

ABERDEEN SHOPPING CENTRE AMHERST CENTRE COUNTY FAIR MALL DOWNSVIEW MALL DOWNSVIEW PLAZA
EVANGELINE MALL FORT EDWARD MALL HIGHLAND SQUARE MALL NEW MINAS PLAZA PARK LANE PRINCE STREET
PLAZA SYDNEY SHOPPING CENTRE RIVER CITY CENTRE BARRINGTON PLACE BARRINGTON TOWER BRUNSWICK
PLACE CIBC BUILDING COGSWELL TOWER DUKE TOWER SCOTIA SQUARE MALL SCOTIA SQUARE PARKADE
318 ONTARIO STREET NIAGARA PLAZA PORT COLBORNE MALL QUEENSLAND PLAZA ROSE CITY PLAZA RYMAL ROAD
PLAZA SOUTH PELHAM MARKET PLAZA UPPER JAMES SQUARE VILLAGE SQUARE MALL CARLETON MALL
CHARLOTTE MALL ELMWOOD PLAZA FREDERICTON MALL LOCH

Disciplined.

LOMOND PLACE PROSPECT STREET PLAZA RIVERVIEW MALL TERMINAL CENTRES AVALON MALL HAMLYN ROAD PLAZA RANDOM SQUARE VALLEY MALL COUNTY FAIR MALL
GREENFIELD PARK CENTRE BRAMPTON PLAZA TAUNTON AND WILSON PLAZA 3250 FAIRVIEW STREET THE MEWS OF
CARLETON PLACE, LANSDOWNE AVENUE, CARLETON PLACE 78-80 DUFFERIN STREET, PERTH MEWS SHOPPING MALL
INTERNATIONAL GATEWAY CENTRE, 450 GARRISON ROAD, 8200 BOULEVARD, TASCHEREAU IGA STORE 5840 AND
5844 MALDEN ROAD, TOWN CENTRE PLAZA 385 SPRINGBANK AVENUE 434-484 NORFOLK STREET SOUTH, WHITE
HORSE PLAZA 115 BOULEVARD GERARD D. LEVESQUE OUEST, PASPEBIAC PLAZA 949-969 AVE. NORDIQUE
5005 BOULEVARD DE L'ORMIERE 2458 KING GEORGE HIGHWAY, BRIDGEVIEW PLAZA 142 HAMPTON ROAD, ROTHESAY,
FAIRVALE PLAZA, 426 RUE DE MOULEN 580 VICTORIA STREET, TRACADIE 68 ROBIE STREET, TRURO, FUNDY TRAIL

Sustainable.

CENTRE 580 VICTORIA STREET, EDMUNDSTON GEORGE STREET, NEW
GLASGOW WEST SIDE PLAZA 1092-1020, QUEEN STREET PLAZA
136 EAST VICTORIA STREET, AMHERST PLAZA 961 BEDFORD HIGHWAY, MILL COVE PLAZA 45 WEAVER ROAD, BLINK BONNIE
SHOPPING MALL 4 WESTWOOD BOULEVARD, UPPER TANTALLON, TANTALLON PLAZA BELNAN ROAD, ELMSDALE,
ELMSDALE SHOPPING CENTRE 128 MAIN STREET, TATAMAGOUCHE, NORTH SHORE CENTRE 350-356 CONCEPTION
BAY HIGHWAY, CONCEPTION BAY PLAZA 470 TOPSAIL ROAD, ST. JOHN'S TOPSAIL ROAD PLAZA 272 TORBAY ROAD,
ST. JOHN'S, TORBAY ROAD PLAZA 977 GOLF LINKS ROAD, ANCASTER 409 BAYFIELD STREET, BARRIE 215 PARK AVENUE
WEST, CHATHAM 34 LIVINGSTONE AVENUE, GRIMSBY 254 HOTEL DE VILLE, RIVIÈRE DU LOUP 1500 RUE DE BRETAGNE,
BAIE COMEAU 645 THIBEAU STREET, CAP DE LA MADELEINE 5555 BOUL DES GRADINS, CHARLESBOURG 88-90 BOUL
D'ANJOU, CHATEAUGUAY 3950 RUE KING OUEST, SHERBROOKE 8980 BOULEVARD LACROIX, ST. GEORGES DE BEAUCE
ST. ROMUALD, 1060 BOULEVARD DE LA RIVE-SUD 850 ST. PETERS AVENUE, BATHURST 477 PAUL STREET, CHAMPLAIN
PLACE, DIEPPE 26 MICHAUD STREET, EDMUNDSTON 535

Growth.

ROAD, COVERDALE
RIVERVIEW 463 BROOKSIDE, FREDERICTON 273 PLEASANT STREET, NEWCASTLE
1380 MOUNTAIN ROAD, MONCTON 46 PAUL ST. 501 REGIS STREET, DIEPPE 293 FOORD STREET, STELLARTON, 133
CHURCH STREET, ANTIGONISH 2 FOREST HILLS PARKWAY, DARTMOUTH 25 BROOKSIDE STREET, GLACE BAY 75 EMERALD
STREET, NEW WATERFORD NORTH AND WINDSOR ST., HALIFAX 287 LACEWOOD DRIVE, LACEWOOD AND DUNBRACK
39 PITT STREET, SYDNEY MINES 634 REEVES STREET, PORT HAWKESBURY 22579 HIGHWAY #7, SHEET HARBOUR 279
HERRINGCOVE ROAD, SPRYFIELD 95 KELTIC DRIVE, SYDNEY RIVER 531 NORTH MAIN STREET, MONTAGUE 201 BUCHANAN
DRIVE, WEST ROYALTY 2 COMMERCE STREET, DEER LAKE 10 ELIZABETH AVENUE, ST. JOHN'S, HOWLEY ESTATES 71 GRAND
VIEW BLVD, GRAND BANK 21 CROMER AVENUE, GRAND FALLS 69 BLOCKHOUSE ROAD, PLACENTIA 45 ROPEWALK LANE, ST. JOHN'S



Quarterly Report to Unitholders

Crombie Real Estate Investment Trust ("Crombie") is an open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. The trust invests in income-producing retail, office and mixed-use properties in Canada, with a future growth strategy focused primarily on the acquisition of retail properties. Crombie currently owns a portfolio of 113 commercial properties in seven provinces, comprising approximately 11.2 million square feet of rentable space.

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Copies of this report are available on the REIT's website www.crombiereit.com or by contacting the Investor Relations at (902) 755- 8100. A copy has also been filed on SEDAR.

The REIT provided additional details concerning its third quarter results on a conference call held Friday, November 6, 2009. Replay of the call is available on Crombie's website www.crombiereit.com for a period of approximately 90 days.

Forward-looking Statements

This quarterly report 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 in the annual Management Discussion and Analysis under "Risk Management" in the 2008 Annual Report, 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.

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.

Letter to Unitholders

Crombie Real Estate Investment Trust ("Crombie") (TSX: CRR.UN) is pleased to report its results for the third quarter ended September 30, 2009.

2009 Third Quarter Highlights

- Crombie completed a prospectus offering of unsecured convertible debentures for gross proceeds of \$85.0 million on September 30, 2009.
- Crombie completed leasing activity on 666,000 square feet of gross leaseable area at September 30, 2009, which represents approximately 95% of its 2009 expiring leases.
- Occupancy for the properties was 94.2% at September 30, 2009 compared with 94.1% at June 30, 2009.
- Property revenue for the quarter ended September 30, 2009 remained virtually unchanged at \$51.0 million.
- Same-asset NOI for the third quarter of 2009 of \$32.4 million remained virtually unchanged compared to the quarter ended September 30, 2008.
- Debt to gross book value increased slightly to 51.0% at September 30, 2009 compared to 50.9% at June 30, 2009.
- Crombie's interest service coverage ratio for the first nine months of 2009 was 2.85 times EBITDA and debt service coverage ratio was 1.98 times EBITDA, compared to 2.81 times EBITDA and 2.02 times EBITDA, respectively, for the same period in 2008.

