CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Financial Statements
December 31, 2010

Independent auditors' report

To the Unitholders of

Crombie Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Crombie Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of income, comprehensive income, unitholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crombie Real Estate Investment Trust as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

New Glasgow, Canada
February 24, 2011

Chartered Accountants

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CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets
(In thousands of dollars)

	December 31, 2010	December 31, 2009
Assets		
Commercial properties (Note 4)	$1,453,996	$1,314,611
Intangible assets (Note 5)	116,658	103,357
Notes receivable (Note 6)	6,211	8,169
Other assets (Note 7)	25,355	24,100
Cash and cash equivalents	5,170	-
Assets related to discontinued operations (Note 22)	6,670	6,929
	$1,614,060	**$1,457,166**
Liabilities and Unitholders' Equity		
Commercial property debt (Note 8)	$799,127	$706,369
Convertible debentures (Note 9)	148,433	110,858
Payables and accruals (Note 10)	39,840	39,223
Intangible liabilities (Note 11)	27,515	31,558
Employee future benefits obligation (Note 24)	6,562	6,260
Distributions payable	4,903	4,522
Future income tax liability (Note 17)	77,200	79,700
Liabilities related to discontinued operations (Note 22)	6,171	6,334
	1,109,751	984,824
Non-controlling interest (Note 12)	234,903	225,367
Unitholders' equity	269,406	246,975
	$1,614,060	**$1,457,166**

Commitments and contingencies (Note 19)

Subsequent events (Note 25)

See accompanying notes to the consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Income
(In thousands of dollars, except per unit amounts)

	Year Ended December 31, 2010	Year Ended December 31, 2009
Revenues		
Property revenue (Note 14)	$216,996	$207,254
Lease terminations	347	610
	217,343	207,864
Expenses		
Property expenses	79,300	75,762
General and administrative expenses	10,579	9,274
Interest expense (Note 15)	58,789	46,319
Depreciation of commercial properties	20,094	18,765
Depreciation of recoverable capital expenditures	1,264	1,050
Amortization of tenant improvements/leasing costs	5,070	4,272
Amortization of intangible assets	16,939	21,944
	192,035	177,386
Income before other items	25,308	30,478
Other expenses (Note 16)	-	(9,999)
Income before income taxes and non-controlling interest	25,308	20,479
Income tax recovery - Future (Note 17)	(2,500)	(100)
Income before non-controlling interest	27,808	20,579
Non-controlling interest	13,145	9,831
Net income	**$14,663**	**$10,748**
Basic and diluted net income per Unit (Note 13)	**$0.44**	**$0.36**
Weighted average number of Units outstanding		
Basic	**33,114,024**	**29,611,781**
Diluted	**33,280,103**	**29,764,964**

See accompanying notes to the consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Comprehensive Income
(In thousands of dollars)

	Year Ended December 31, 2010	Year Ended December 31, 2009
Net income	$14,663	$10,748
Losses on derivatives designated as cash flow hedges transferred to net income in the current year	2,084	5,140
Net change in derivatives designated as cash flow hedges	552	6,994
Other comprehensive income	2,636	12,134
Comprehensive income	**$17,299**	**$22,882**

See accompanying notes to the consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity
(In thousands of dollars)

	REIT Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
	(Note 13)					
Unitholders' equity, January 1, 2010	$300,348	$45,378	$73	$(17,433)	$(81,391)	$246,975
Units released under EUPP	8	-	(8)	-	-	-
Units issued under EUPP	565	-	-	-	-	565
Loans receivable under EUPP	(565)	-	-	-	-	(565)
EUPP compensation	-	-	77	-	-	77
Repayment of EUPP loans receivable	409	-	-	-	-	409
Conversion of debentures	6,752	-	-	-	-	6,752
Units cancelled under NCIB	(604)	-	-	-	-	(604)
Net income	-	14,663	-	-	-	14,663
Distributions	-	-	-	-	(29,657)	(29,657)
Other comprehensive income	-	-	-	2,636	-	2,636
Unit issue proceeds, net of costs of $1,349	28,155	-	-	-	-	28,155
Unitholders' equity, December 31, 2010	**$335,068**	**$60,041**	**$142**	**$(14,797)**	**$(111,048)**	**$269,406**

	REIT Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
Unitholders' equity, January 1, 2009	$265,096	$34,630	$34	$(29,567)	$(54,635)	$215,558
Units released under EUPP	8	-	(8)	-	-	-
Units issued under EUPP	341	-	-	-	-	341
Loans receivable under EUPP	(341)	-	-	-	-	(341)
EUPP compensation	-	-	47	-	-	47
Repayment of EUPP loans receivable	183	-	-	-	-	183
Net income	-	10,748	-	-	-	10,748
Distributions	-	-	-	-	(26,756)	(26,756)
Other comprehensive income	-	-	-	12,134	-	12,134
Unit issue proceeds, net of costs of $1,794	35,061	-	-	-	-	35,061
Unitholders' equity, December 31, 2009	**$300,348**	**$45,378**	**$73**	**$(17,433)**	**$(81,391)**	**$246,975**

See accompanying notes to the consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows
(In thousand of dollars)

	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash flows provided by (used in)		
Operating Activities		
Net income	$14,663	$10,748
Items not affecting operating cash (Note 18)	54,260	62,007
	68,923	72,755
Additions to tenant improvements and leasing costs	(7,906)	(7,633)
Change in other non-cash operating items (Note 18)	5,202	(11,134)
Cash provided by operating activities	**66,219**	**53,988**
Financing Activities		
Issue of commercial property debt	273,222	154,782
Increase in deferred financing charges	(2,958)	(3,958)
Issue of convertible debentures	45,000	85,000
Issue costs of convertible debentures	(2,023)	(3,387)
Units and Class B LP Units issued	50,002	66,855
Units and Class B LP Units issue costs	(1,466)	(2,054)
Settlement of interest rate swap agreements	-	(36,204)
Repayment of commercial property debt	(187,067)	(261,351)
Decrease in liabilities related to discontinued operations	(163)	(183)
Collection of notes receivable	1,958	3,154
Repayment of EUPP loans receivable	409	183
Units acquired and cancelled under NCIB	(604)	-
Payment of distributions	(55,709)	(50,436)
Cash provided by (used in) financing activities	**120,601**	**(47,599)**
Investing Activities		
Additions to commercial properties	(14,097)	(9,967)
Additions to recoverable capital expenditures	(2,418)	(669)
Decrease in assets related to discontinued operations	259	255
Acquisition of commercial properties (Note 4)	(165,394)	(36)
Cash used in investing activities	**(181,650)**	**(10,417)**
Increase (decrease) in cash and cash equivalents during the year	**5,170**	**(4,028)**
Cash and cash equivalents, beginning of year	**-**	**4,028**
Cash and cash equivalents, end of year	**$5,170**	**$Nil**

See accompanying notes to the consolidated financial statements.

