December 31, 2011. 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 or specified margins over prime rate. The 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, 2011, Crombie had sufficient Borrowing Base to permit $150,000 of funds to be drawn pursuant to the Revolving Credit Facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

As of December 31, 2011, Crombie had fixed rate mortgages outstanding of $839,086 ($845,490 after including the fair value debt adjustment of $6,404), carrying a weighted average interest rate of 5.62% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 7.9 years.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
Year	Fixed Rate Debt	Floating Rate Debt	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
2012	$ 3,156	$ –	$ 3,156	0.5%	$ 26,344	$ 29,500	3.4%
2013	30,042	–	30,042	4.8%	27,865	57,907	6.6%
2014	65,595	40,000	105,595	16.7%	26,177	131,772	15.0%
2015	56,050	–	56,050	8.9%	25,707	81,757	9.3%
2016	50,221	–	50,221	7.9%	22,789	73,010	8.3%
Thereafter	387,044	–	387,044	61.2%	118,096	505,140	57.4%
Total(1)	$ 592,108	$ 40,000	$ 632,108	100.0%	$ 246,978	$ 879,086	100.0%

(1) Excludes fair value debt adjustment of $6,404 and deferred financing costs of $7,483.

Of the maturing debt balances, 16.7% of fixed rate debt, and 22.0% of total maturing debt balances matures over the next three years. This prudent debt management, coupled with the long-term nature of our lease portfolio, provides stability to Crombie's cash flow and minimizes interest rate risk on maturing debt.

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 swap agreements.

Convertible debentures

(In thousands of CAD dollars)	Series A	Series B	Series C
Issue value	$ 30,000	$ 85,000	$ 45,000
Outstanding amount as at December 31, 2011	$ 29,985	$ 52,479	$ 45,000
Annual interest rate (payable semi-annually)	7.00%	6.25%	5.75%
Conversion price per Unit	$ 13.00	$ 11.00	$ 15.30
Issue date	March 20, 2008	September 30, 2009	February 8, 2010
Maturity date	March 20, 2013	June 30, 2015	June 30, 2017
Trading symbol	CRR.DB	CRR.DB.B	CRR.DB.C

On February 8, 2010, Crombie issued $45,000 in convertible unsecured subordinated debentures (the "Series C Debentures"). The proceeds were used to reduce the Revolving Credit Facility.

The Series A Debentures, the Series B Debentures and the Series C Debentures (collectively the "Debentures") pay interest semi-annually on June 30 and December 31 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.

The Debentures are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate of approximately 76.9231 REIT Units per one thousand principal amount of Series A Debentures, 90.9091 REIT Units per one thousand principal amount of Series B Debentures, and 65.3595 REIT Units per one thousand principal amount of Series C Convertible Debentures. If all conversion rights attaching to the Series A Convertible Debentures, the Series B Convertible Debentures and the Series C Convertible Debentures were exercised, as at December 31, 2011, Crombie would be required to issue approximately 2,306,538 REIT Units, 4,770,818 REIT Units, and 2,941,176 REIT Units, respectively, subject to anti-dilution adjustments.

LIQUIDITY AND CAPITAL RESOURCES (cont.)

The following represents debentures converted from date of issue to January 31, 2012:

Conversion date	Convertible debenture series	Debentures face value (In thousands of CAD dollars)	Units issued
January through December 2010	Series A	$ 15	1,153
January through December 2010	Series B	6,737	612,448
Conversions to December 31, 2010		6,752	613,601
January 2011 through March 2011	Series B	2,514	228,540
April 2011 through June 2011	Series B	7,645	694,993
July 2011 through September 2011	Series B	15,421	1,401,905
October 2011		–	–
November 2011	Series B	188	17,089
December 2011	Series B	16	1,454
Conversions to December 31, 2011		32,536	2,957,582
January 2012	Series A	29	2,230
January 2012	Series B	25	2,272
Conversions to January 31, 2012		$ 32,590	2,962,084

For the first three years from the date of issue, there is no ability to redeem the Debentures, after which, each series of Debentures has a period, lasting one year, during which the 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 on redemption is given exceeds 125% of the conversion price. After the end of the four year period from the date of issue, and to the maturity date, the Debentures may be redeemed, in whole or in part, at anytime at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the Debentures at maturity or upon redemption, in whole or in part, by issuing the number of REIT Units equal to the principal amount of the Debentures then outstanding divided by 95% of the volume-weighted average trading price of the REIT Units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, Debenture holders have the right to put the Debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

Based on management's assessment, Crombie has determined to date that no amount should be attributed to the conversion feature. Transaction costs related to the Debentures have been deferred and are being amortized into interest over the term of the Debentures using the effective interest method.

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

On October 20, 2011, Crombie closed a public offering, on a bought deal basis, of 3,510,000 REIT Units at a price of $12.85 per REIT Unit for gross proceeds of $45,103. Concurrently with the issue of the REIT Units, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units at a price of $12.85 per Class B LP Unit for gross proceeds of $30,000, on a private placement basis.

In March 2011 there were 21,417 REIT Units awarded as part of the Employee Unit Purchase Plan (March 2010 – 17,157 REIT Units). For the year ended December 31, 2011, a total of $25,784 of 6.25% Series B Convertible Unsecured Subordinated Debentures were converted for a total of 2,343,981 REIT Units.

On August 4, 2010, Crombie closed a public offering, on a bought deal basis, of 2,670,000 REIT Units at a price of $11.05 per REIT Unit for gross proceeds of $29,504. Concurrently with the issue of the REIT Units, in satisfaction of its pre-emptive right, ECLD purchased 1,855,000 Class B LP Units and the attached Special Voting Units at a price of $11.05 per Class B LP Unit for gross proceeds of $20,498, on a private placement basis.

Total units outstanding at January 31, 2012 were as follows:

Units	41,186,383
Special Voting Units[1]	33,115,360

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 33,115,360 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.

On March 31, 2011, Crombie announced a normal course issuer bid ("NCIB") where Crombie may purchase for cancellation up to 100,000 of its REIT Units, which represented approximately 0.28% of the outstanding REIT Units, during the period April 4, 2011 to April 3, 2012. The purchases have to be made through the facilities of the TSX. The price that Crombie will pay for any such REIT Units will be the market price at the time of acquisition. Under the TSX policies, Crombie is entitled to purchase a maximum of 14,387 REIT Units per trading day. Crombie had a previous NCIB which expired March 25, 2011. Under that NCIB, Crombie acquired a total of 50,547 units. During the year ended December 31, 2011, Crombie acquired 21,417 REIT Units under the NCIB which expires April 3, 2012 for total consideration of $281.