Acquisitions

Crombie has agreed to acquire a portfolio of eight retail properties from subsidiaries of Empire Company Limited ("Empire"). The purchase price in respect of the eight properties is approximately \$62.0 million, excluding closing and transaction costs, and represents an effective capitalization rate of 8.16%. Empire is in the process of obtaining mortgage financing for certain of the properties of an amount anticipated to approximate \$30.4 million which will be assumed by Crombie at closing. The remaining amount of the purchase price is intended to be financed by Crombie by drawing on its revolving credit facility. Closing of the acquisition is anticipated to occur in stages over the next six months as due diligence and mortgage financing are finalized for the portfolio.

The properties to be acquired comprise approximately 335,000 square feet of gross leaseable area ("GLA"), consisting of three freestanding tenants and five retail plazas. Each property is newly constructed or recently renovated and the portfolio is 100% leased with approximately 96% of the rental revenue coming from strong national tenants including Sobeys/IGA, and Lawton's. The weighted average lease term is approximately 16.4 years with less than 10% of the GLA expiring in the next 10 years.

Three of the retail plazas are anchored by Sobeys bannered grocery stores. The freestanding locations include a Lawton's, Future Shop and Mountain Equipment Co-op and two are adjacent to locations owned by Crombie. Crombie will enhance its geographic diversification as the acquisition portfolio is located approximately 50% in Atlantic Canada, and 25% each in Ontario and Quebec.

Other Performance Measures

Crombie's Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") had the following results during the third quarter and nine months ended September 30th:

	Quarter ended September 30,			
	2009	2008	Variance	
			\$	%
<i>(In millions of dollars, except per unit amounts)</i>				
FFO before other income(expenses)	\$18.929	\$19.173	\$(0.244)	(1.3)%
Other income(expenses)	(9.981)	0.027	(10.008)	
FFO	\$8.948	\$19.200	\$(10.252)	(53.4)%
FFO Per Unit	\$0.15	\$0.37	\$(0.22)	(59.5)%
FFO Payout ratio	151.6%	60.7%		(90.9)%
AFFO before swap settlements	\$10.045	\$12.457	\$(2.412)	(19.4)%
Swap settlements (net of amortization)	(10.496)	(2.438)	(8.058)	
AFFO	\$(0.451)	\$10.019	\$(10.470)	(104.5)%
AFFO Per Unit	\$(0.01)	\$0.19	\$(0.20)	(105.3)%
AFFO Payout ratio	N/A%	116.3%		
AFFO Payout ratio before swap settlements	135.0%	93.5%		(41.5)%

(In millions of dollars, except per unit amounts)	Nine months ended September 30,			
	2009	2008	Variance	
			\$	%
FFO before other income(expenses)	\$58.293	\$51.727	\$6.566	12.7%
Other income(expenses)	(9.889)	0.124	(10.013)	
FFO	\$48.404	\$51.851	\$(3.447)	(6.6)%
FFO Per Unit	\$0.87	\$1.08	\$(0.21)	(19.4)%
FFO Payout ratio	77.5%	62.5%		(15.0)%
AFFO before swap settlements	\$40.140	\$32.469	\$7.671	23.6%
Swap settlements (net of amortization)	(14.369)	(2.438)	(11.931)	
AFFO	\$25.771	\$30.031	\$(4.260)	(14.2)%
AFFO Per Unit	\$0.46	\$0.62	\$(0.16)	(25.8)%
AFFO Payout ratio	145.5%	107.9%		(37.6)%
AFFO Payout ratio before swap settlements	93.4%	99.8%		6.4%

FFO for the third quarter of 2009 decreased to \$8.9 million (\$0.15 per unit) from \$19.2 million (\$0.37 per unit) in the third quarter of 2008. The decrease of \$10.3 million was due to the impact of the \$8.1 million settlement of an ineffective interest rate swap agreement during the quarter and a write off of deferred financing charges of \$1.8 million. FFO for the nine months ended September 30, 2009 decreased to \$48.4 million (\$0.87 per unit) from \$51.9 million (\$1.08 per unit) for the same period in 2008. The reduction was due to the aforementioned settlement of the ineffective interest rate swap agreement and the write off of deferred financing charges in the third quarter of 2009; partially offset by the operating results from the portfolio acquisition of 61 retail properties from subsidiaries of Empire Company Limited in April 2008 and the Saskatoon property acquisition in June 2008.

In accordance with GAAP, Crombie's third quarter financial statements reflect for the first time two distinct accounting treatments for the settlement of interest rate swap agreements. Settlement amounts related to interest rate swap agreements deemed ineffective hedges during the quarter have been expensed in full while settlement amounts related to interest rate swap agreements deemed effective hedges continue to be deferred and amortized. Having two distinct accounting treatments makes evaluating the economic recurring performance of Crombie's operating activities very difficult. Thus, management has decided to amend its calculation of AFFO, a non-GAAP measure, to expense both effective and ineffective swap settlement costs. Management believes that this presentation better reflects the true economic costs of the swap settlement in the period settled and eliminates the distortion to future AFFO calculations of any non-cash swap amortization. Crombie has restated comparative AFFO calculations to reflect this change retrospectively.

AFFO for the third quarter of 2009 was \$(0.5) million (\$(0.01) per unit) compared to \$10.0 million (\$0.19 per unit) for the third quarter of 2008. AFFO for the nine months ended September 30, 2009 was \$25.8 million (\$0.46 per unit) compared to \$30.0 million (\$0.62 per unit) for the same period in 2008. Reduction in AFFO during the third quarter ended September 30, 2009 was due to the lower FFO results for the quarter, while AFFO for the nine months ended September 30, 2009 was also negatively impacted by an increase of \$4.9 million in settled effective hedges over the amount settled in the same period of 2008. The nine months ended September 30, 2009 AFFO payout ratio was 145.5% which is unfavourable to the annual target payout ratio of 95% and the payout ratio of 107.9% for the same period in 2008.

As disclosed in previous reports, recent turmoil in the financial markets have resulted in a significant deterioration of the mark-to-market values for the interest rate swap agreements Crombie had entered into to hedge its exposure to potential increases in Canadian bond yields associated with variable rate debt and future debt issuances. During 2009, as Crombie has cash settled these mark-to-market values, the non-recurring impact of the swap settlements has had a material effect on the AFFO and AFFO payout ratio for the year-to-date period. Excluding the impact of the swaps settled (both effective and ineffective) during the nine months ended September 30, 2009, AFFO would have been \$40.140 million and the AFFO payout ratio would have been 93.4% (nine months ended September 30, 2008 \$32.469 million and 99.8% respectively).

Financial Overview

Same-asset property revenue for the nine months ended September 30, 2009 of \$111.0 million was 0.8% lower than the same period in 2008 due primarily to a one-time reduction in head lease revenue recorded during the second quarter of 2009.

Same-asset property expenses of \$45.2 million for the nine months ended September 30, 2009 were \$0.153 million, or 0.3%, higher than the same period in 2008 due to increased recoverable common area expenses. For the three months ended September 30, 2009, same-asset revenue and expenses remained virtually unchanged from the same period in 2008 reflecting the stability of the portfolio.

Crombie is pleased to report that it has signed a commitment letter for a \$37 million mortgage financing with Industrial Alliance Insurance and Financial Services Inc. and Desjardins Asset Management Inc. on six properties acquired in a portfolio acquisition in April of 2008. The financing is anticipated to close on or before November 30, 2009. The proceeds of this financing will be applied to retire the floating rate term facility (the "Term Facility") used to partially finance the acquisition by Crombie of a portfolio of 61 properties. The mortgage will have a 10 year term and a 20 year amortization with a fixed interest rate of 6.90%. In connection with the mortgage financing, on October 14, 2009 Crombie cash settled an interest rate swap agreement for a settlement amount of \$6.1 million.

Closing Remarks

"The operating results for the third quarter of 2009 reflected the stable, defensive-oriented asset class that we operate. We are pleased with the continued strength of the ongoing results that we were able to achieve during a very difficult economic environment" commented Donald Clow, FCA, Crombie's President and Chief Executive Officer.