1) CROMBIE REAL ESTATE INVESTMENT TRUST

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA").

(b) Basis of consolidation

The consolidated financial statements include the accounts of Crombie and its incorporated and unincorporated subsidiaries.

(c) Property acquisitions

Upon acquisition of commercial properties, Crombie performs an assessment of the fair value of the properties' related tangible and intangible assets and liabilities (including land, buildings, origination costs, in-place leases, above- and below-market leases, and any other assumed 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 fair value of the building on an "as-if-vacant" basis, which is based on the present value of the anticipated net cash flow of the building from vacant start up to full occupancy.

Origination costs for existing leases - Origination costs are determined based on estimates of the costs that would be incurred to put the existing leases in place under the same terms and conditions. These costs include estimated tenant inducements, leasing commissions and tenant and lease coordination costs.

In-place leases - In-place lease values are determined based on estimated costs required for each lease that represents the net operating income lost during an estimated lease-up period that would be required to replace the existing leases at the time of purchase.

Tenant relationships - Tenant relationship values are determined based on costs avoided if the respective tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew.

Above- and below-market existing leases - Values ascribed to above- and below-market existing leases are determined based on the present value of the difference between the rents payable under the terms of the respective leases and estimated future market rents.

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

(d) Commercial properties

Commercial properties include land, buildings and tenant improvements. Commercial properties are carried at cost less accumulated depreciation and are reviewed periodically for impairment as described in Note 2(t).

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

Amortization of tenant improvements is determined using the straight-line method over the terms of the tenant lease agreements and renewal periods where applicable.

Improvements that are not recoverable from tenants are either expensed as incurred or, in the case of a major item, capitalized to commercial properties and amortized on a straight-line basis over the expected useful life of the improvement.

(e) Intangible assets and liabilities

Intangible assets include the value of origination costs for existing leases, the value of the differential between original and market rents for above-market existing leases, the value of the immediate cash flow stream from in-place leases and the value of tenant relationships.

Intangible liabilities are the value of the differential between original and market rents for below-market existing leases.

Amortization of the value of origination costs, in-place leases and tenant relationships is determined using the straight-line method over the terms of the tenant lease agreements and renewal periods where applicable and is recorded as amortization. The value of the differential between original and market rents for above- and below-market existing leases is recognized using the straight-line method over the terms of the tenant lease agreements and recorded as property revenue.

Intangible assets are reviewed for impairment as described in Note 2(t).

(f) Deferred financing charges

Amortization of deferred financing charges is calculated using the effective interest method over the terms of related debt.

(g) 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 these leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. The value of the differential between original and market rents for existing leases is amortized using the straight-line method over the terms of the tenant lease agreements. Realty tax and other operating cost recoveries, and other incidental income, are recognized on an accrual basis.

(h) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and cash in bank.

(i) Income taxes

Crombie is taxed as a "mutual fund trust" for income tax purposes. Crombie intends to make distributions not less than the amount necessary to ensure that Crombie will not be liable to pay income tax, except for the amounts incurred in its incorporated subsidiaries.

Future income tax liabilities of Crombie relate to tax and accounting basis differences of all incorporated subsidiaries of Crombie. Income taxes are accounted for using the liability method. Under this method, future income taxes are recognized for the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

(j) Financial instruments

Crombie classifies all financial instruments, including derivatives, as either held to maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities. Financial assets held to maturity, loans and receivables, and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). Financial instruments classified as held for trading are measured at fair value using the settlement date, with unrealized gains and losses recognized in net income. Fair value measurements that are recognized in the balance sheet that do not have quoted prices in the market place are calculated using inputs that are observable for the liability, either directly as prices, or indirectly derived from prices. Impairment write-downs are recognized in net income.

(k)Transaction costs

Crombie adds transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability, other than for those classified as held for trading, to the fair value of the financial asset or financial liability on initial recognition, and they are amortized using the effective interest method.

(l) Employee future benefits obligation

The cost of pension benefits for the defined contribution plans is expensed as contributions are paid. The cost of the defined benefit pension plan and post-retirement benefit plan is accrued based on actuarial valuations, which are determined using the projected benefit

method pro-rated on service and management's best estimate of the expected long-term rate of return on plan assets, salary escalation, retirement ages and expected growth rate of health care costs. The defined benefit plan and post-retirement benefit plan are unfunded.

The impact of changes in plan provisions is amortized on a straight-line basis over the expected average remaining service life ("EARSL") of active members. For the supplementary executive retirement plan, the impacts of changes in the plan provisions are amortized over five years.

(m) Employee unit purchase plan

Crombie has a unit purchase plan for certain employees which is described in Note 13. In accordance with the Emerging Issues Committee Abstract 132, loans granted to employees to purchase units under the plan are accounted as a reduction to unitholders' equity as these loans are non-recourse loans; as such Crombie is at risk for declines in the market value of the Units held as security for the loans.

(n) Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant areas of estimation and assumption include:

- Impairment of assets;
- Depreciation and amortization;
- Employee future benefits obligation;
- Future income taxes;
- Allocation of purchase price on property acquisitions; and
- Fair value of commercial property debt, convertible debentures and assets and liabilities related to discontinued operations.

(o) Payment of distributions

The determination to declare and make payable distributions from Crombie is at the discretion of the Board of Trustees and, until declared payable by the Board of Trustees, Crombie has no contractual requirement to pay cash distributions to Unitholders'. During the year ended December 31, 2010 $56,090 (year ended December 31, 2009 - $51,075) in cash distributions were declared payable by the Board of Trustees to Crombie Unitholders and Crombie Limited Partnership Unitholders (the "Class B LP Units").

(p) Convertible debentures

Debentures with conversion features are assessed at inception as to the value of both their liability component and their equity component. Based on the assessment, Crombie has determined that for all series of convertible debentures issued to date, the issued value is classified as liabilities. Distributions to debenture holders are presented as interest expense. Issue costs are netted against the convertible debentures and amortized over the original life of the convertible debentures using the effective interest method.

(q) Hedges

Crombie has cash flow hedges which are primarily used to manage exposures to the interest rate profile of its current and future debts. Cash flow hedges are recognized on the balance sheet at fair value with the effective portion of the change in fair value of the hedging relationship recognized in other comprehensive income. Any ineffective portion of the cash flow hedge is recognized in net income. Amounts recognized in accumulated other comprehensive income (loss) are reclassified to net income in the same periods in which the hedged item is recognized in net income. Fair value hedges and the related hedge items are recognized on the balance sheet at fair value with any changes in fair value recognized in net income. To the extent the fair value hedge is effective, the changes in the fair value of the hedge and the hedged item will offset each other.