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 history of the taxation of distributions from Crombie:

Taxation Year	Return of Capital	Investment Income	Capital Gains
2006 per $ of distribution	40.0%	60.0%	–
2007 per $ of distribution	25.5%	74.4%	0.1%
2008 per $ of distribution	27.2%	72.7%	0.1%
2009 per $ of distribution	51.0%	49.0%	–
2010 per $ of distribution	64.7%	35.3%	–

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 coverage ratios above prescribed levels:

- 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 negative mark-to-market position on any interest rate swap agreements or other hedging instruments 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, 2011, the remaining amount available under the Revolving Credit Facility was $110,000 (prior to reduction for standby letters of credit outstanding ($11,523) and negative mark-to-market position on any interest rate swap agreements ($NIL)) and was not limited by the Aggregate Coverage Amount.

At December 31, 2011, Crombie remained in compliance with all debt covenants.

LIQUIDITY AND CAPITAL RESOURCES (cont.)

Debt to Gross Book Value

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as bank loans plus investment property debt and convertible debentures. 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.

The debt to gross book value was 52.5% at December 31, 2011 compared to 54.8% at December 31, 2010. This leverage ratio is below the maximum 60%, or 65% including convertible debentures, as outlined 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 60% of gross book value, depending upon Crombie's future acquisitions and financing opportunities.

(In thousands of CAD dollars, except as otherwise noted)	**As at Dec. 31, 2011**	As at Sep. 30, 2011	As at Jun. 30, 2011	As at Mar. 31, 2011	As at Dec. 31, 2010
Fixed rate mortgages	**$ 845,490**	$ 786,188	$ 763,875	$ 749,657	$ 755,665
Convertible debentures	**127,464**	127,668	143,089	150,734	153,248
Revolving credit facility payable	**40,000**	99,716	100,159	50,000	50,000
Total debt outstanding	**1,012,954**	1,013,572	1,007,123	950,391	958,913
Less: Applicable fair value debt adjustment	**(4,837)**	(5,121)	(5,414)	(5,747)	(6,106)
Debt	**$ 1,008,117**	$ 1,008,451	$ 1,001,709	$ 944,644	$ 952,807
Investment properties, cost	**$ 1,742,650**	$ 1,670,531	$ 1,639,364	$ 1,586,419	$ 1,583,210
Below-market lease component, cost	**58,064**	56,606	55,885	52,148	52,148
Intangible assets, cost	**60,648**	58,438	57,291	55,776	55,776
Notes receivable	**3,367**	3,585	3,806	4,065	4,343
Other assets, cost	**89,163**	85,513	86,526	74,668	72,153
Cash and cash equivalents	**54**	–	–	1,480	5,170
Deferred financing charges	**10,596**	10,045	10,711	10,770	11,353
Interest rate subsidy	**(4,837)**	(5,121)	(5,414)	(5,747)	(6,106)
Fair value adjustment to deferred taxes	**(39,245)**	(39,245)	(39,245)	(39,245)	(39,245)
Gross book value	**$ 1,920,460**	$ 1,840,352	$ 1,808,924	$ 1,740,334	$ 1,738,802
Debt to gross book value	**52.5%**	54.8%	55.4%	54.3%	54.8%
Maximum borrowing capacity(1)	**65%**	65%	65%	65%	65%

(1) Maximum permitted by the Declaration of Trust

Crombie, through the issuance of 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, 2011 were 2.49 times EBITDA and 1.79 times EBITDA. This compares to 2.41 times EBITDA and 1.74 times EBITDA respectively for the year ended December 31, 2010. 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. EBITDA may not be calculated in a comparable measure reported by other entities.

(In thousands of CAD dollars)	**Year Ended Dec. 31 2011**	Year Ended Dec. 31 2010
Property revenue	**$ 226,138**	$ 209,437
Amortization of tenant incentives	**5,169**	4,489
Adjusted property revenue	**231,307**	213,926
Property operating expenses	**(84,202)**	(79,300)
General and administrative expenses	**(10,654)**	(9,762)
EBITDA (1)	**$ 136,451**	$ 124,864
Finance costs – operations	**$ 62,148**	$ 58,410
Amortization of deferred financing charges	**(3,021)**	(2,553)
Amortization of effective swap agreements	**(4,327)**	(4,033)
Adjusted interest expense (2)	**$ 54,800**	$ 51,824
Debt repayments	**$ 40,933**	$ 187,067
Amortization of fair value debt premium	**(141)**	67
Payments relating to interest rate subsidy	**(1,268)**	(1,627)
Payments relating to Revolving Credit Facility	**(10,000)**	(56,160)
Lump sum payments on mortgages (net)	**(8,071)**	(109,240)
Adjusted debt repayments (3)	**$ 21,453**	$ 20,107
Interest service coverage ratio {(1)/(2)}	**2.49**	2.41
Debt service coverage ratio {(1)/((2)+(3))}	**1.79**	1.74

Distributions and Distribution Payout Ratios

Distribution Policy

Pursuant to Crombie's Declaration of Trust, cash distributions are to be determined by the trustees in 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:

(In thousands of CAD dollars, except as otherwise noted)	**Year Ended Dec. 31 2011**	Year Ended Dec. 31 2010
Distributions to Unitholders	**$ 33,368**	$ 29,657
Distributions to Special Voting Unitholders	**27,915**	26,433
Total distributions	**$ 61,283**	$ 56,090
FFO payout ratio	**82.3%**	84.0%
AFFO payout ratio (target ratio = 95%)	**102.1%**	102.4%

FOURTH QUARTER RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**Quarter Ended Dec. 31, 2011**	Quarter Ended Dec. 31, 2010	Variance
Property revenue	**$ 58,682**	$ 55,693	$ 2,989
Property operating expenses	**22,528**	21,670	(858)
Property NOI	**36,154**	34,023	2,131
NOI margin percentage	**61.6%**	61.1%	0.5%
Other items:			
Lease terminations	**5**	–	5
Depreciation and amortization	**(8,302)**	(7,949)	(353)
General and administrative expenses	**(2,806)**	(1,609)	(1,197)
Operating income before finance costs and income taxes	**25,051**	24,465	586
Finance costs – operations	**(14,978)**	(15,532)	554
Operating income before income taxes	**10,073**	8,933	1,140
Taxes – deferred	**600**	300	300
Operating income attributable to Unitholders	**10,673**	9,233	1,440
Finance costs – distributions to Unitholders	**(16,530)**	(14,702)	(1,828)
Decrease in net assets attributable to Unitholders	**$ (5,857)**	$ (5,469)	$ (388)
Operating income attributable to Unitholders per Unit, Basic and Diluted	**$ 0.15**	$ 0.14	$ 0.01
Basic weighted average Units outstanding (in 000's)	**72,897**	65,835	
Diluted weighted average Units outstanding (in 000's)	**73,078**	66,014	
Distributions per Unit to Unitholders	**$ 0.22**	$ 0.22	

Operating income attributable to Unitholders for the quarter ended December 31, 2011 of $10,673 increased by $1,440 from $9,233 for the quarter ended December 31, 2010. The increase was primarily due to increased property revenue and property NOI as a result of 2011 and 2010 property acquisitions.