"We are extremely pleased to announce the acquisition which, together with our other acquisitions from Empire, reflects the sustainable competitive advantage that Crombie enjoys through our relationship with Empire and its development pipeline along with reflecting our confidence in the strength of our business. The properties to be acquired will enhance our portfolio diversification and are expected to be immediately accretive to AFFO."



Donald E. Clow, FCA
President & Chief Executive Officer

November 5, 2009

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Management Discussion and Analysis

(In thousands of dollars, except per unit amounts)

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the quarter and year-to-date ended September 30, 2009, with a comparison to the financial condition and results of operations for the comparable period in 2008.

This MD&A should be read in conjunction with Crombie's interim consolidated financial statements and accompanying notes for the period ended September 30, 2009, and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2008 and the related MD&A. 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 a development agreement, which development activities are undertaken by a related party 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 and capital resource allocation decisions;
- (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) overall indebtedness levels, which could be impacted by the level of acquisition activity Crombie is able to achieve and future financing opportunities;
- (vi) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;
- (vii) anticipated subsidy payments from ECL Developments Limited ("ECL"), which are dependent on tenant leasing and construction activity;
- (viii) anticipated distributions and payout ratios, which could be impacted by seasonality of capital expenditures, results of operations and capital resource allocation decisions;
- (ix) the effect that any contingencies would have on Crombie's financial statements;
- (x) the continued investment in training and resources throughout the International Financial Reporting Standards ("IFRS") transition;
- (xi) the assumed estimated impact per unit upon future settlement of the 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;
- (xii) estimated losses on derivatives that will be reclassified to interest expenses during the remaining quarter of 2009;
- (xiii) anticipated refinancing of debt maturities, which is dependent on liquidity risks; and
- (xiv) anticipated closing of a mortgage financing which is dependent on the completion of pre-funding conditions.

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-GAAP FINANCIAL MEASURES

There are financial measures included in this MD&A that do not have a standardized meaning under Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants. These measures are property net operating income ("NOI"), 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

Financial and Operational Summary

Comparative figures have been restated for retrospective application of the change in accounting policy related to the accounting for recoverable capital expenditures. Comparative AFFO information has been restated to reflect the retrospective application of the impact of settlement of effective interest rate swap agreements.

<i>(in thousands of dollars, except per unit amounts and as otherwise noted)</i>	Quarter Ended Sep. 30, 2009	Quarter Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
Property revenue	\$50,991	\$51,044	\$154,876	\$135,620
Net income (loss)	\$(1,095)	\$2,563	\$7,225	\$9,185
Basic and diluted net income (loss) per unit	\$(0.03)	\$0.09	\$0.25	\$0.37
FFO	\$8,948	\$19,200	\$48,404	\$51,851
FFO per unit ⁽¹⁾	\$0.15	\$0.37	\$0.87	\$1.08
FFO payout ratio (%)	151.6%	60.7%	77.5%	62.5%
AFFO	\$(451)	\$10,019	\$25,771	\$30,031
AFFO per unit ⁽¹⁾	\$(0.01)	\$0.19	\$0.46	\$0.62
AFFO payout ratio (%)	N/A%	116.3%	145.5%	107.9%
	Sep. 30, 2009	Sep. 30, 2008		
Debt to gross book value ⁽²⁾	51.0%	55.1%		
Total assets	\$1,465,591	\$1,501,186		
Total commercial property debt and convertible debentures	\$793,144	\$849,541		

(1) FFO and AFFO per unit are calculated as FFO or AFFO, as the case may be, divided by the diluted weighted average of the total Units and Special Voting Units outstanding of 60,804,544 for the quarter ended September 30, 2009 and 52,351,464 for the quarter ended September 30, 2008, 55,457,083 for the nine months ended September 30, 2009 and 48,105,571 for the nine months ended September 30, 2008.

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

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 units of Crombie trade on the Toronto Stock Exchange 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 retail properties. At September 30, 2009, Crombie owned a portfolio of 113 commercial properties in seven provinces, comprising approximately 11.2 million square feet of gross leaseable area ("GLA").

On April 22, 2008, Crombie closed an acquisition of a 61 retail property portfolio representing approximately 3.3 million square feet of GLA (the "Portfolio Acquisition") from certain affiliates of Empire Company Limited ("Empire Subsidiaries"). The cost of the Portfolio Acquisition to Crombie was \$428,500, excluding closing and transaction costs. The portfolio consists of 40 single-use freestanding Sobeys grocery stores of various Sobeys banners, 20 Sobeys anchored retail plazas and one Sobeys anchored partially enclosed centre. The GLA of the portfolio is as follows: Atlantic Canada – 78%; Quebec – 7%; and Ontario – 15%.

In order to partially finance the Portfolio Acquisition, on March 20, 2008, Crombie completed a public offering of 5,727,750 subscription receipts, including the over-allotment option, at a price of \$11.00 per subscription receipt (each subscription receipt converted into one Unit of Crombie upon closing) and \$30,000 of unsecured convertible debentures (the "Series A Debentures") for aggregate gross proceeds of \$93,005.

Empire Subsidiaries took \$55,000 of the purchase price in Class B LP Units of Crombie Limited Partnership ("Class B LP Units") at the \$11.00 offering price.

The remainder of the purchase price was satisfied with a \$280,000, 18 month floating rate term financing ("Term Facility") and a draw on Crombie's revolving credit facility. On September 30, 2008, Crombie completed a refinancing of \$100,000 of the Term Facility with fixed rate mortgages. On February 12, 2009, Crombie completed mortgage financing on an additional \$39,000 of the Term Facility. On June 4, 2009, Crombie extended the Term Facility with a syndicate of seven Canadian chartered banks. The maturity date of the Term Facility was extended to May 2011 and is secured by a charge on the secured properties, together with an assignment of leases. On August 27, 2009 Crombie completed mortgage financings for an additional \$15,000 of the Term Facility. On September 30, 2009, Crombie issued \$85,000 in unsecured convertible debentures (the "Series B Debentures") to further reduce the Term Facility. (See "Commercial Property Debt").

On October 24, 2008, Crombie completed the sale of West End Mall in Halifax, Nova Scotia. Under GAAP, the financial position and operating results have been reclassified on the financial statements for Crombie as assets and liabilities related to discontinued operations on a retrospective basis. The operating results tables in this MD&A also reflect the sale of the property on Crombie's results.

On June 25, 2009, Crombie closed a public offering of 4,725,000 Units, including the underwriters' over-allotment option Units, at a price of \$7.80 per Unit for gross proceeds of \$36,855. Concurrent with the public offering, in satisfaction of its pre-emptive right, ECL purchased \$30,000 of Class B LP Units and the attached Special Voting Units, on a private-placement basis, at the \$7.80 offering price. Empire Company Limited ("Empire"), through ECL, holds a 47.4% economic and voting interest in Crombie as of September 30, 2009.

Business Strategy 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 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, will 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 sources of acquisitions which are third party acquisitions and the relationship with ECL. All acquisitions completed to date have been purchased at costs which ensure they will be immediately accretive to cash available for distribution. The relationship with ECL includes currently owned and future development properties, as well as opportunities through the rights of first refusal that one of Empire's subsidiaries has negotiated in many of their leases. Crombie will seek to identify future property acquisitions using investment criteria that focus on the strength of anchor tenancies, market demographics, terms of tenancies, proportion of revenue from national 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 ECL to identify development opportunities that further Crombie's external growth strategy. The relationship is governed by a development agreement described in the Material Contracts section of Crombie's Annual Information Form for the year ended December 31, 2008. Through this relationship, Crombie expects to have 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 development agreement will also enable Crombie to avoid the uncertainties associated with property development, including 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 development agreement provides Crombie with a preferential right to acquire retail properties developed by ECL, subject to approval by the independent trustees. The history of the relationship between Crombie and ECL continues to provide promising opportunities for growth through future development opportunities on both new and existing sites in Crombie's portfolio.