Crombie has a fixed interest rate swap and a delayed interest rate swap designated as cash flow hedges. Crombie has identified these hedges against increases in benchmark interest rates and has formally documented all relationships between these derivative financial instruments and hedged items, as well as the risk management strategy and objectives. Crombie assesses on an ongoing basis whether the derivative financial instrument continues to be effective in offsetting changes in interest rates on the hedged items.

(r) Comprehensive income

Comprehensive income is the change in Unitholders' equity during a period from transactions and other events and circumstances from non-owner sources. Crombie reports a consolidated statement of comprehensive income, comprising net income and other comprehensive income for the period. Accumulated other comprehensive income (loss), has been included in the consolidated statements of Unitholders' equity.

(s) Discontinued operations

Crombie classifies properties that meet certain criteria as held for sale and separately discloses any net income and gain (loss) on disposal for current and prior periods as discontinued operations. A property is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the property and is actively locating a purchaser for the property at a sales price that is reasonable in relation to the current estimated fair value of the property, and the sale is expected to be completed within a one year period. Properties held for sale are carried at the lower of their carrying values and estimated fair value less costs to sell. In addition, assets held for sale are no longer depreciated and amortized. A property that is subsequently reclassified as held in use is measured at the lower of its carrying value amount before it was classified as held for sale, adjusted for any depreciation and amortization expense that would have been recognized had it been continuously classified as held and in use, and its estimated fair value at the date of the subsequent decision not to sell.

(t) Impairment of long-lived assets

Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable.

If it is determined that the net recoverable value of a long-lived asset is less than its carrying value, the long-lived asset is written down to its fair value. Net recoverable amount represents the undiscounted estimated future cash flow expected to be received from the long-lived asset. Assets reviewed under this policy include commercial properties and intangible assets.

3) CHANGES IN ACCOUNTING POLICIES

Effect of new accounting standards not yet implemented

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board of Canada announced that previous GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS"). IFRS must be adopted for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, with retrospective adoption and restatement of the comparative fiscal year ended December 31, 2010. Accordingly, the conversion from GAAP to IFRS will be applicable to Crombie's reporting for the first quarter of fiscal 2011 for which the current and comparative information will be prepared under IFRS.

Crombie, with the assistance of its external advisors, launched an internal initiative to govern the conversion process and has been evaluating the impact of the conversion to IFRS on its financial statements. The transition to IFRS impacts accounting, financial reporting, internal control over financial reporting, information systems and business processes.

Crombie has been transitioning to IFRS under a formal project governance structure, and has been providing regular progress reports to senior management and the audit committee. Crombie has also completed a diagnostic impact assessment, which involved a review of the major differences between current GAAP and IFRS, as well as establishing an implementation guideline. In accordance with this guideline, Crombie established a staff training program and has completed an analysis of the key decision areas, including analyzing the appropriate accounting policy selections from available IFRS options, and making recommendations on same.

Crombie continues to assess the impact of the transition to IFRS and to review all of the proposed and ongoing projects of the International Accounting Standards Board to determine their impact on Crombie.

4) COMMERCIAL PROPERTIES

	December 31, 2010		
	Cost	Accumulated Depreciation	Net Book Value
Land	$336,881	$Nil	$336,881
Buildings	1,152,284	76,004	1,076,280
Recoverable capital expenditures	9,425	4,258	5,167
Tenant improvements and leasing costs	50,328	14,660	35,668
	$1,548,918	**$94,922**	**$1,453,996**

	December 31, 2009		
	Cost	Accumulated Depreciation	Net Book Value
Land	$286,491	$Nil	$286,491
Buildings	1,048,112	56,041	992,071
Recoverable capital expenditures	6,853	3,006	3,847
Tenant improvements and leasing costs	43,107	10,905	32,202
	$1,384,563	**$69,952**	**$1,314,611**

Property Acquisitions and Disposals

The operating results of acquired properties are included from the respective date of acquisition.

2010

Acquisition Date	Properties Acquired	Approximate Square Footage	Gross Purchase Price	Assumed Mortgages	Mortgages
February 22, 2010	5 Retail	186,000	$31,530	$8,358	$-
March 24, 2010	3 Retail	147,000	27,746	-	19,000
September 28, 2010	9 Retail	400,000	84,297	-	59,770
October 28, 2010	1 Retail	47,000	11,250	-	7,700
November 22, 2010	2 Retail	87,000	17,000	-	11,900
		867,000	**$171,823**	**$8,358**	**$98,370**

All of the above properties, excluding the properties acquired on November 22, 2010, were acquired from subsidiaries of Empire Company Limited. The two retail properties acquired on November 22, 2010 were acquired from a joint venture of which a subsidiary of Empire Company Limited was a partner. The purchase price stated above excludes closing and transaction costs. The balance of the February and March 2010 acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate revolving credit facility. The September 28, 2010 acquisition was financed with new mortgage proceeds and the balance was funded with proceeds from the August 4, 2010 $50,000 equity offering. The balance of the October and November 2010 acquisitions, after deducting new mortgage proceeds, was funded with proceeds from the August 4, 2010 $50,000 equity offering.

2009

On June 1, 2009, Crombie acquired a vacant building and 1.1 acres of land adjacent to the Avalon Mall, Newfoundland and Labrador, for $3,527 plus additional closing costs, from ECL General Partner Limited, a subsidiary of Empire Company Limited. The building has been leased while management assesses the future development of this site.

Commercial property acquired, net:	**Year Ended December 31, 2010**	**Year Ended December 31, 2009**
Land	$50,319	$3,563
Buildings	92,219	-
Intangible assets:		
Lease origination costs	13,932	-
Tenant relationships	5,421	-
Above-market leases	225	-
In-place leases	13,751	-
Intangible liabilities:		
Below-market leases	(2,115)	-
Net purchase price	173,752	3,563
Assumed mortgages	(8,358)	(3,527)
	$165,394	$36
Consideration, at acquisition date, funded by:		
Mortgage financing	$71,170	$-
Cash from revolving credit facility	51,610	36
Cash from equity offering	42,614	-
Total consideration paid	$165,394	$36

5) INTANGIBLE ASSETS

	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Origination costs for existing leases	$58,842	$13,504	$45,338
In-place leases	55,944	17,133	38,811
Tenant relationships	61,954	31,488	30,466
Above-market existing leases	16,241	14,198	2,043
	$192,981	**$76,323**	**$116,658**

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Origination costs for existing leases	$52,866	$17,228	$35,638
In-place leases	56,493	26,516	29,977
Tenant relationships	56,534	23,698	32,836
Above-market existing leases	16,015	11,109	4,906
	$181,908	**$78,551**	**$103,357**

6) NOTES RECEIVABLE

On March 23, 2006, Crombie acquired 44 properties from Empire Company Limited's subsidiary, ECL Properties Limited ("ECL") and certain affiliates, resulting in ECL Developments Limited issuing two demand non-interest bearing promissory notes in the amounts of $39,600 and $20,564. Payments on the first note of $39,600 are being received as funding is required for a capital expenditure program relating to eight commercial properties. Payments on the second note of $20,564 are being received on a monthly basis to reduce the effective interest rate to 5.54% on certain assumed mortgages with terms to maturity ranging from June 2011 to April 2022.