Property Revenue and Property Expenses

(In thousands of CAD dollars)	**Quarter Ended Dec. 31, 2011**	Quarter Ended Dec. 31, 2010	Variance
Same-asset property revenue	**$ 48,339**	$ 47,681	$ 658
Acquisition, disposition and redevelopment property revenue	**10,343**	8,012	2,331
Property revenue	**$ 58,682**	$ 55,693	$ 2,989

Same-asset property revenue for the quarter ended December 31, 2011 increased by 1.3% compared to the same quarter in 2010. The property revenue variance was impacted by increases in rental rates offset by lower occupancy rates.

(In thousands of CAD dollars)	**Quarter Ended Dec. 31, 2011**	Quarter Ended Dec. 31, 2010	Variance
Same-asset property operating expenses	**$ 19,278**	$ 19,003	$ (275)
Acquisition, disposition and redevelopment property operating expenses	**3,250**	2,667	(583)
Property operating expenses	**$ 22,528**	$ 21,670	$ (858)

Same-asset property operating expenses of $19,278 for the quarter ended December 31, 2011 were marginally higher than the quarter ended December 31, 2010 due primarily to increased recoverable property taxes.

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Same-asset property NOI	$ 29,061	$ 28,678	$ 383
Acquisition, disposition and redevelopment property NOI	7,093	5,345	1,748
Property NOI	$ 36,154	$ 34,023	$ 2,131

Same-asset NOI for the quarter ended December 31, 2011 increased by $383 or 1.4% from the quarter ended December 31, 2010, primarily due to increases in rental rates offset in part by lower occupancy rates.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Property NOI	$ 36,154	$ 34,023	$ 2,131
Non-cash straight-line rent	(1,004)	(734)	(270)
Non-cash tenant incentive amortization	1,333	1,126	207
Property cash NOI	36,483	34,415	2,068
Acquisition, disposition and redevelopment property cash NOI	9,285	7,651	1,634
Same-asset property cash NOI	$ 27,198	$ 26,764	$ 434

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of tenant incentives. The $434 or 1.6% increase in same-asset cash NOI for the quarter ended December 31, 2011 over December 31, 2010 is primarily due to increases in rental rates offset in part by lower occupancy rates.

Property NOI for the quarter ended December 31, 2011 by province was as follows:

				2011	2010	
(In thousands of CAD dollars, except as otherwise noted)	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue	Variance
Nova Scotia	$ 24,565	$ 11,236	$ 13,329	54.3%	52.3%	2.0%
Ontario	9,233	3,193	6,040	65.4%	66.3%	(0.9)%
Newfoundland and Labrador	8,535	2,673	5,862	68.7%	69.7%	(1.0)%
New Brunswick	6,903	2,884	4,019	58.2%	57.9%	0.3%
Quebec	5,543	1,613	3,930	70.9%	71.3%	(0.4)%
Alberta	1,892	293	1,599	84.5%	95.7%	(11.2)%
Prince Edward Island	1,062	348	714	67.2%	72.6%	(5.4)%
Saskatchewan	949	288	661	69.7%	73.3%	(3.6)%
Total	$ 58,682	$ 22,528	$ 36,154	61.6%	61.1%	0.5%

The increase in NOI as a percentage of revenue in Nova Scotia is primarily due to acquisitions. The decrease in NOI as a percentage of revenue in Prince Edward Island is due to the exchange of one freestanding property for a freestanding property in Nova Scotia during the second quarter of 2011. The decrease in NOI as a percentage of revenue in Alberta is reflective of 2010 properties only including freestanding stores, while 2011 results include a retail plaza acquired in May 2011, with the NOI as a percentage of revenue on retail plazas being lower than on freestanding properties.

FOURTH QUARTER RESULTS (cont.)

Depreciation and Amortization

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Same-asset depreciation and amortization	$ 6,721	$ 7,026	$ 305
Acquisition, disposition and redevelopment depreciation and amortization	1,581	923	(658)
Depreciation and amortization	$ 8,302	$ 7,949	$ (353)

Same-asset depreciation and amortization of $6,721 for the quarter ended December 31, 2011 was $305 or 4.3% lower than the quarter ended December 31, 2010 due primarily to intangible assets related to tenant relationships and certain components of buildings being fully amortized. Depreciation and amortization consists of:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Depreciation of investment properties	$ 6,809	$ 6,383	$ (426)
Amortization of intangible assets	1,351	1,399	48
Amortization of deferred leasing costs	142	167	25
Depreciation and amortization	$ 8,302	$ 7,949	$ (353)

General and Administrative Expenses

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

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Salaries and benefits	$ 1,644	$ 224	$ (1,420)
Professional fees	308	465	157
Public company costs	320	341	21
Rent and occupancy	84	203	119
Other	450	376	(74)
General and administrative expenses	$ 2,806	$ 1,609	$ (1,197)
As a percentage of property revenue	4.8%	2.9%	(1.9)%

Salaries and benefits in the fourth quarter of 2010 were favourably impacted by the recognition of actuarial gains on Crombie's benefit plans.

Finance Costs – Operations

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Same-asset finance costs	$ 10,673	$ 11,610	$ 937
Acquisition, disposition and redevelopment finance costs	2,573	2,054	(519)
Amortization of effective swaps and deferred financing charges	1,732	1,868	136
Finance costs – operations	$ 14,978	$ 15,532	$ 554

Same-asset finance costs have decreased by $937 or 8.1% due to: the conversion of Series B Convertible Debentures; lower interest rates on fixed rate and floating rate debt; and one mortgage maturity that was temporarily refinanced using the Revolving Credit Facility at a lower interest rate.

The weighted average contractual interest rate on fixed rate mortgages decreased to 5.62% at December 31, 2011 from 5.77% at December 31, 2010, as a result of refinancings and acquisitions since December 31, 2010.