ECL currently owns approximately 1.8 million square feet in 20 development properties that can be offered to Crombie on a preferential right through the development agreement when the properties are sufficiently developed to meet Crombie's acquisition criteria. The properties are primarily retail plazas and approximately 50% of the GLA of the 20 properties is located outside of Atlantic Canada. These properties are anticipated to be made available to Crombie over the next five years.

Business Environment

The global economic recession and credit crisis had a significant impact on the real estate industry in the second half of 2008 and continued for much of 2009. During this period, credit markets experienced a dramatic reduction in liquidity as both the ability and willingness of financial institutions to lend money was greatly reduced and financial institutions became increasingly risk adverse. During this time, Crombie took a cautious approach with respect to liquidity and use of available capital resources. While the credit environment is improving, tightened credit availability and terms continue to be a major risk to the capital intensive real estate investment trust ("REIT") business environment. Crombie has been able to successfully raise equity and unsecured convertible debenture financing over the last two quarters to further strengthen its available capital resources.

The turmoil in the financial markets also caused bond yields to materially decline and has dramatically reduced interest rate swap spreads. This resulted in a significant deterioration of the mark-to-market values for the interest rate swap agreements Crombie had entered into to hedge its exposure to potential increases in Canadian bond yields associated with variable rate debt and future debt issuances. The impact is more fully explained under the "Borrowing Capacity and Debt Covenants" and "Risk Management" sections of this MD&A.

In light of the economic recession and credit crisis, capitalization rates began to expand in early 2009. While higher capitalization rates normally make acquisition opportunities more affordable, the higher cost of capital caused by the tightening credit markets and the higher yield on Crombie's equity made it very challenging to find and fund accretive acquisitions. The recent improvement in both the credit and equity markets have improved Crombie's cost of capital to the level where accretive acquisitions can now be considered. Crombie will only pursue acquisitions that provide an acceptable return, including any acquisitions that may result from the relationship between Crombie and ECL.

In terms of occupancy rates, both the retail and office markets where Crombie has a prominent presence, remain relatively stable. The overall business environment outlook is cautiously optimistic, influenced by the early recovery noted in the U.S. and Canadian economies, however there remains a lack of clarity as to the sustainability of the recovery. One offsetting factor is that many of Crombie's retail locations are anchored by food stores, which typically are less affected by swings in consumer spending.

2009 THIRD QUARTER HIGHLIGHTS

- Crombie completed a prospectus offering of unsecured convertible debentures for gross proceeds of \$85,000 on September 30, 2009.
- Crombie completed leasing activity on 666,000 square feet of GLA at September 30, 2009, which represents approximately 95% of its 2009 expiring leases.
- Occupancy for the properties was 94.2% at September 30, 2009 compared with 94.1% at June 30, 2009.
- Property revenue for the quarter ended September 30, 2009 remained virtually unchanged at \$50,991 compared to \$51,044 for the quarter ended September 30, 2008.
- Same-asset NOI for the third quarter of 2009 of \$32,406 decreased by \$4 compared to \$32,410 for the quarter ended September 30, 2008.
- The FFO payout ratio for the nine months ended September 30, 2009 was 77.5% which was unfavourable to the target annual payout ratio of 70% and unfavourable to the payout ratio of 62.5% for the same period in 2008.
- The AFFO payout ratio for the nine months ended September 30, 2009 was 145.5% which was unfavourable to the target annual AFFO payout ratio of 95% and was unfavourable to the payout ratio of 107.9% for the same period in 2008.

- Debt to gross book value increased slightly to 51.0% at September 30, 2009 compared to 50.9% at June 30, 2009.
- Crombie's interest service coverage ratio for the first nine months of 2009 was 2.85 times EBITDA and debt service coverage ratio was 1.98 times EBITDA, compared to 2.81 times EBITDA and 2.02 times EBITDA, respectively, for the same period in 2008.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At September 30, 2009 the property portfolio consisted of 113 commercial properties that contain approximately 11.2 million square feet of GLA. The properties are located in seven provinces: Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Ontario, Quebec and Saskatchewan.

As at September 30, 2009, the portfolio distribution of the GLA by province was as follows:

Province	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Occupancy ⁽¹⁾
Nova Scotia	41	5,065,000	45.2%	41.1%	94.3%
Ontario	22	1,646,000	14.7%	16.9%	95.7%
New Brunswick	20	1,630,000	14.6%	12.4%	89.8%
Newfoundland and Labrador	13	1,490,000	13.3%	17.2%	94.4%
Quebec	13	825,000	7.4%	7.8%	98.4%
Prince Edward Island	3	385,000	3.4%	3.1%	94.6%
Saskatchewan	1	160,000	1.4%	1.5%	97.8%
Total	113	11,201,000	100.0%	100.0%	94.2%

(1) For purposes of calculating occupancy percentage, Crombie considers GLA covered by the head lease agreement in favour of ECL as occupied as there is head lease revenue being earned on the GLA

Overall occupancy has marginally increased from 94.1% at June 30, 2009 to 94.2% at September 30, 2009 primarily due to the increase of 101,000 square feet of committed renewals and 96,000 square feet of new leasing activity in the quarter. Of the total of 324,000 square feet in GLA of new tenancies, as shown in the "2009 Portfolio Lease Expiries and Leasing Activity", approximately 60,000 square feet is related to GLA to be occupied in future quarters of 2009 and 2010. This additional new leasing represents approximately 0.5% of Crombie's GLA.

Crombie looks to diversify its geographic composition through growth opportunities, as indicated by the seven acquisitions in Ontario, one acquisition in Quebec and one acquisition in Saskatchewan, plus the Portfolio Acquisition since Crombie's initial public offering (the "IPO"). As well, the properties are located in rural and urban locations, which Crombie believes adds stability to the portfolio, while reducing vulnerability to economic fluctuations that may affect any particular region.

From time to time, Crombie will commence redevelopment work on a property to enhance the economic viability of a location when the environment in which it operates warrants. Crombie currently has four properties that are under redevelopment. Fort Edward Mall in Windsor, Nova Scotia is in the process of conversion from a retail enclosed property to a retail plaza. The property was reconfigured to replace the previous SAAN location and several small tenants with new Hart and Dollarama locations. Valley Mall in Corner Brook, Newfoundland and Labrador is being reconfigured to replace an existing food court with a new Hart store. Fairvale Plaza in New Brunswick is being redeveloped to facilitate the renovation and expansion of an existing Sobeys store and additional customer parking. Finally, Aberdeen Shopping Centre in New Glasgow, Nova Scotia is being expanded to add approximately 10,000 square feet to accommodate the needs of Pictou County Health Authority. Costs for properties under redevelopment are classified as productive capacity enhancements to the extent that Crombie determines they are financeable costs by virtue of increasing a property's NOI and appraised value by a minimum threshold (see "Tenant Improvements and Capital Expenditures").