The balance of each note is as follows:

	December 31, 2010	December 31, 2009
Capital expenditure program	$105	$436
Interest rate subsidy	6,106	7,733
	$6,211	**$8,169**

7) OTHER ASSETS

	December 31, 2010	December 31, 2009
Gross accounts receivable	$5,965	$7,732
Provision for doubtful accounts	(699)	(326)
Net accounts receivable	5,266	7,406
Accrued straight-line rent receivable	14,294	10,948
Prepaid expenses	5,568	5,531
Restricted cash	227	215
	$25,355	**$24,100**

8) COMMERCIAL PROPERTY DEBT

	Range	Weighted average contractual interest rate	Weighted average term to maturity	December 31, 2010
Fixed rate mortgages	4.53-7.30%	5.77%	7.4 years	$755,665
Floating rate revolving credit facility		2.32%	0.5 years	50,000
Deferred financing charges				(6,538)
				$799,127

	Range	Weighted average contractual interest rate	Weighted average term to maturity	December 31, 2009
Fixed rate mortgages	4.82-8.00%	5.66%	5.8 years	$604,992
Floating rate revolving credit facility		1.53%	1.5 years	106,160
Deferred financing charges				(4,783)
				$706,369

As at December 31, 2010, debt retirements for the next five years are:

	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
2011	$22,571	$26,786	$50,000	$99,357
2012	23,570	-	-	23,570
2013	24,836	30,042	-	54,878
2014	22,613	69,797	-	92,410
2015	21,898	56,050	-	77,948
Thereafter	92,472	358,760	-	451,232
	$207,960	$541,435	$50,000	799,395
Deferred financing charges				(6,538)
Fair value debt adjustment				6,270
				$799,127

Mortgage activity during 2010

Date		Number of mortgages	Rates	Terms in years	Amortization periods in years	Proceeds (repayments)
February 1, 2010	Refinancing	2	6.47 - 6.52%	10	25	$141,000
February 1, 2010	Refinancing					(106,079)
February 22, 2010	Assumed	2	5.68 - 6.68%	5 - 10	25	8,358
February 26, 2010	New	5	5.70%	8	20 - 25	33,850
April 22, 2010	New	1	5.75%	10	25	13,000
May 20, 2010	New	2	6.52 - 6.80%	10	15 - 25	6,000
September 28, 2010	New	7	4.80 - 5.00%	9 - 15	20 - 25	51,570
November 2, 2010	New	3	4.53 - 5.19%	9 - 15	15 - 25	15,900
November 25, 2010	New	2	4.76%	9	25	11,900
						$175,499

The floating rate revolving credit facility has a maximum principal amount of $150,000 and is used by Crombie primarily for working capital purposes. It is secured by a pool of first and second mortgages and negative pledges on certain properties. The floating interest rate is based on specific margins over prime rate or bankers acceptance rates. The specified margin increases as Crombie's overall debt leverage increases. The floating rate revolving credit facility matures June 30, 2011.

Should ECL Developments Limited reduce its voting interest below 40%, Crombie will be required to renegotiate the revolving credit facility or obtain alternative financing. Pursuant to an exchange agreement, and while such voting interest threshold remains in place, ECL Developments Limited will be required to give Crombie at least six months' prior written notice of its intention to reduce its voting interest below 40%.

9) CONVERTIBLE DEBENTURES

	Conversion Price	**Maturity date**	**Interest rate**	**December 31, 2010**	**December 31, 2009**
Series A (CRR.DB)	$13.00	March 20, 2013	7.00%	$29,985	$30,000
Series B (CRR.DB.B)	$11.00	June 30, 2015	6.25%	78,263	85,000
Series C (CRR.DB.C)	$15.30	June 30, 2017	5.75%	45,000	-
Deferred financing charges				(4,815)	(4,142)
				$148,433	**$110,858**

On February 8, 2010, Crombie issued $45,000 in convertible unsecured subordinate debentures (the "Series C Convertible Debentures"). The proceeds were used to reduce the revolving credit facility.

Debenture Conversions	**REIT Units Issued**	**Conversion Price**	**Debentures Converted December 31, 2010**	**Debentures Converted December 31, 2009**
Series A (CRR.DB)	1,153	$13.00	$15	$-
Series B (CRR.DB.B)	612,448	$11.00	6,737	-
	613,601		**$6,752**	**$-**

The Series A, Series B, and Series C Convertible 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 selling Crombie units ('Units") and applying the proceeds to satisfy its interest obligation.

The Debentures are convertible into 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 Units per one thousand dollar principal amount of Series A Convertible Debentures, 90.9091 Units per one thousand dollar principal amount of Series B Convertible Debentures and 65.3595 Units per one thousand dollar principal amount of Series C Convertible Debentures. If all conversion rights attaching to the outstanding Series A Convertible Debentures, the Series B Convertible Debentures and the Series C Convertible Debentures are

exercised, as at December 31, 2010 Crombie would be required to issue approximately 2,306,538 Units, 7,114,818 Units, and 2,941,176 Units, respectively, subject to anti-dilution adjustments.

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 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 units equal to the principal amount of the Debentures then outstanding divided by 95% of the volume-weighted average trading price of the 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.

Transaction costs related to the Debentures have been deferred and are being amortized into interest expense over the term of the Debentures using the effective interest method.