Floating rate debt decreased from $50,000 at December 31, 2010 to $40,000 at December 31, 2011.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% on certain mortgages that were assumed at Crombie's IPO for their remaining term. The remaining mortgage terms mature through April 2022. The amount of the interest rate subsidy received during the quarter ended

December 31, 2011 was $284 (quarter ended December 31, 2010 – $366). The interest rate subsidy is received by Crombie through monthly repayments by ECLD of amounts due under one of the demand notes issued by ECLD to CDL.

Growth in acquisition, disposition and redevelopment interest expense is consistent with Crombie's significant acquisition activity in 2011 and 2010.

Amortization of effective swaps and deferred financing charges has been impacted by the decrease in amortization of deferred financing charges from $807 in 2010 to $541 in 2011, partially the result of conversions of Series B Convertible Debentures in the fourth quarter of 2010 resulting in a higher write-off of deferred financing charges.

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.

Retail – Freestanding Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Quarter Ended December 31, 2010 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 6,419	$ 2,427	$ 8,846	$ 6,037	$ 1,848	$ 7,885
Property operating expenses	1,310	242	1,552	1,179	90	1,269
Property NOI	$ 5,109	$ 2,185	$ 7,294	$ 4,858	$ 1,758	$ 6,616
NOI Margin %	79.6%	90.0%	82.5%	80.5%	95.1%	83.9%
Actual occupancy %	99.7%	100%	99.8%	100%	100%	100%

Same-asset property revenue and property operating expenses increased in 2011 compared to 2010 due to an increase in the amount of property taxes being paid by Crombie and recovered from tenants.

Retail – Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Quarter Ended December 31, 2010 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 18,064	$ 4,833	$ 22,897	$ 18,546	$ 2,705	$ 21,251
Property operating expenses	6,553	1,438	7,991	6,447	715	7,162
Property NOI	$ 11,511	$ 3,395	$ 14,906	$ 12,099	$ 1,990	$ 14,089
NOI Margin %	63.7%	70.2%	65.1%	65.2%	73.6%	66.3%
Actual occupancy %	94.2%	99.1%	95.3%	95.9%	98.3%	96.2%

Same-asset property revenue has decreased 2.6% due to lower recoverable expenditures and lower occupancy rates.

Retail – Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Quarter Ended December 31, 2010 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 11,456	$ 1,065	$ 12,521	$ 10,670	$ 1,239	$ 11,909
Property operating expenses	4,277	443	4,720	3,990	706	4,696
Property NOI	$ 7,179	$ 622	$ 7,801	$ 6,680	$ 533	$ 7,213
NOI Margin %	62.7%	58.4%	62.3%	62.6%	43.0%	60.6%
Actual occupancy %	94.6%	88.6%	93.7%	94.9%	92.9%	94.6%

Same-asset retail enclosed property revenue increased by 7.4% due to higher recoverable expenditures and a higher recovery rate. Same-asset enclosed property operating expenses increased by 8.3% compared to 2010 due to higher recoverable expenditures.

FOURTH QUARTER RESULTS (cont.)

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011 Same-asset	Quarter Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Quarter Ended December 31, 2011 Total	Quarter Ended December 31, 2010 Same-asset	Quarter Ended December 31, 2010 Acquisitions, Dispositions & Redevelopments	Quarter Ended December 31, 2010 Total
Property revenue	$ 5,193	$ 1,209	$ 6,402	$ 4,168	$ 1,359	$ 5,527
Property operating expenses	2,955	569	3,524	3,024	664	3,688
Property NOI	$ 2,238	$ 640	$ 2,878	$ 1,144	$ 695	$ 1,839
NOI Margin %	43.1%	52.9%	45.0%	27.4%	51.1%	33.3%
Actual occupancy %	82.2%	32.0%	73.2%	83.9%	100%	86.7%

During the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed-use properties to office properties. The impact is an increase in office properties revenue and NOI margin percentage and a decrease in mixed-use properties revenue and NOI margin percentage. The reclassification reflects parking revenue generated by tenants of the office properties.

Mixed – Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011 Same-asset	Quarter Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Quarter Ended December 31, 2011 Total	Quarter Ended December 31, 2010 Same-asset	Quarter Ended December 31, 2010 Acquisitions, Dispositions & Redevelopments	Quarter Ended December 31, 2010 Total
Property revenue	$ 7,207	$ 809	$ 8,016	$ 8,260	$ 861	$ 9,121
Property operating expenses	4,183	558	4,741	4,363	492	4,855
Property NOI	$ 3,024	$ 251	$ 3,275	$ 3,897	$ 369	$ 4,266
NOI Margin %	42.0%	31.0%	40.9%	47.2%	42.9%	46.8%
Actual occupancy %	93.7%	80.9%	90.7%	94.5%	95.7%	94.8%

During the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed-use properties to office properties. The impact is an increase in office properties revenue and NOI margin percentage and a decrease in mixed-use properties revenue and NOI margin percentage. The reclassification reflects parking revenue generated by tenants of the office properties.

OTHER FOURTH QUARTER 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-IFRS measures:

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31 2010
Operating income attributable to Unitholders	**$ 10,673**	$ 9,233
Operating income attributable to Unitholders per unit – Basic	**$ 0.15**	$ 0.14
Operating income attributable to Unitholders per unit – Diluted	**$ 0.15**	$ 0.14
FFO – Basic	**$ 19,708**	$ 18,008
FFO – Diluted	**$ 21,609**	$ 20,409
FFO per Unit – Basic	**$ 0.27**	$ 0.27
FFO per Unit – Diluted	**$ 0.26**	$ 0.26
AFFO – Basic	**$ 16,486**	$ 15,059
AFFO – Diluted	**$ 17,867**	$ 16,936
AFFO per Unit – Basic	**$ 0.23**	$ 0.23
AFFO per Unit – Diluted	**$ 0.22**	$ 0.22

Operating income attributable to Unitholders is determined before deducting financing costs – distributions to Unitholders and represents the most equivalent measure to net income available to all Unitholders, had the Units been classified as equity instruments.