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at September 30, 2009.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys ⁽¹⁾	32.9%	16.3 years
Empire Theatres	2.2%	8.5 years
Zellers	2.2%	8.2 years
Shoppers Drug Mart	2.0%	6.6 years
Nova Scotia Power Inc	1.9%	1.5 years
CIBC	1.6%	17.5 years
Province of Nova Scotia	1.5%	5.9 years
Bell (Aliant)	1.4%	8.9 years
Public Works Canada	1.3%	1.9 years
Good Life Fitness	1.3%	7.7 years
Total	48.3%	

(1) Excludes Lawtons and Fast Fuel locations.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys, that accounts for 32.9% 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 September 30, 2009 the number of leases relating to the properties subject to lease maturities 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 net rent per square foot at the time of expiry. The weighted average remaining term of all leases is approximately 10.3 years.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Net Rent per Sq. Ft. at Expiry (\$)
Remaining 2009	104	232,000	2.1%	\$16.08
2010	201	654,000	5.8%	\$12.79
2011	214	1,044,000	9.3%	\$14.37
2012	169	911,000	8.1%	\$11.87
2013	157	876,000	7.8%	\$11.83
Thereafter	474	6,836,000	61.1%	\$12.92
Total	1,319	10,553,000	94.2%	\$12.94

2009 Portfolio Lease Expiries and Leasing Activity

As at September 30, 2009, portfolio lease expiries and leasing activity for the year ending December 31, 2009 were as follows:

	Retail - Freestanding	Retail - Plazas	Retail - Enclosed	Office	Mixed-use	Total
Expiries (sq. ft.)	--	160,000	220,000	103,000	220,000	703,000
Average net rent per sq. ft.	\$--	\$16.28	\$13.97	\$12.66	\$11.64	\$13.58
Committed renewals (sq. ft.)	--	78,000	103,000	44,000	117,000	342,000
Average net rent per sq. ft.	\$--	\$16.48	\$14.15	\$13.20	\$9.77	\$13.07
New leasing (sq. ft.)	4,000	55,000	163,000	47,000	55,000	324,000
Average net rent per sq. ft.	\$23.00	\$16.80	\$10.52	\$14.70	\$15.58	\$13.22
Total renewals/new leasing (sq. ft.)	4,000	133,000	266,000	91,000	172,000	666,000
Total average net rent per sq. ft.	\$23.00	\$16.61	\$11.92	\$13.97	\$11.63	\$13.14

During the nine months ended September 30, 2009, Crombie had renewals or entered into new leases in respect of approximately 666,000 square feet at an average net rent of \$13.14 per square foot, compared with expiries for 2009 of approximately 703,000 square feet at an average net rent of \$13.58 per square foot. Of the 703,000 square feet of expiries, approximately 149,000 square feet involve tenants that were still paying property revenues on a holdover basis. Rent per square foot for the completed new leasing activity in the retail enclosed properties is below the average net rent per square foot of total expiries in 2009 due primarily to one relatively large

lease in a small rural location to replace the last vacant SAAN store location that went into bankruptcy in 2008, plus two new anchor leases to complete the Highland Square renovation in New Glasgow, Nova Scotia. Rent per square foot for the renewals in the mixed-use properties was lower than the average expiry rate due to the renewal of three long term tenants at previously negotiated terms favourable to the tenants. Excluding the impact of these six new/renewal deals, average rent per square foot for all remaining leases of approximately 523,000 square feet was \$15.10, an increase of 11.2% over the average net rent per square foot for 2009 expiring rents.

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 September 30, 2009, 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	42	1,699,000	15.2%	15.7%	100.0%
Retail - Plazas	44	3,965,000	35.4%	37.1%	96.2%
Retail - Enclosed	14	2,782,000	24.8%	25.1%	91.1%
Office	5	1,048,000	9.4%	9.0%	87.4%
Mixed-Use	8	1,707,000	15.2%	13.1%	93.1%
Total	113	11,201,000	100.0%	100.0%	94.2%

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

The following table sets out as of September 30, 2009, 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.)	(%)
Remaining 2009	--	--%	70,000	1.8%	83,000	3.0%
2010	--	--%	234,000	5.9%	180,000	6.5%
2011	1,000	0.1%	322,000	8.1%	144,000	5.2%
2012	5,000	0.3%	295,000	7.4%	150,000	5.4%
2013	--	--%	391,000	9.9%	212,000	7.6%
Thereafter	1,693,000	99.6%	2,502,000	63.1%	1,765,000	63.4%
Total	1,699,000	100.0%	3,814,000	96.2%	2,534,000	91.1%

Year	Office		Mixed - Use		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
Remaining 2009	17,000	1.6%	62,000	3.6%	232,000	2.1%
2010	79,000	7.5%	161,000	9.4%	654,000	5.8%
2011	359,000	34.3%	218,000	12.8%	1,044,000	9.3%
2012	123,000	11.7%	338,000	19.8%	911,000	8.1%
2013	105,000	10.0%	168,000	9.8%	876,000	7.8%
Thereafter	233,000	22.3%	643,000	37.7%	6,836,000	61.1%
Total	916,000	87.4%	1,590,000	93.1%	10,553,000	94.2%

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

Year	Retail - Freestanding	Retail - Plazas	Retail - Enclosed	Office	Mixed - Use
Remaining 2009	\$--	\$16.63	\$17.55	\$12.60	\$14.47
2010	\$--	\$13.75	\$13.25	\$11.92	\$11.32
2011	\$37.50	\$14.16	\$20.10	\$14.21	\$11.03
2012	\$25.00	\$13.22	\$19.03	\$9.69	\$8.10
2013	\$--	\$9.79	\$13.88	\$13.51	\$12.91
Thereafter	\$13.29	\$13.72	\$11.92	\$12.09	\$11.86
Total	\$13.35	\$13.37	\$13.25	\$12.75	\$11.10

2009 RESULTS OF OPERATIONS

Acquisitions

The following table outlines the acquisitions made which affected the results of operations when compared to the previous year's results. The following acquisitions took place between January 2008 and September 2009.

Property	Date Acquired	Property Type	GLA (sq. ft.)	Acquisition Cost ⁽¹⁾
Portfolio Acquisition	April 22, 2008	Retail – Freestanding	1,589,000	\$428,500
		Retail – Plaza	1,571,000	
		Retail – Enclosed	128,000	
River City Centre, Saskatoon, Saskatchewan	June 12, 2008	Retail – Plaza	160,000	\$27,200
Total			3,448,000	\$455,700

(1) Excluding closing and transaction costs.

Comparison to Previous Year

Comparative figures have been restated for retrospective application of the change in accounting policy related to the accounting for recoverable capital expenditures. Comparative AFFO information has been restated to reflect the retrospective application of the impact of settlement of effective interest rate swap agreements.

<i>(In thousands of dollars, except where otherwise noted)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008	
Property revenue	\$154,876	\$135,620	\$19,256
Property expenses	55,814	50,721	(5,093)
Property NOI	99,062	84,899	14,163
NOI margin percentage	64.0%	62.6%	1.4%
Expenses:			
General and administrative	7,172	5,935	(1,237)
Interest	33,597	27,914	(5,683)
Depreciation and amortization	34,326	31,287	(3,039)
	75,095	65,136	(9,959)
Income from continuing operations before other items, income taxes and non-controlling interest	23,967	19,763	4,204
Other income (expenses)	(9,889)	124	(10,013)
Income from continuing operations before income taxes and non-controlling interest	14,078	19,887	(5,809)
Income taxes expense – Future	200	1,960	1,760
Income from continuing operations before non-controlling interest	13,878	17,927	(4,049)
Write down of assets held for sale	--	(895)	895
Income from discontinued operations	--	625	(625)
Income before non-controlling interest	13,878	17,657	(3,779)
Non-controlling interest	6,653	8,472	1,819
Net income	\$7,225	\$9,185	\$(1,960)
Basic and diluted net income per Unit	\$0.25	\$0.37	\$(0.12)
Basic weighted average Units outstanding (in 000's)	28,848	24,917	
Diluted weighted average Units outstanding (in 000's)	28,997	25,033	

Net income for the nine months ended September 30, 2009 of \$7,225 decreased by \$1,960 from \$9,185 for the nine months ended September 30, 2008. The decrease was primarily due to:

- expense on settlement of an ineffective interest rate swap agreement and the write off of deferred financing charges; offset in part by;
- higher property NOI from the individual property acquisition and the Portfolio Acquisition; less the higher interest and depreciation and amortization charges applicable to those acquisitions.

Property Revenue and Property Expenses

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset property revenue	\$110,974	\$111,916	\$(942)
Acquisition property revenue	43,902	23,704	20,198
Property revenue	\$154,876	\$135,620	\$19,256

Same-asset property revenue of \$110,974 for the nine months ended September 30, 2009 was 0.8% lower than the nine months ended September 30, 2008 due primarily to a one-time head lease adjustment upon final release of the obligation governing the agreement between ECL and Crombie for County Fair Mall in Summerside, Prince Edward Island and Uptown Centre in Fredericton, New Brunswick, partially offset by the increased average rent per square foot (\$12.38 in 2009 and \$12.32 in 2008) and increased recoverable common area expenses. The adjustment was paid to ECL to reflect their overachievement in the leasing results for these two locations which will benefit Crombie in higher rental income on an ongoing basis.