10) PAYABLES AND ACCRUALS

	December 31, 2010	December 31, 2009
Tenant improvements and capital expenditures	$19,063	$20,209
Property operating costs	12,967	10,575
Advance rents	1,862	2,069
Interest on commercial property debt and debentures	3,460	2,836
Fair value of interest rate swap agreements	2,488	3,534
	$39,840	**$39,223**

11) INTANGIBLE LIABILITIES

	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Below-market leases	**$56,512**	**$28,997**	**$27,515**

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Below-market leases	**$54,397**	**$22,839**	**$31,558**

12) NON-CONTROLLING INTEREST

	Class B LP Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
Balance, January 1, 2010	$274,260	$41,929	$Nil	$(16,302)	$(74,520)	$225,367
Net income	-	13,145	-	-	-	13,145
Distributions	-	-	-	-	(26,433)	(26,433)
Other comprehensive income	-	-	-	2,443	-	2,443
Class B LP Unit issue proceeds, net of costs of $117	20,381	-	-	-	-	20,381
Balance, December 31, 2010	**$294,641**	**$55, 074**	**$Nil**	**$(13,859)**	**$(100,953)**	**$234,903**

	Class B LP Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
Balance, January 1, 2009	$244,520	$32,098	$Nil	$(27,254)	$(50,201)	$199,163
Net income	-	9,831	-	-	-	9,831
Distributions	-	-	-	-	(24,319)	(24,319)
Other comprehensive income	-	-	-	10,952	-	10,952
Class B LP Unit issue proceeds, net of costs of $260	29,740	-	-	-	-	29,740
Balance, December 31, 2009	**$274,260**	**$41,929**	**$Nil**	**$(16,302)**	**$(74,520)**	**$225,367**

13) UNITS OUTSTANDING

	Crombie REIT Units		Crombie REIT Special Voting Units and Class B LP Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2010	32,044,299	$300,348	28,925,730	$274,260	60,970,029	$574,608
Units issued (proceeds are net of costs)	2,670,000	28,155	1,855,000	20,381	4,525,000	48,536
Units issued under EUPP	50,547	565	-	-	50,547	565
Units released under EUPP	-	8	-	-	-	8
Net change in EUPP loans receivable	-	(156)	-	-	-	(156)
Conversion of debentures	613,601	6,752	-	-	613,601	6,752
Units acquired and cancelled under NCIB	(50,547)	(604)	-	-	(50,547)	(604)
Balance, December 31, 2010	**35,327,900**	**$335,068**	**30,780,730**	**$294,641**	**66,108,630**	**$629,709**

	Crombie REIT Units		Crombie REIT Special Voting Units and Class B LP Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2009	27,271,888	$265,096	25,079,576	$244,520	52,351,464	$509,616
Units issued (proceeds are net of costs)	4,725,000	35,061	3,846,154	29,740	8,571,154	64,801
Units issued under EUPP	47,411	341	-	-	47,411	341
Units released under EUPP	-	8	-	-	-	8
Net change in EUPP loans receivable	-	(158)	-	-	-	(158)
Balance, December 31, 2009	**32,044,299**	**$300,348**	**28,925,730**	**$274,260**	**60,970,029**	**$574,608**

Crombie REIT Units

Crombie is authorized to issue an unlimited number of units (“Units”) and an unlimited number of voting non-participating Units (the “Special Voting Units”). Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without the approval of the Unitholders. Units are redeemable at any time on demand by the holders at a price per Unit equal to the lesser of: (i) 90% of the weighted average price per Crombie Unit during the period of the last ten days during which Crombie’s Units traded; and (ii) an amount equal to the price of Crombie’s Units on the date of redemption, as defined in the Declaration of Trust.

On March 23, 2010, Crombie announced a normal course issuer bid (“NCIB”) where Crombie may purchase for cancellation up to 100,000 of its units, which represents approximately 0.31% of the outstanding units, during the period March 26, 2010 to March 25, 2011. The purchases will be made through the facilities of the TSX. The price that Crombie will pay for any such units will be the market price at the time of acquisition. Under the TSX policies, Crombie is entitled to purchase a maximum of 14,143 units per trading day. During 2010, Crombie acquired and cancelled 50,547 units under the NCIB for a net cost of $604.

On August 4, 2010, Crombie closed a public offering, on a bought deal basis, of 2,670,000 Units to the public at a price of $11.05 per Unit for proceeds of $28,155 net of issue costs.

During 2010, $15 in Series A Convertible Debentures and $6,737 in Series B Convertible Debentures were converted to a total of 613,601 units at the conversion price of $13.00 and $11.00 per unit respectively.

Crombie REIT Special Voting Units and Class B LP Units

The Declaration of Trust and the Exchange Agreement provide for the issuance of Special Voting Units to the holders of Class B LP Units used solely for providing voting rights proportionate to the votes of Crombie's Units. The Special Voting Units are not transferable separately from the Class B LP Units to which they are attached and will be automatically transferred upon the transfer of such Class B LP Unit. If the Class B LP Units are exchanged in accordance with the Exchange Agreement, a like number of Special Voting Units will be redeemed and cancelled for no consideration by Crombie.

The Class B LP Units issued by a subsidiary of Crombie to ECL Developments Limited have economic and voting rights equivalent, in all material aspects, to Crombie's Units. They are indirectly exchangeable on a one-for-one basis for Crombie's Units at the option of the holder, under the terms of the Exchange Agreement.

Each Class B LP Unit entitles the holder to receive distributions from Crombie, pro rata with distributions made by Crombie on Units.

The Class B LP Units are accounted for as non-controlling interest.

On August 4, 2010, concurrently with the issuance of the Units, in satisfaction of its pre-emptive right, ECL Developments Limited 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.

Employee Unit Purchase Plan ("EUPP")

Crombie provides for unit purchase entitlements under the EUPP for certain senior executives. Awards made under the EUPP will allow executives to purchase units from treasury at the average daily high and low board lot trading prices per unit on the TSX for the five trading days preceding the issuance. Executives are provided non-recourse loans at 3% annual interest by Crombie for the purpose of acquiring Units from treasury and the Units purchased are held as collateral for the loan. The loan is repaid through the application of the after-tax amounts of all distributions received on the Units, as well as the after-tax portion of any Long-Term Incentive Plan cash awards received, as payments on interest and principal. As at December 31, 2010, there are loans receivable from executives of $1,601 under Crombie's EUPP, representing 178,413 Units, which are classified as a reduction of Unitholders' Equity. Loan repayments will result in a corresponding increase in Unitholders' Equity. Market value of the Units at December 31, 2010 was $2,275.

The compensation expense related to the EUPP during the year ended December 31, 2010 was $77 (year ended December 31, 2009 - $47).

Net Income per Unit Computations

Basic net income per Unit is computed by dividing net income by the weighted average number of Units outstanding during the period. Diluted net income per Unit is calculated on the assumption that all EUPP loans were repaid at the beginning of the period. All series of convertible debentures are anti-dilutive and have not been included in diluted net income per unit or diluted weighted average number of units outstanding. As at December 31, 2010, there are no other dilutive items.