The diluted FFO and AFFO are adjusted 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:

	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31 2010
Basic number of Units for all measures	**72,896,960**	65,835,302
Diluted for operating income attributable to Unitholders purposes	**73,078,100**	66,013,715
Diluted for FFO purposes	**83,108,733**	78,351,588
Diluted for AFFO purposes	**80,802,194**	76,044,371

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 IFRS measure, which, in the case of Operating income attributable to Unitholders, is Decrease in net assets attributable to Unitholders from the Consolidated Statements of Comprehensive Income (Loss). The reconciliation is as follows:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010
Operating income attributable to Unitholders	**$ 10,673**	$ 9,233
Finance costs – distributions to Unitholders	**(16,530)**	(14,702)
Decrease in net assets attributable to Unitholders	**$ (5,857)**	$ (5,469)

Funds from Operations (FFO)

FFO is as previously defined in this MD&A. The calculation of FFO for the quarter ended December 31, 2011 and 2010 is as follows:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Decrease in net assets attributable to Unitholders	**$ (5,857)**	$ (5,469)	$ (388)
Add (deduct):			
Finance costs – distributions to Unitholders	**16,530**	14,702	1,828
Amortization of tenant incentives	**1,333**	1,126	207
Depreciation of investment properties	**6,809**	6,383	426
Amortization of intangible assets	**1,351**	1,399	(48)
Amortization of deferred leasing costs	**142**	167	(25)
Taxes – deferred	**(600)**	(300)	(300)
FFO	**$ 19,708**	$ 18,008	$ 1,700

The increase in FFO for the quarter ended December 31, 2011 was primarily due to growth in acquisition property NOI, net of finance cost increases related to the acquisitions.

OTHER FOURTH QUARTER PERFORMANCE MEASURES (cont.)

Adjusted Funds from Operations (AFFO)

AFFO is as previously defined in this MD&A. The calculation of AFFO for the quarter ended December 31, 2011 and 2010 is as follows:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
FFO	**$ 19,708**	$ 18,008	$ 1,700
Add (deduct):			
Amortization of effective swap agreements	**1,191**	1,061	130
Straight-line rent adjustment	**(1,004)**	(734)	(270)
Maintenance expenditures on a square footage basis	**(3,409)**	(3,276)	(133)
AFFO	**$ 16,486**	$ 15,059	$ 1,427

The AFFO for the quarter ended December 31, 2011 was $16,486, an increase of $1,427 or 9.5% over the same period in 2010 due primarily to the improved FFO results as previously discussed.

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 provided by (used in) operating activities from the Consolidated Statements of Cash Flows. The reconciliation is as follows:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in) operating activities	**$ 6,518**	$ 1,332	$ 5,186
Add (deduct):			
Finance costs – distributions to Unitholders	**16,530**	14,702	1,828
Change in other non-cash operating items	**(2,604)**	3,123	(5,727)
Unit-based compensation expense	**(8)**	(15)	7
Amortization of deferred financing charges	**(541)**	(807)	266
Maintenance expenditures on a square footage basis	**(3,409)**	(3,276)	(133)
AFFO	**$ 16,486**	$ 15,059	$ 1,427

The following provides an analysis of the impact of the transition to IFRS on previously reported non-IFRS measures included in this MD&A.

	Quarter Ended Dec 31, 2010
FFO, as previously reported	$ 17,834
Adjustments:	
Amortization of above-market leases	765
Amortization of below-market leases	(1,490)
Accretion of Notes receivable	84
Recognition of unamortized employee future benefits obligation	815
FFO, as currently reported	$ 18,008
AFFO, as previously reported	$ 15,198
Maintenance expenditures on a square footage basis	(3,276)
Maintenance capital expenditures, actual	1,783
Maintenance TI and leasing costs, actual	455
Accretion of Notes receivable	84
Recognition of unamortized employee future benefits obligation	815
AFFO, as currently reported	$ 15,059

Amortization of above-market and below-market leases was previously included in the determination of property revenue, and thus impacted the calculation of FFO. Under IFRS, these amounts are not recognized as separate intangible assets and liabilities and their amount, if any, is included in the determination of the total value of investment properties with their depreciation included in depreciation of investment properties. These amounts do not impact the calculation of AFFO.

On transition to IFRS, Crombie present valued the long-term note receivable. The note receivable is being accreted with the interest income being recognized as an offset to finance costs – operations. The accretion increases the previously reported FFO and AFFO.

As previously discussed, Crombie is now charging AFFO using a rate per square foot for maintenance expenditures. The impact of this change on previously reported AFFO for the quarter ended December 31, 2010 is as follows:

AFFO increase (decrease)	$ (1,038)
AFFO per unit, basic	$ (0.01)
AFFO per unit, diluted	$ (0.02)
AFFO payout ratio	(6.3)%

Sources and Uses of Funds

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

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Operating activities	$ 6,518	$ 1,332	$ 5,186
Financing activities	$ 68,585	$ 19,849	$ 48,736
Investing activities	$ (75,049)	$ (34,550)	$ (40,499)

Operating Activities

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	$ 3,914	$ 4,455	$ (541)
Non-cash operating items	2,604	(3,123)	5,727
Cash provided by operating activities	$ 6,518	$ 1,332	$ 5,186

Fluctuations in cash used in operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Net issue of loans and borrowings	$ (4,461)	$ 19,527	$ (23,988)
Net issue of convertible debentures	–	264	(264)
Net issue of Units	72,858	214	72,644
Other items (net)	188	(156)	344
Cash provided by financing activities	$ 68,585	$ 19,849	$ 48,736

Cash from financing activities in the quarter ended December 31, 2011 increased by $48,736 over the quarter ended December 31, 2010 primarily due to the issuance of new units.

Investing Activities

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Acquisition of investment properties	$ (70,790)	$ (28,693)	$ (42,097)
Additions to investment properties	(9,597)	(3,746)	(5,851)
Proceeds on disposal of investment properties	7,000	–	7,000
Additions to TI	(1,686)	(2,021)	335
Additions to deferred leasing costs	(90)	(204)	114
Other items (net)	114	114	–
Cash used in investing activities	$ (75,049)	$ (34,550)	$ (40,499)

In the fourth quarter of 2011, Crombie acquired retail properties with a net cash outlay of $70,003 excluding closing and transaction costs. In the fourth quarter of 2010, Crombie acquired retail properties with a net cash outlay of $28,250 excluding closing and transaction costs.

OTHER FOURTH QUARTER PERFORMANCE MEASURES (cont.)

Tenant Improvement (TI) and Capital Expenditures

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010
Total additions to investment properties	$ 9,597	$ 3,746
Less: amounts recoverable from ECLD	–	–
Net additions to investment properties	9,597	3,746
Less: productive capacity enhancements and recoverable amounts	(7,027)	(3,113)
Maintenance capital expenditures	$ 2,570	$ 633

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010
Total additions to TI and deferred leasing costs	$ 1,776	$ 2,225
Less: amounts recoverable from ECLD	–	(5)
Net additions to TI and deferred leasing costs	1,776	2,220
Less: productive capacity enhancements	(322)	(839)
Maintenance TI and deferred leasing costs	$ 1,454	$ 1,381

As maintenance capital expenditures and TI and deferred leasing costs are not incurred evenly throughout the fiscal year, there can be volatility on a quarterly basis. The quarterly comparison is also impacted by the timing of the cost incurrence and related payments.