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset property expenses	\$45,175	\$45,022	\$(153)
Acquisition property expenses	10,639	5,699	(4,940)
Property expenses⁽¹⁾	\$55,814	\$50,721	\$(5,093)

(1) Comparative figures have been restated for retrospective changes in GAAP.

Same-asset property expenses of \$45,175 for the nine months ended September 30, 2009 were 0.3% higher than the nine months ended September 30, 2008 due to increased recoverable common area expenses primarily from increased property taxes, utility costs and seasonal repair costs such as roof repairs and paving.

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset property NOI	\$65,799	\$66,894	\$(1,095)
Acquisition property NOI	33,263	18,005	15,258
Property NOI	\$99,062	\$84,899	\$14,163

Same-asset NOI for the nine months ended September 30, 2009 decreased by 1.6% from the nine months ended September 30, 2008.

Property NOI for the nine months ended September 30, 2009 by region was as follows:

<i>(In thousands of dollars)</i>	2009			2008		Variance
	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue	
Nova Scotia	\$70,317	\$28,211	\$42,106	59.9%	58.7%	1.2%
Newfoundland and Labrador	24,347	7,142	17,205	70.7%	68.6%	2.1%
New Brunswick	18,448	7,762	10,686	57.9%	55.9%	2.0%
Ontario	24,795	8,069	16,726	67.5%	66.9%	0.6%
Prince Edward Island	3,551	973	2,578	72.6%	71.7%	0.9%
Quebec	11,300	3,064	8,236	72.9%	75.6%	(2.7)%
Saskatchewan	2,118	593	1,525	72.0%	75.5%	(3.5)%
Total	\$154,876	\$55,814	\$99,062	64.0%	62.6%	1.4%

The overall 1.4% increase in NOI as a % of revenue, as well as specific provincial increases in Nova Scotia, Newfoundland and Labrador, New Brunswick, Ontario and Price Edward Island was primarily due to the Portfolio Acquisition. Quebec's decrease in NOI % of revenue is attributable to higher recoverable common area expenses. The decrease in NOI % of revenue in Saskatchewan is due to River City Centre being owned by Crombie for only 111 days in 2008 and the fluctuations that can occur within a single property's results.

General and Administrative Expenses

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

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008	
Salaries and benefits	\$3,925	\$2,891	\$(1,034)
Professional fees	1,327	1,181	(146)
Public company costs	760	795	35
Rent and occupancy	573	512	(61)
Other	587	556	(31)
General and administrative expenses	\$7,172	\$5,935	\$(1,237)
As a percentage of revenue	4.6%	4.4%	0.2%

General and administrative expenses, as a percentage of revenue, increased by 0.2% for the nine months ended September 30, 2009 to \$7,172 compared to \$5,935 for the nine months ended September 30, 2008. The increase in expenses was primarily due to one time retirement costs associated with the retirement of Crombie's Chief Executive Officer on August 5, 2009, increased salaries and increased legal and information technology professional fees partially offset by reduced incentive payments.

Interest Expense

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset interest expense	\$19,923	\$19,204	\$(719)
Acquisition interest expense	13,674	8,710	(4,964)
Interest expense	\$33,597	\$27,914	\$(5,683)

Same-asset interest expense of \$19,923 for the nine months ended September 30, 2009 increased by 3.7% when compared to the nine months ended September 30, 2008 due to the amortization of payments made on the settlement of interest rate swap agreements and slightly higher average interest rates on mortgages entered into during 2008 for properties held since the IPO, offset in part by a decrease in the floating interest rate on the revolving credit facility.

There is an agreement between ECL and Crombie whereby ECL 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. Over the term of this agreement, management expects this subsidy to aggregate to the amount of approximately \$20,564. The amount of the interest rate subsidy received during the nine months ended September 30, 2009 was \$2,329 (nine months ended September 30, 2008 - \$2,536). The interest rate subsidy is received by Crombie through monthly repayments by ECL of amounts due under one of the demand notes issued by ECL to Crombie Developments Limited ("CDL").

Depreciation and Amortization

Comparative figures have been restated for retrospective changes in GAAP.

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset depreciation and amortization	\$21,595	\$24,223	\$2,628
Acquisition depreciation and amortization	12,731	7,064	(5,667)
Depreciation and amortization	\$34,326	\$31,287	\$(3,039)

Same-asset depreciation and amortization of \$21,595 for the nine months ended September 30, 2009 was 10.8% lower than the nine months ended September 30, 2008 due primarily to the intangible assets related to the origination costs and the in-place leases associated with the properties purchased at the date of IPO being fully amortized, offset in part by depreciation on fixed asset additions and amortization on tenant improvement and lease costs incurred since September 30, 2008.

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008	
Depreciation of commercial properties	\$14,022	\$11,903	\$(2,119)
Depreciation of recoverable capital expenditures	794	695	(99)
Amortization of tenant improvements/lease costs	3,184	2,457	(727)
Amortization of intangible assets	16,326	16,232	(94)
Depreciation and amortization	\$34,326	\$31,287	\$(3,039)

Other Income (Expenses)

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008	
Expense related to swap settlement	\$(8,139)	\$-	\$(8,139)
Write off of deferred financing charges	(1,860)	-	(1,860)
Other income items	110	124	(14)
	\$(9,889)	\$124	\$(10,013)

On September 14, 2009 in connection with the September 30, 2009 Series B Debenture issue, Crombie settled an interest rate swap agreement of 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 Term Facility with long-term financing. Due to the conversion option in the Series B Debenture issue, 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 (loss) for the period ended September 30, 2009 for the settlement amount. In addition, Crombie wrote off the deferred financing charges related to the repaid component of the Term Facility.

Future 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 or be subject to the restrictions on its growth that would otherwise apply to trusts classified as specified investment flow-through entities ("SIFTS").

Crombie's management and their advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it currently satisfies the technical tests contained in the Income Tax Act (Canada) in regard to the definition of a REIT (and thus is not a SIFT). However, 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 expenses represent the future tax provision of the wholly-owned corporate subsidiary which is subject to 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

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$1,275	\$19,683	\$20,958	\$1,148	\$11,330	\$12,478
Property expenses	312	3,899	4,211	201	2,683	2,884
Property NOI	\$963	\$15,784	\$16,747	\$947	\$8,647	\$9,594
NOI Margin %	75.5%	80.2%	79.9%	82.5%	76.3%	76.9%
Occupancy %	100%	100%	100%	100.0%	100.0%	100.0%

The improvement in the retail freestanding property NOI was caused by the Portfolio Acquisition. The same-asset NOI % margin is lower as a result of increases in recoverable expenses for paving and taxes.

Retail Plaza Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$30,647	\$22,839	\$53,486	\$31,719	\$11,687	\$43,406
Property expenses	10,738	6,305	17,043	9,989	2,867	12,856
Property NOI	\$19,909	\$16,534	\$36,443	\$21,730	\$8,820	\$30,550
NOI Margin %	65.0%	72.4%	68.1%	68.5%	75.5%	70.4%
Occupancy %	94.3%	98.6%	96.2%	94.7%	97.4%	96.1%

The improvement in the retail plaza property NOI was primarily caused by the Portfolio Acquisition, partially offset by increased non-recoverable maintenance costs in same-asset properties. The slight decline in occupancy in the same-asset properties combined with a slightly lower average net rent per square foot has led to the decrease in revenue compared to the prior year.