14) PROPERTY REVENUE

	Year Ended December 31, 2010	Year Ended December 31, 2009
Rental revenue contractually due from tenants	$210,581	$198,997
Straight-line rent recognition	3,346	3,162
Below-market lease amortization	6,158	8,197
Above-market lease amortization	(3,089)	(3,102)
	$216,996	**$207,254**

15) INTEREST

	Year Ended December 31, 2010	Year Ended December 31, 2009
Fixed rate mortgages	$46,197	$35,987
Floating rate term, revolving and demand facilities	3,000	6,878
Convertible debentures	9,592	3,454
Interest expense	**58,789**	**46,319**
Change in fair value debt adjustment	1,561	3,090
Change in accrued interest	(624)	(332)
Amortization of effective swap agreements	(4,033)	(1,641)
Amortization of deferred financing charges	(2,553)	(2,815)
Interest paid	**$53,140**	**$44,621**

16) OTHER EXPENSES

	Year Ended December 31, 2010	Year Ended December 31, 2009
Expense related to swap settlement	$Nil	$(8,139)
Write off of deferred financing charges	-	(1,860)
	$Nil	$(9,999)

On September 14, 2009, in connection with the Series B Debenture issue, Crombie settled an interest rate swap agreement related to a notional amount of $84,000 for a settlement amount of $8,139. The delayed interest rate swap hedge had been designated to mitigate exposure to interest rate increases prior to replacing the floating rate term facility with long-term financing. Due to the reduction of the floating rate term facility using gross proceeds of the Series B Debenture offering, the associated interest rate swap agreement was no longer deemed to be an effective hedge. As a result, Crombie recognized an expense in net income for the year ended December 31, 2009 for the settlement amount. In addition, Crombie wrote off the deferred financing charges related to the repaid component of the floating rate term facility.

17) FUTURE INCOME TAXES

On September 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"). 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.

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 meets the REIT technical tests contained in the Act. 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 future income tax liability of the wholly-owned corporate subsidiary which is subject to income taxes consists of the following:

	December 31, 2010	December 31, 2009
Tax liabilities relating to difference in tax and book value	$87,092	$87,389
Tax asset relating to non-capital loss carry-forward	(9,892)	(7,689)
Future income tax liability	**$77,200**	**$79,700**

The future income tax expense (recovery) consists of the following:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Provision for income taxes at the expected rate	$8,359	$7,133
Tax effect of income attribution to Crombie's unitholders	(9,159)	(7,233)
Decreased income tax resulting from a change in expected rate	(1,700)	-
Income tax recovery	**$(2,500)**	**$(100)**

18) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Year Ended December 31, 2010	Year Ended December 31, 2009
Items not affecting operating cash:		
Non-controlling interest	$13,145	$9,831
Depreciation of commercial properties	20,094	18,765
Depreciation of recoverable capital expenditures	1,264	1,050
Amortization of tenant improvements/leasing costs	5,070	4,272
Amortization of intangible assets	16,939	21,944
Amortization of deferred financing charges	2,553	2,815
Write off of deferred financing charges (Note 16)	-	1,860
Expense related to swap settlement (Note 16)	-	8,139
Amortization of effective swap agreements (Note 15)	4,033	1,641
Amortization of above-market leases (Note 14)	3,089	3,102
Amortization of below-market leases (Note 14)	(6,158)	(8,197)
Accrued rental revenue (Note 14)	(3,346)	(3,162)
Unit based compensation	77	47
Future income tax recovery	(2,500)	(100)
	$54,260	**$62,007**

b) Change in other non-cash operating items

	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash provided by (used in):		
Receivables	$2,140	$(370)
Prepaid expenses and other assets	(49)	366
Payables and other liabilities	3,111	(11,130)
	$5,202	**$(11,134)**

19) COMMITMENTS AND CONTINGENCIES

There are 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 financial statements.

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 Company Limited. Details of this agreement are described in "Related Party Transactions" (Note 20).

Crombie has land leases on certain properties. These leases have payments of $1,178 per year over the next five years. The land leases have terms of between 14.3 and 74.1 years remaining, including renewal options.

Crombie obtains letters of credit to support its obligations with respect to construction work on its commercial properties, defeasing commercial property debt and satisfying mortgage financing requirements. Crombie has $223 in standby letters of credit for construction work that is being performed on its commercial properties. In connection with the defeasance of the discontinued operations commercial 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 $11,200 in favour of mortgage lenders. Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

20) RELATED PARTY TRANSACTIONS

As at December 31, 2010, Empire Company Limited, through its wholly-owned subsidiary ECL Developments Limited, holds a 46.6% (fully diluted 40.4%) indirect interest in Crombie. Crombie uses the exchange amount as the measurement basis for the related party transactions.

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 Company Limited on a cost sharing basis, pursuant to an initial five year Management Cost Sharing Agreement dated March 23, 2006 between Crombie Developments Limited, a subsidiary of Crombie, and ECL Developments Limited, a subsidiary of Empire Company Limited ("Management Cost Sharing Agreement"). The costs assumed by Empire Company Limited pursuant to the agreement during the year ended December 31, 2010 were $904 (year ended December 31, 2009 - $1,055) and were netted against general and administrative expenses.

For an initial period of five years, commencing March 23, 2006, certain on-site maintenance and management employees of Crombie will provide property management services to certain real estate subsidiaries of Empire Company Limited on a cost sharing basis pursuant to the Management Cost Sharing Agreement. The costs assumed by Empire Company Limited pursuant to the Management Cost Sharing Agreement during the year ended December 31, 2010 were $1,024 (year ended December 31, 2009 - $1,148) and were netted against property expenses. In addition, for various periods, ECL Developments Limited has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006 between Crombie Developments Limited, Crombie Limited Partnership and ECL Developments Limited. The head lease subsidy during the year ended December 31, 2010 was $808 (year ended December 31, 2009 - $854) and the interest rate subsidy during the year ended December 31, 2010 was $1,627 (year ended December 31, 2009 - $3,085).

As of December 31, 2010, Crombie had $5,804 fixed rate second mortgage financings outstanding with Empire Company Limited. The mortgages have a weighted average interest rate of 5.38% and a maturity date of March 2014. Interest paid during the year ended December 31, 2010 was $314 (year ended December 31, 2009 - $268).

Crombie earned rental revenue of $66,022 for the year ended December 31, 2010 (year ended December 31, 2009 - $62,634) from Sobeys Inc. and Empire Theatres; subsidiaries of Empire Company Limited.

Properties acquired from subsidiaries of Empire Company Limited during 2010

Acquisition Date	Retail Properties Acquired	Approximate Square Footage	Gross Purchase Price
February 22, 2010	5	186,000	$31,530
March 24, 2010	3	147,000	27,746
September 28, 2010	9	400,000	84,297
October 28, 2010	1	47,000	11,250
		780,000	**$154,823**

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 Company Limited was a 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, ECL Developments Limited 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.