Productive capacity enhancements during the quarter ended December 31, 2011 consisted primarily of redevelopment work on Sydney Shopping Centre in Sydney, Nova Scotia and GLA expansions underway at Taunton & Wilson Plaza in Oshawa, Ontario, Avalon Mall in St. John's, Newfoundland and Labrador and Beauport Plaza in Beauport, Quebec.

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 note. 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, 2011, Empire through its wholly-owned subsidiary ECLD, holds a 44.6% (fully diluted 40.4%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Note	Three Months Ended Dec. 31, 2011	Three Months Ended Dec. 31, 2010	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Property revenue	(a)	**$ 19,708**	$ 15,280	**$ 79,424**	$ 66,022
Head lease income	(b)	**$ 395**	$ 346	**$ 841**	$ 808
Management support services provided	(c)	**$ 130**	$ 210	**$ 820**	$ 904
Property management services	(d)	**$ 133**	$ 260	**$ 830**	$ 1,024
Rental expense	(e)	**$ 46**	$ 47	**$ 187**	$ 187
Interest rate subsidy	(b)	**$ 284**	$ 366	**$ 1,268**	$ 1,627
Finance costs – operations	(f)	**$ 206**	$ 233	**$ 877**	$ 939
Finance costs – distributions to Unitholders		**$ 7,368**	$ 6,849	**$ 27,915**	$ 26,433

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

(b) For various periods, ECLD has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006 between CDL, Crombie Limited Partnership ("CLP") and ECLD. 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 real estate subsidiaries of Empire on a cost sharing basis pursuant to a Management Cost Sharing Agreement, dated March 23, 2006, between CDL, a subsidiary of Crombie and ECLD, a subsidiary of Empire Company Limited.

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

(e) Crombie leases its head office space from ECLD. The lease expires December 2027.

(f) $10,000 of Series B Convertible Debentures with an annual interest rate of 6.25% is held by Empire.

In addition to the above:

- On October 20, 2011, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units at a price of $12.85 per Class B LP Unit for gross proceeds of $30,000, on a private placement basis.
- On October 31, 2011, Crombie repaid $5,622 in second mortgage financings with a weighted average interest rate of 5.38% held by Empire Company Limited.
- During the fourth quarter of 2011, Crombie acquired three retail properties from subsidiaries of Empire. The properties contain approximately 261,000 square feet and two are located in Nova Scotia and one in Ontario. The total price of the three acquisitions was approximately $67,280, excluding closing and transaction costs. In addition, Crombie completed the disposition of a 49,300 square foot freestanding retail property in Riverview, New Brunswick to a subsidiary of Empire Company Limited. The disposition price was $7,000, which approximated the carrying value of the property. Crombie paid out the mortgage on the property of $2,449.
- During the third quarter of 2011, Crombie acquired three retail properties for a purchase price of $24,820, excluding closing and transaction costs. The properties, containing approximately 131,000 square feet, were acquired from subsidiaries of Empire.
- During the second quarter of 2011, Crombie acquired two retail properties for a purchase price of $27,490, excluding closing and transaction costs. The properties, contain approximately 137,000 square feet, were acquired from subsidiaries of Empire. In addition, Crombie exchanged a property with a subsidiary of Empire. The purchase price of the acquired property and the disposal price of the derecognized property were based on the carrying value of the derecognized property, which approximated their respective fair values.
- During fiscal 2010, Crombie acquired 18 retail properties for a purchase price of $154,823, excluding closing and transaction costs. The properties, contain approximately 780,000 square feet, were acquired from subsidiaries of Empire. In addition to the above acquisitions, on November 22, 2010, Crombie acquired two retail properties for a purchase price of $17,000, excluding closing and transaction costs. The properties, containing approximately 87,000 square feet, were acquired from a joint venture of which a subsidiary of Empire was a 50% partner.
- On February 22, 2010 Crombie repaid $3,471 to ECL General Partner Limited to retire a loan as required under the terms of the agreement.
- On August 4, 2010, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECLD purchased 1,855,000 Class B LP Units and the attached Special Voting Units at a price of $11.05 per Class B LP Unit for proceeds of $20,381 net of issue costs, on a private placement basis.

(In thousands of dollars, except per unit amounts)

RELATED PARTY TRANSACTIONS (cont.)

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:

	Three Months Ended Dec. 31, 2011	Three Months Ended Dec. 31, 2010	**Year Ended Dec. 31, 2011**	Year Ended Dec. 31, 2010
Salary, bonus and other short-term employee benefits	**$ 566**	$ 306	**$ 2,103**	$ 1,889
Other long-term benefits	**21**	3	**147**	77
	$ 587	$ 309	**$ 2,250**	$ 1,966

Critical Accounting Estimates

Property Acquisitions
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 time, adjusted for the estimated probability of renewal.

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

Investment Properties
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.

Repair 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.

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 Judgements
The preparation of consolidated financial statements 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 when events or changes in circumstances 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 property 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.

(In thousands of dollars, except per unit amounts)

RELATED PARTY TRANSACTIONS (cont.)

Financial Instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

Crombie has classified its financial instruments in the following categories:

- Held to maturity investments – assets related to derecognized property
- Loans and receivables – restricted cash, cash and cash equivalents, notes receivable and trade receivables
- Other financial liabilities – investment property debt, liability related to derecognized property, convertible debentures, tenant improvements and capital expenditures payable, property operating costs payable, interest payable and distributions payable
- Available for sale – derivative instruments

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair values at the balance sheet date.

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.

The following table summarizes the carrying value (excluding deferred financing charges) and fair value of those financial instruments which have a fair value different from their book value at the balance sheet date.

	Dec. 31, 2011 Carrying Value	**Dec. 31, 2011 Fair Value**	Dec. 31, 2010 Carrying Value	Dec. 31, 2010 Fair Value
Assets related to derecognized property	**$ 6,401**	**$ 6,547**	$ 6,670	$ 6,815
Investment property debt	**$ 885,490**	**$ 985,627**	$ 805,665	$ 845,052
Convertible debentures	**$ 127,464**	**$ 145,911**	$ 153,248	$ 166,553
Liabilities related to derecognized property	**$ 5,999**	**$ 6,350**	$ 6,171	$ 6,437

Crombie uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

Level 1 – quoted prices in active markets

Level 2 – inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly

Level 3 – inputs are not based on observable market data (unobservable inputs)

The following categorizes and summarizes the significant methods and assumptions used in estimating the fair values of the financial instruments reflected in the above table:

Convertible debentures: The fair value of the convertible debentures is estimated based on the market trading prices, at the reporting date, of the convertible debentures.