Retail Enclosed Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$35,692	\$1,380	\$37,072	\$34,994	\$687	\$35,681
Property expenses	12,314	435	12,749	12,882	149	13,031
Property NOI	\$23,378	\$945	\$24,323	\$22,112	\$538	\$22,650
NOI Margin %	65.5%	68.5%	65.6%	63.2%	78.3%	63.5%
Occupancy %	91.3%	87.4%	91.1%	90.4%	92.1%	90.4%

The improvement in NOI was primarily caused by the improved results at Avalon Mall in St. John's, Newfoundland and Labrador and the Portfolio Acquisition. Same-asset NOI margin % is higher than 2008 due to the lower common area expenses in 2009 and higher average net rent per square foot, combined with an increase in occupancy due to leasing in Amherst Centre, Nova Scotia. Acquisition property occupancy declined to 87.4% due the loss of a tenant at Fundy Trail Mall in Truro, Nova Scotia.

Office Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$17,083	\$--	\$17,083	\$17,504	\$--	\$17,504
Property expenses	9,045	--	9,045	9,006	--	9,006
Property NOI	\$8,038	\$--	\$8,038	\$8,498	\$--	\$8,498
NOI Margin %	47.1%	--%	47.1%	48.5%	--%	48.5%
Occupancy %	87.4%	--%	87.4%	89.7%	--%	89.7%

Occupancy levels have decreased slightly at the Halifax Developments Properties when compared to the prior year, while occupancy remained steady at Terminal Centres in New Brunswick. Higher net rent per square foot at the Halifax Developments Properties was offset by lower rent at Terminal Centres due to a decline in the rent per square foot leasing results. Halifax Developments also incurred higher common area expenses resulting in overall lower property NOI and NOI margin % for the office properties in 2009 compared to 2008.

Mixed-Use Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$26,277	\$--	\$26,277	\$26,551	\$--	\$26,551
Property expenses	12,766	--	12,766	12,944	--	12,944
Property NOI	\$13,511	\$--	\$13,511	\$13,607	\$--	\$13,607
NOI Margin %	51.4%	--%	51.4%	51.2%	--%	51.2%
Occupancy %	93.1%	--%	93.1%	96.8%	--%	96.8%

The decrease in mixed-use occupancy levels from 96.8% in 2008 to 93.1% in 2009 was due to the decline in occupancy in Aberdeen Business Centre, New Glasgow, Nova Scotia.

OTHER 2009 PERFORMANCE MEASURES

FFO and AFFO are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. As such, these non-GAAP financial measures should not be considered as an alternative to net income, cash provided by operating activities or any other measure prescribed under GAAP. FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-GAAP measure is relevant to the ability of Crombie to earn and distribute returns to unitholders. Due to the accounting changes related to the capitalization of items previously classified as deferred tenant charges, and Crombie adjusting the treatment of swap settlements for AFFO purposes, FFO and AFFO for prior periods have been restated. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REIT's and, accordingly, may not be comparable to other such issuers.

Funds from Operations

FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. Crombie has calculated FFO in accordance with the recommendations of the Real Property Association of Canada ("RealPAC") which defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable real estate and extraordinary items, plus depreciation and amortization expense, plus future income taxes, and after adjustments for equity-accounted entities and non-controlling interests. 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 nine months ended September 30, 2009 and 2008 is as follows:

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008 (as restated)	
Net income	\$7,225	\$9,185	\$(1,960)
Add (deduct):			
Non-controlling interest	6,653	8,472	(1,819)
Depreciation of commercial properties	14,022	11,903	2,119
Depreciation of recoverable capital expenditures	794	695	99
Amortization of tenant improvements/lease costs	3,184	2,457	727
Amortization of intangible assets	16,326	16,232	94
Depreciation and amortization on discontinued operations	--	129	(129)
Future income taxes	200	1,960	(1,760)
Write down of asset held for sale	--	895	(895)
Gain (loss) on disposal of assets	--	(77)	77
FFO	\$48,404	\$51,851	\$(3,447)

The reduction in FFO for the nine months ended September 30, 2009 was primarily due to the impact of the settlement of the ineffective interest rate swap agreement, partially offset by the higher net acquisition property results as previously discussed.

Adjusted Funds from Operations

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 improvements ("TI") and leasing costs and the settlement of effective interest rate swap agreements.

During the third quarter of 2009 Crombie has amended its calculation of AFFO. The amendment reflects the fact that, in accordance with GAAP, Crombie's third quarter financial statements reflect for the first time two distinct accounting treatments for the settlement of interest rate swap agreements. Settlement amounts related to interest rate swap agreements deemed ineffective hedges during the quarter have been expensed in full while settlement amounts related to interest rate swap agreements deemed effective hedges continue to be deferred and amortized. Having two distinct accounting treatments makes evaluating the economic recurring performance of Crombie's operating activities very difficult. Thus, management has decided to amend its calculation of AFFO to expense both effective and ineffective swap settlement costs. Management believes that this presentation better reflects the true economic costs of the swap settlement in the period settled and eliminates the distortion to future AFFO calculations of any non-cash swap amortization. Crombie has restated comparative AFFO calculations to reflect this change retrospectively. The calculation of AFFO for the nine months ended September 30, 2009 and 2008 is as follows:

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008 (as restated)	
FFO	\$48,404	\$51,851	\$(3,447)
Add:			
Amortization of effective swap agreements	1,112	--	1,112
Above-market lease amortization	2,316	2,286	30
Non-cash revenue impacts on discontinued operations	--	14	(14)
Less:			
Below-market lease amortization	(6,435)	(5,145)	(1,290)
Straight-line rent adjustment	(2,774)	(1,759)	(1,015)
Maintenance capital expenditures	(3,073)	(7,066)	3,993
Maintenance TI and leasing costs	(6,437)	(7,712)	1,275
Settlement of effective interest rate swap agreements	(7,342)	(2,438)	(4,904)
AFFO	\$25,771	\$30,031	\$(4,260)

The AFFO result for the nine months ended September 30, 2009 was affected by the increased settlement costs on effective interest rate swaps and the decrease in FFO for the period, offset in part by lower maintenance TI and leasing expenditures. Details of the maintenance TI and capital expenditures are outlined in the "Tenant Improvement and Capital Expenditures" section of the MD&A.

As discussed in the "Borrowing Capacity and Debt Covenants" and "Risk Management" sections of this MD&A, recent turmoil in the financial markets have resulted in a significant deterioration of the mark-to-market values for the interest rate swap agreements Crombie had entered into to hedge its exposure to potential increases in Canadian bond yields associated with variable rate debt and future debt issuances. During 2009, as Crombie has cash settled these mark-to-market values, the non-recurring impact of the swap settlements has had a material effect on the AFFO and AFFO payout ratio for the year-to-date period. Excluding the impact of the swaps settled (both effective and ineffective) during the nine months ended September 30, 2009, AFFO would have been \$40,140 and the AFFO payout ratio would have been 93.4% (nine months ended September 30, 2008 \$32,469 and 99.8% respectively).

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 GAAP measure, which is interpreted to be the cash flow from operating activities rather than net income. The reconciliation is as follows:

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	September 30, 2009	September 30, 2008 (as restated)	
Cash provided by operating activities	\$40,659	\$36,011	\$4,648
Add back (deduct):			
Recoverable/productive capacity enhancing TIs	190	1,946	(1,756)
Change in non-cash operating items	7,084	2,435	4,649
Unit-based compensation expense	(35)	(31)	(4)
Amortization of deferred financing charges	(1,713)	(826)	(887)
Write down of deferred financing charges	(1,860)	--	(1,860)
Settlement of ineffective interest rate swap agreement	(8,139)	--	(8,139)
Settlement of effective interest rate swap agreements	(7,342)	(2,438)	(4,904)
Maintenance capital expenditures	(3,073)	(7,066)	3,993
AFFO	\$25,771	\$30,031	\$(4,260)

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

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 TI costs and distributions. In addition, 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 \$72,217 was drawn at September 30, 2009, and the issue of new equity, mortgage debt, and unsecured convertible debentures pursuant to the Declaration of Trust.