21) FINANCIAL INSTRUMENTS

a) Fair value of 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:

i. Held for trading - Restricted cash, cash and cash equivalents

ii. Held to maturity investments – Assets related to discontinued operations

iii. Loans and receivables - Notes receivable and accounts receivable

iv. Other financial liabilities - Commercial property debt, liabilities related to discontinued operations, convertible debentures, tenant improvements and capital expenditures payable, property operating costs payable, interest payable and distributions payable

The book value of cash and cash equivalents, restricted cash, receivables, payables and accruals approximate fair values at the balance sheet date. The fair value of other financial instruments is based on 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.

	December 31, 2010		**December 31, 2009**	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets related to discontinued operations	$6,670	$6,815	$6,929	$7,066
Commercial property debt	$805,665	$845,052	$711,152	$708,401
Convertible debentures	$153,248	$166,553	$115,000	$120,200
Liabilities related to discontinued operations	$6,171	$6,437	$6,334	$6,270

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

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

Commercial property debt and liabilities related to discontinued operations: The fair value of Crombie's commercial property debt and liabilities related to discontinued operations 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.

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.

b) 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:

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 (Note 7).

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, 2010:

- Excluding Sobeys (which accounts for 36.2% of Crombie's minimum rent), no other tenant accounts for more than 2.0% of Crombie's minimum rent; and
- Over the next five years, leases on no more than 9.1% of the gross leaseable area of Crombie will expire in any one year.

As outlined in Note 20, Crombie earned rental revenue of $66,022 for the year ended December 31, 2010 (year ended December 31, 2009 - $62,634) from Sobeys Inc. and Empire Theatres, subsidiaries of Empire Company Limited.

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, 2010:

- Crombie's weighted average term to maturity of the fixed rate mortgages was 7.4 years; and
- Crombie has a floating rate revolving credit facility available to a maximum of $150,000, with a balance of $50,000 at December 31, 2010. Crombie's exposure to floating rate debt is reduced by a fixed interest rate swap agreement discussed below.

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. The breakdown of the swaps in place at December 31, 2010 as part of the interest rate management program, and their associated mark-to-market amounts are as follows:

- Crombie has entered into a fixed interest rate swap to fix the amount of interest being paid on $50,000 of the revolving credit facility. The fair value of the fixed interest rate swap at December 31, 2010, had an unfavourable mark-to-market exposure of $1,153 (December 31, 2009 – unfavourable $2,896) compared to its face value. The change in this amount has been recognized in other comprehensive income. The mark-to-market amount of the fixed interest rate swap reduces to $Nil upon maturity of the swap in 2011.
- Crombie has entered into a delayed interest rate swap agreement of a notional amount of $8,204 with a settlement date of July 2, 2011 and maturing July 2, 2021 to mitigate exposure to interest rate increases for a mortgage maturing in 2011. The fair value of this delayed interest rate swap agreement at December 31, 2010, had an unfavourable mark-to-market exposure of $1,335 (December 31, 2009 – unfavourable $638) compared to its face value. The change in this amount has been recognized in other comprehensive income.

Accumulated other comprehensive income (loss) in the amount of approximately $4,165 will be reclassified to interest expense during the year ending December 31, 2011 based on interest rate swap agreements settled to December 31, 2010.

A fluctuation in interest rates would have had an impact on Crombie's income before non-controlling interest. 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:

	December 31, 2010		December 31, 2009	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on income before non-controlling interest of interest rate changes on the floating rate revolving credit facility	$(526)	$526	$(794)	$794

	December 31, 2010		December 31, 2009	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on other comprehensive income and non-controlling interest items due to changes in fair value of derivatives designated as a cash flow hedge	$460	$(478)	$687	$(710)

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.

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 the 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 the debt maturity dates (Note 8). There is also a risk that the equity capital markets may not be receptive to an equity issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 23, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

The estimated payments on non-derivative financial liabilities to maturity date are as follows:

	Contractual Cash Flows[(1)]	2011	2012	2013	2014	2015	Thereafter
Fixed rate mortgages[(2)]	$1,019,068	$90,582	$62,853	$92,604	$124,719	$109,237	$539,073
Convertible debentures	196,802	9,578	9,578	37,989	7,479	83,297	48,881
	1,215,870	100,160	72,431	130,593	132,198	192,534	587,954
Floating rate revolving credit	50,580	50,580	-	-	-	-	-
Total	**$1,266,450**	**$150,740**	**$72,431**	**$130,593**	**$132,198**	**$192,534**	**$587,954**

(1) Contractual cash flows include principal and interest and ignore extension options

(2) Reduced by the interest rate subsidy payments to be received from ECL

The estimated payments on derivative financial liabilities to maturity dates are as follows:

	Total	2011	2012	2013	2014	2015	Thereafter
Swap agreement	$2,488	$ 2,488	$-	$-	$-	$-	$-

22) ASSETS AND LIABILITIES RELATED TO DISCONTINUED OPERATIONS

During the fourth quarter of 2008, Crombie defeased the mortgage associated with discontinued operations. The transaction did not qualify for defeasance accounting, therefore the defeased loan and related asset have not been removed from the balance sheet. The defeased loan is payable in monthly payments of $42 and bears interest at 5.46%, was originally amortized over 25 years and is due April 1, 2014. Crombie purchased Government of Canada bonds and treasury bills and Canada mortgage bonds and pledged them as security to the mortgage company. The bonds have maturity dates to September 15, 2013, have a weighted average interest rate of 3.63% and have been placed in escrow. The assets and liabilities related to discontinued operations are measured at amortized cost using the effective interest method, until April 1, 2014 at which time the debt will be extinguished.

23) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, in the range of 50% to 60% of gross book value (as defined in the credit facility agreement), utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios. Crombie's capital structure consists of the following:

	December 31, 2010	December 31, 2009
Commercial property debt	$799,127	$706,369
Convertible debentures	148,433	110,858
Non-controlling interest	234,903	225,367
Unitholders' equity	269,406	246,975
	$1,451,869	$1,289,569

At a minimum, Crombie's capital structure is managed to ensure that it complies with the restrictions pursuant to Crombie's Declaration of Trust, the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT and existing debt covenants. Some of the restrictions pursuant to Crombie's Declaration of Trust would include, among other items:

- A restriction that Crombie shall not incur total indebtedness (other than by the assumption of existing indebtedness) where the indebtedness would exceed 75% of the market value of the individual property; and
- A restriction that Crombie shall not incur indebtedness of more than 60% of gross book value (65% including convertible debentures).