Assets related to derecognized property: The fair value of the bonds and treasury bills are based on market trading prices at the reporting date.

Investment property debt and liabilities related to derecognized properties: The fair value of Crombie's investment property debt and liabilities related to derecognized property is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying debt, plus an estimated credit spread at the reporting date.

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. Details of this agreement are disclosed in "Related Party Transactions".

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. Crombie has $408 in standby letters of credit for construction work that is being performed on its investment properties. In connection with the defeasance of the derecognized property investment property debt, Crombie has issued a standby letter of credit in the amount of $1,715 in favour of the mortgage lender. In addition, to satisfy the requirements of mortgage financings, Crombie has issued standby letters of credit in the amount of $9,400 in favour of mortgage lenders. 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 13 to 73 years including renewal options. For the year ended December 31, 2011, Crombie paid $1,175 in land lease payments to third party landlords (year ended December 31, 2010 – $1,010).

As at December 31, 2011, Crombie has signed construction contracts totalling $9,697 of which $6,861 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:

Risk Factors Related to the Real Estate Industry

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 collectibility 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, 2011:

- Excluding Sobeys (which accounts for 37.0% of Crombie's minimum rent), no other tenant accounts for more than 2.2% of Crombie's minimum rent; and
- Over the next five years, leases on no more than 8.1% of the GLA area of Crombie will expire in any one year.

Crombie earned property revenue of $79,424 for the year ended December 31, 2011 (year ended December 31, 2010 – $66,022) from subsidiaries of Empire.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivables 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.

(In thousands of dollars, except per unit amounts)

RISK MANAGEMENT (cont.)

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.

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Provision for doubtful accounts, beginning of period	**$ 699**	$ 326
Additional provision	**301**	624
Recoveries	**(143)**	(86)
Write-offs	**(456)**	(165)
Provision for doubtful accounts, end of period	**$ 401**	$ 699

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, 37.0% 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 is also heavily concentrated in Atlantic Canada. An economic downturn concentrated in the Atlantic Canada region could also adversely impact Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2011 are as follows:

- 46 properties in Nova Scotia comprising 38.6%;
- 28 properties in Ontario comprising 17.1%;
- 22 properties in New Brunswick comprising 11.4%;
- 18 properties in Quebec comprising 9.4%;
- 13 properties in Newfoundland and Labrador comprising 15.4%;
- seven properties in Alberta comprising 4.2%;
- two properties in Prince Edward Island comprising 2.2%; and
- two properties in Saskatchewan comprising 1.7%.

Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk. The percentage of annual minimum rent earned in Atlantic Canada has decreased from 68.9% at December 31, 2010 to 67.6% at December 31, 2011.

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, limiting the use of permanent floating rate debt and utilizing interest rate swap agreements. As at December 31, 2011:

- Crombie's weighted average term to maturity of the fixed rate mortgages was 7.9 years; and
- Crombie has a floating rate revolving credit facility available to a maximum of $150,000, with a balance of $40,000 at December 31, 2011. Crombie's exposure to floating rate debt was reduced by a $50,000 fixed interest rate swap agreement discussed below. Crombie did not renew or replace the fixed interest rate agreements which expired July 4, 2011.

Crombie had entered into an interest rate swap agreement to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount. The unfavourable mark-to-market exposure was included in payables and the change in the mark-to-market adjustment has been recognized in other comprehensive income (loss). The mark-to-market amount of the fixed interest rate swap reduced to $Nil upon maturity of the swap on July 4, 2011.

Crombie estimates that $4,145 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2012, based on all settled swap agreements as of December 31, 2011.

A fluctuation in interest rates would have had an impact on Crombie's operating income. 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:

Impact on operating income attributable to Unitholders of interest rate changes on the floating rate Revolving Credit Facility	Impact of a 0.5% interest rate change Decrease in rate	 Increase in rate
Year ended December 31, 2011	$ 517	$ (517)
Year ended December 31, 2010	$ 526	$ (526)

Impact on other comprehensive income due to changes in fair value of derivatives designated as a cash flow hedge	Decrease in rate	Increase in rate
December 31, 2011	$ NIL	$ (NIL)
December 31, 2010	$ (478)	$ (460)

Crombie does not enter into interest rate swap transactions on a speculative basis. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

Although Crombie did not renew or replace its fixed interest rate swap agreement, there has been no significant change to Crombie's interest rate risk.

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 and/or refinance the debt obligations as they mature.

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 into the portfolio through capital expenditures, as well as fund tenant improvement 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 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, the amount of any outstanding letters of credit plus any unfavourable mark-to-market position on any interest rate swap agreements and cannot exceed the security provided by Crombie. Any deterioration in the mark-to-market position may reduce Crombie's available credit in the Revolving Credit Facility.

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

	Contractual Cash Flows(1)	2012	2013	2014	2015	2016	Thereafter
Fixed rate mortgages(2)	$ 1,141,590	$ 75,175	$ 101,904	$ 130,491	$ 116,640	$ 103,616	$ 613,764
Convertible debentures	155,737	7,967	36,313	5,868	56,707	2,588	46,294
	1,297,327	83,142	138,217	136,359	173,347	106,204	660,058
Floating rate revolving credit	43,200	1,280	1,280	40,640	–	–	–
Total	$ 1,340,527	$ 84,422	$ 139,497	$ 176,999	$ 173,347	$ 106,204	$ 660,058

(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.

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.

RISK MANAGEMENT (cont.)

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 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 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. 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 has not provided any security to guarantee these obligations. If ECL, 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 Business 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 Business 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 as discussed in "Overview of the Business and Recent Developments". 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, 2009, 2010 and 2011 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.

RISK MANAGEMENT (cont.)

Indirect Ownership of Units by Empire

ECLD holds a 44.6% (fully diluted 40.4%) economic interest in Crombie through the ownership of 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.

SUBSEQUENT EVENTS

On January 19, 2012, Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2012 to, and including, January 31, 2012. The distributions of $5,511 were paid on February 15, 2012 to Unitholders of record as January 31, 2012.

On February 17, 2012, Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2012 to, and including, February 29, 2012. The distributions will be paid on March 15, 2012 to Unitholders of record as at February 29, 2012.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. Our Chief Executive Officer and Chief Financial Officer have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2011. They have concluded that our current disclosure controls and procedures are designed to provide, and do operate to provide, reasonable assurance that (i) information required to be disclosed by Crombie in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding Crombie is accumulated and communicated to Crombie's management, including its Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

In addition, our Chief Executive Officer and Chief Financial Officer 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. Further, our Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the financial year end and have concluded that our current ICFR was effective at the financial year end 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.