Crombie's debt to gross book value as defined in Crombie's Declaration of Trust is as follows:

	December 31, 2010	December 31, 2009
Fixed rate mortgages	$755,665	$604,992
Convertible debentures	153,248	115,000
Revolving credit facility	50,000	106,160
Total debt outstanding	958,913	826,152
Less: Applicable fair value debt adjustment	(6,106)	(7,733)
Debt	$952,807	$818,419
Commercial properties, cost	$1,548,918	$1,384,563
Intangible assets, cost	192,981	181,908
Notes receivable	6,211	8,169
Other assets	25,355	24,100
Cash and cash equivalents	5,170	-
Deferred financing charges	11,353	8,925
Interest rate subsidy	(6,106)	(7,733)
Fair value adjustment to future taxes	(39,245)	(39,245)
	$1,744,637	$1,560,687
Debt to gross book value	54.6%	52.4%

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 fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized net operating income for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized net operating income on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;
- access to the revolving credit facility is limited by the amount utilized under the facility, and any negative mark-to-market position on the interest rate swap agreements, not to exceed the security provided by Crombie; and
- distributions to Unitholders are limited to 100% of Distributable Income as defined in the revolving credit facility.

Should ECL Developments Limited reduce its voting interest below 40%, Crombie will be required to renegotiate the revolving credit facility or obtain alternative financing. Pursuant to an exchange agreement, and while such voting interest threshold remains in place, ECL Developments Limited will be required to give Crombie at least six months' prior written notice of its intention to reduce its voting interest below 40%.

As at December 31, 2010, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

24) EMPLOYEE FUTURE BENEFITS

Crombie has a number of defined benefit and defined contribution plans providing pension and other retirement benefits to most of its employees.

Defined contribution pension plans

The contributions required by the employee and the employer are specified. The employee's pension depends on what level of retirement income (for example, annuity purchase) that can be achieved with the combined total of employee and employer contributions and investment income over the period of plan membership, and the annuity purchase rates at the time of the employee's retirement.

Defined benefit pension plans

The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employee contributions, if required, pay for part of the cost of the benefit, and the employer contributions fund the balance. The employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation. The defined benefit plans are unfunded.

The total defined benefit cost related to pension plans and post retirement benefit plans for the year ended December 31, 2010 was $514 (year ended December 31, 2009 - $1,531).

Crombie uses December 31 as a measurement date for accounting purposes for its defined benefit pension plans.

	Most recent valuation date	Next required valuation date
Senior Management Pension Plan	December 31, 2010	December 31, 2013
Post-retirement Benefit Plans	May 1, 2010	May 1, 2013

Defined benefit plans

Information about Crombie's defined benefit plans are as follows:

	December 31, 2010		December 31, 2009	
Accrued benefit obligation	**Senior Management Pension Plan**	**Post-Retirement Benefit Plans**	**Senior Management Pension Plan**	**Post-Retirement Benefit Plans**
Balance, beginning of year	$2,693	$3,301	$951	$2,545
Impact of assumption changes	-	-	-	-
Current service cost	59	129	29	112
Interest cost	146	208	152	179
Actuarial losses	152	456	530	472
Benefits paid	(200)	(12)	(100)	(7)
Plan amendments	-	(845)	-	-
Termination benefits	-	-	1,131	-
Balance, end of year	2,850	3,237	2,693	3,301
Plan Assets				
Fair value, beginning of the year	$-	$-	$-	$-
Employer contributions	200	12	100	7
Benefits paid	(200)	(12)	(100)	(7)
Fair value, end of year	$-	$-	$-	$-
Funded status - deficit	**2,850**	**3,237**	**2,693**	**3,301**
Unamortized past service costs	-	829	-	-
Unamortized actuarial gains (losses)	(523)	169	(379)	645
Accrued benefit obligation recorded as a liability	**$2,327**	**$4,235**	**$2,314**	**$3,946**
Net expense				
Current service cost	$59	$129	$29	$112
Interest cost	146	208	152	179
Actuarial losses	152	456	530	472
Plan amendments	-	(845)	-	-
Termination benefits	-	-	1,131	-
Expense before adjustments	357	(52)	1,842	763
Actual past service costs vs. actual plan amendments	-	829	-	-
Recognized vs. actual actuarial gains	(144)	(476)	(530)	(544)
Net expense	**$213**	**$301**	**$1,312**	**$219**

Amendments to Crombie's post-retirement benefit plans were announced in November 2010 as a result of modifications made for certain employees who will retire after May 1, 2011. The financial impact of these post-retirement benefit changes has been taken into account when the amendments were communicated to employees and the one-time impact of these changes has been treated as a past service event followed by a curtailment.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and pension cost are as follows:

	December 31, 2010		December 31, 2009	
	Senior Management Pension Plan	**Post-Retirement Benefit Plans**	**Senior Management Pension Plan**	**Post-Retirement Benefit Plans**
Discount rate – accrued benefit obligation	5.00%	5.25%	5.50%	6.25%
Discount rate – periodic cost	5.50%	6.25-5.25%	6.25%	6.75%
Rate of compensation increase	4.00%	N/A	4.00%	N/A

For measurement purposes, a 9.0% fiscal 2010 annual rate of increase in the per capita cost of covered health care benefits was assumed. The cumulative rate expectation to 2018 is 5.0%. The EARSL for the active employees covered by the pension benefit plans range from 5 to13 years at year end. The EARSL of the active employees covered by the other benefit plans range from 9 to 11 years at year end.

The table below outlines the sensitivity of the fiscal 2010 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses.

		Senior Management Pension Plan		**Post-Retirement Benefit Plans**	
		Benefit Obligations	**Benefit Cost**[1]	**Benefit Obligations**	**Benefit Cost**[1]
Discount Rate		5.00%	5.00%	5.25%	5.25%
Impact of:	1% increase	$(268)	$(5)	$(637)	$(11)
	1% decrease	$318	$7	$533	$12
Growth rate of health costs[2]				9.00%	9.00%
Impact of:	1% increase			$543	$125
	1% decrease			$(440)	$(97)

(1) Reflects the impact on the current service costs, the interest cost and the expected return on assets.

(2) Gradually decreasing to 5.0% in 2018 and remaining at that level thereafter.

For the year ended December 31, 2010, the net defined contribution pension plans expense was $366 (year ended December 31, 2009 - $350).

25) SUBSEQUENT EVENTS

a) On January 20, 2011, Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2011 to and including, January 31, 2011. The distribution was paid on February 15, 2011 to Unitholders of record as at January 31, 2011.

b) On February 16, 2011, Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2011 to and including, February 28, 2011. The distribution will be payable on March 15, 2011 to Unitholders of record as at February 28, 2011.

26) SEGMENT DISCLOSURE

Crombie owns and operates primarily retail real estate assets located in Canada. Management, in measuring Crombie's performance or making operating decisions, does not distinguish or group its operations on a geographical or other basis. Accordingly, Crombie has a single reportable segment for disclosure purposes in accordance with GAAP.

27) COMPARATIVE FIGURES

Comparative figures have been reclassified, where necessary, to reflect the current period's presentation.