(In thousands of CAD dollars, except per unit amounts)	Quarter Ended Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Quarter Ended Dec. 31,2010	Sep. 30, 2010	Jun. 30, 2010	Mar. 31,2010
Property revenue	$ 58,682	$ 54,781	$ 56,357	$ 56,318	$ 55,693	$ 51,450	$ 50,936	$ 51,358
Property operating expenses	22,528	19,611	20,639	21,424	21,670	18,936	18,686	20,008
Property net operating income	36,154	35,170	35,718	34,894	34,023	32,514	32,250	31,350
Expenses:								
General and administrative	(2,806)	(2,487)	(2,861)	(2,500)	(1,609)	(2,627)	(3,003)	(2,523)
Finance costs – operations	(14,978)	(16,075)	(15,684)	(15,411)	(15,532)	(14,706)	(14,642)	(13,530)
Depreciation and amortization	(8,302)	(7,718)	(7,610)	(7,757)	(7,949)	(7,536)	(7,639)	(8,122)
Operating income before other items and income taxes	10,068	8,890	9,563	9,226	8,933	7,645	6,966	7,175
Other items	5	–	163	–	–	162	185	–
Operating income before income taxes	10,073	8,890	9,726	9,226	8,933	7,807	7,151	7,175
Taxes – deferred	600	200	(600)	100	300	300	400	–
Operating income	10,673	9,090	9,126	9,326	9,233	8,107	7,551	7,175
Finance costs – distributions to Unitholders	(16,530)	(15,132)	(14,870)	(14,751)	(14,702)	(14,251)	(13,569)	(13,568)
Increase (decrease) in net assets attributable to Unitholders	$ (5,857)	$ (6,042)	$ (5,744)	$ (5,425)	$ (5,469)	$ (6,144)	$ (6,018)	$ (6,393)
Basic and diluted operating income per unit	$ 0.15	$ 0.13	$ 0.14	$ 0.14	$ 0.14	$ 0.13	$ 0.12	$ 0.12
AFFO	$ 16,486	$ 14,851	$ 13,456	$ 15,259	$ 15,062	$ 13,668	$ 12,969	$ 13,087
FFO	$ 19,708	$ 17,977	$ 18,457	$ 18,329	$ 18,008	$ 16,584	$ 15,886	$ 16,323
Distributions	$ 16,530	$ 15,132	$ 14,870	$ 14,751	$ 14,702	$ 14,251	$ 13,569	$ 13,568
AFFO per unit – basic	$ 0.23	$ 0.22	$ 0.20	$ 0.23	$ 0.23	$ 0.21	$ 0.21	$ 0.22
AFFO per unit – diluted(1)	$ 0.22	$ 0.22	$ 0.20	$ 0.22	$ 0.22	$ 0.21	$ 0.21	$ 0.21
FFO per unit – basic	$ 0.27	$ 0.27	$ 0.28	$ 0.28	$ 0.27	$ 0.26	$ 0.26	$ 0.27
FFO per unit – diluted(1)	$ 0.26	$ 0.26	$ 0.26	$ 0.26	$ 0.26	$ 0.25	$ 0.25	$ 0.26
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 includes 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.

(In thousands of dollars, except per unit amounts)

QUARTERLY INFORMATION (cont.)

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

- Property acquisitions – during the fourth quarter of 2011, Crombie acquired three retail plazas and a freestanding addition to an existing property for a total purchase price of the $72,878; during the third quarter of 2011, Crombie acquired three retail properties for a purchase price of $24,820; during the quarter ended June 30, 2011, acquired three retail properties for a total purchase price of $49,340; during the quarter ended December 31, 2010, acquired three retail properties for $28,250; during the quarter ended September 30, 2010, acquired nine retail properties for $84,297; and during the quarter ended March 31, 2010, Crombie acquired eight retail properties for a total purchase price of $59,276. The purchase prices exclude closing and transaction costs.
- Property revenue and property operating expenses – Crombie's business is not subject to significant seasonal fluctuations. However, property operating expenses during winter months include such expenses 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 such expenses as paving and roof repairs.
- General and administrative expenses – for the quarter ended June 30, 2010, general and administrative expenses increased due to costs associated with the departure of Crombie's Chief Financial Officer.

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 $72,858 in the quarter ended December 31, 2011 and $48,536 in the quarter ended September 30, 2010.

Variations in Quarterly Results Influenced by the Change in Accounting Standards

Effective from January 1, 2010, Crombie's results are reported using IFRS, while reported results prior to that date are prepared using Canadian GAAP. The quarterly information for 2010 has been restated from Canadian GAAP to IFRS and the most significant impacts of the change in accounting standards on the previously reported 2010 quarterly information are:

- Finance costs – distributions to Unitholders – On transition to IFRS, Crombie's REIT Units and Class B LP Units are classified as financial liabilities, whereas under Canadian GAAP the REIT Units were classified as equity and the Class B LP Units were classified as Non-controlling interest within the equity section. The impact of this change in classification is that distributions paid to Unitholders are considered a finance cost on the financial liabilities.
- Depreciation and amortization – Crombie has chosen the cost method under IFRS for valuation of its investment properties. Crombie elected to adjust certain properties and components of properties to fair value as deemed cost on transition to IFRS. As a result of the election, depreciation and amortization for the quarters reported under IFRS is less than that for the quarters reported under Canadian GAAP. The impact of the change on total depreciation and amortization for the year ended December 31, 2010 was a decrease of $4,563 from the amount previously reported under Canadian GAAP. This decrease is primarily the result of increased land values on transition offset by decreased values for depreciable components of investment properties.
- In addition, the presentation of amortization has changed under IFRS. Previously, amortization of above-market and below-market lease intangibles was included in Property revenue, while Amortization of tenant incentives was included in depreciation expenses. Under IFRS, the amounts previously considered above-market and below-market lease intangibles are now included in the cost of the building component of Investment properties and a separate Intangible asset is recognized for Tenant relationships. The building is depreciated through Depreciation of investment properties and the Amortization of tenant incentives is included in Property revenue versus previously being included in Depreciation and Amortization expense.
- Property revenue – As a result of the change in the presentation of amortization of above-market and below-market lease intangibles and the Amortization of tenant incentives, Property revenue decreased from the amounts previously reported as follows:

Three months ended:		
March 31, 2010	$	1,863
June 30, 2010	$	1,876
September 30, 2010	$	1,968
December 31, 2010	$	1,852

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

Dated: February 22, 2012
Stellarton, Nova Scotia, Canada