<i>(In thousands of dollars)</i>	Nine Months Ended		
	September 30, 2009	September 30, 2008	Variance
Cash provided by (used in):			
Operating activities	\$40,659	\$36,011	\$4,648
Financing activities	\$(37,248)	\$367,838	\$(405,086)
Investing activities	\$(7,439)	\$(406,557)	\$399,118

Operating Activities

<i>(In thousands of dollars)</i>	Nine Months Ended		
	September 30, 2009	September 30, 2008	Variance
Cash provided by (used in):			
Net income and non-cash items	\$54,370	\$48,104	\$6,266
TI and leasing costs	(6,627)	(9,658)	3,031
Non-cash working capital	(7,084)	(2,435)	(4,649)
Cash provided by operating activities	\$40,659	\$36,011	\$4,648

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. The details of the TI and leasing costs during the nine months of 2009 are outlined in the "Tenant Improvements and Capital Expenditures" section of the MD&A.

Financing Activities

<i>(In thousands of dollars)</i>	Nine Months Ended		
	September 30, 2009	September 30, 2008	Variance
Cash provided by (used in):			
Net issue of convertible debentures	\$81,443	\$28,786	\$52,657
Net issue of units	64,574	59,215	5,359
Settlement of interest rate swap agreements	(15,481)	(2,438)	(13,043)
Net issue (repayment) of commercial property debt	(133,338)	309,713	(443,051)
Payment of distributions	(36,869)	(31,468)	(5,401)
Other items (net)	2,423	4,030	(1,607)
Cash provided by (used in) financing activities	\$(37,248)	\$367,838	\$(405,086)

Cash used in financing activities for the nine months ended September 30, 2009 was \$405,086 more than the nine months ended September 30, 2008. On June 25, 2009, Crombie received net proceeds of \$64,574 from the public offering of Units and the private placement of Class B LP Units with Empire Subsidiaries; and on September 30, 2009, Crombie received net proceeds of \$81,443 from the prospectus offering of Series B Debentures. These proceeds were used to reduce commercial property debt. During 2008, Crombie received gross proceeds related to the debt and equity financing of the Portfolio Acquisition and this inflow is offset by acquisition costs reflected in the Investing Activities.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2009 was \$7,439. Of this, \$6,887 was used for additions to commercial properties. Cash used in investing activities for the nine months ended September 30, 2008 of \$406,557 was primarily due to the Portfolio Acquisition on April 22, 2008.

Tenant Improvement and Capital Expenditures

There are two types of TI and capital expenditures:

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

Maintenance TI and capital expenditures are reinvestments in the portfolio to maintain the productive capacity of the existing assets. These costs are capitalized and depreciated 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 and thus enhance the property's overall value. These costs are then evaluated to ensure they are fully financeable. Productive capacity enhancement expenditures are capitalized and depreciated over their useful lives, but not deducted when calculating AFFO as they are considered financeable rather than having to be funded from operations.

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.

<i>(In thousands of dollars)</i>	Nine Months Ended	
	September 30, 2009	September 30, 2008
Total additions to commercial properties	\$6,887	\$16,614
Less: amounts recoverable from ECL	--	(3,566)
Net additions to commercial properties	6,887	13,048
Less: productive capacity enhancements	(3,814)	(5,982)
Maintenance capital expenditures	\$3,073	\$7,066

<i>(In thousands of dollars)</i>	Nine Months Ended	
	September 30, 2009	September 30, 2008
Total additions to TI and leasing costs	\$6,627	\$9,658
Less: amounts recoverable from ECL	(159)	(1,495)
Net additions to TI and leasing costs	6,468	8,163
Less: productive capacity enhancements	(31)	(451)
Maintenance TI and leasing costs	\$6,437	\$7,712

The lower maintenance capital expenditures are primarily as a result of the cautious outlook on capital intensive projects during the economic environment experienced during most of 2009.

The lower maintenance TI expenditures during the first nine months of 2009, when compared to the same period in 2008, was primarily due to early renegotiation in the first quarter of 2008 of lease renewals that were scheduled to expire in 2009 at a cost of \$2,823.

Productive capacity enhancements during the quarter consisted of the redevelopment of Valley Mall in Corner Brook, Newfoundland and Labrador, the work on the conversion of Fort Edward Mall in Windsor, Nova Scotia from a retail enclosed property to a retail plaza and construction of an additional estimated 10,000 square feet at Aberdeen Shopping Centre in New Glasgow, Nova Scotia to accommodate the needs of Pictou County Health Authority.

Capital Structure

<i>(In thousands of dollars)</i>	Sep. 30, 2009	Jun. 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sep. 30, 2008
Commercial property debt	\$682,551	\$759,223	\$812,342	\$808,971	\$820,634
Convertible debentures	\$110,593	\$29,090	\$29,029	\$28,968	\$28,907
Non-controlling interest	\$227,948	\$233,292	\$197,115	\$199,163	\$218,205
Unitholders' equity	\$249,646	\$255,475	\$213,351	\$215,558	\$236,241

Bank Credit Facilities and Commercial Property Debt

Crombie has in place an authorized floating rate revolving credit facility of up to \$150,000 (the "Revolving Credit Facility"), \$72,217 of which was drawn as at September 30, 2009. The Revolving Credit Facility is secured by a pool of first and second mortgages and negative pledges on certain properties. The floating interest rate is based on specified margins over prime rate or bankers acceptance rates. The specified margin increases as Crombie's overall debt leverage increases. 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 September 30, 2009, Crombie had sufficient Borrowing Base to permit \$150,000 of funds to be drawn down pursuant to the Revolving Credit Facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

As of September 30, 2009, Crombie had fixed rate mortgages outstanding of \$573,615 (\$565,027 after including the marked-to-market adjustment of \$8,588), carrying a weighted average interest rate of 5.57% (after giving effect to the interest rate subsidy from ECL under an omnibus subsidy agreement) and a weighted average term to maturity of 6.0 years.

In April of 2008, Crombie entered into an 18 month floating rate Term Facility of \$280,000 to partially finance the Portfolio Acquisition. On September 30, 2008, Crombie completed a mortgage financing on certain of the properties acquired in order to refinance \$100,000 of the Term Facility. On February 12, 2009, Crombie completed \$39,000 of additional fixed rate mortgage financings for eight of the properties acquired pursuant to the Portfolio Acquisition in order to refinance the Term Facility. A third party provided \$32,800 of fixed rate first mortgage financing, while \$6,200 of fixed rate second mortgage financing was provided by Empire. In June of 2009, Crombie completed the extension of the remaining Term Facility for two years with a syndicate of Canadian chartered banks. In August of 2009, Crombie completed \$15,000 of additional mortgage financing and applied the proceeds to the Term Facility. In September of 2009 Crombie issued \$85,000 of Series B Debentures to further reduce the Term Facility. The floating interest rate is based on a specified margin over prime rate or bankers acceptance rate. As security for the Term Facility, Crombie has granted a charge on the secured properties together with an assignment of leases. The Term Facility contains financial and non-financial covenants that are customary for a credit facility of this nature and which mirror the covenants set forth in the Revolving Credit Facility.

Crombie had secured a \$13,800 floating rate demand credit facility with Empire on substantially the same terms and conditions that govern the Revolving Credit Facility. This facility was put in place to ensure that Crombie maintained adequate liquidity in order to fund its daily operating activities while volatility in the financial markets continued. As at December 31, 2008, Crombie had \$10,000 drawn against this facility which was repaid during the first quarter of 2009. During the third quarter of 2009, as a result of the improved financial market conditions, this facility was cancelled.

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").

Principal repayments of the debt are scheduled as follows:

Year	Payments of Principal	Fixed Rate Debt Maturing during Year	Floating Rate Debt	Total Maturity	% of Total
Remaining 2009	\$4,879	\$--	\$--	\$4,879	0.7%
2010	15,840	106,079	--	121,919	18.0%
2011	15,771	26,786	113,595	156,152	23.0%
2012	16,362	--	--	16,362	2.4%
2013	17,193	30,042	--	47,235	7.0%
Thereafter	75,320	256,755	--	332,075	48.9%
Total ⁽¹⁾	\$145,365	\$419,662	\$113,595	\$678,622	100.0%

(1) Excludes fair value debt adjustment of \$8,588 and the deferred financing costs of \$4,659

Crombie has \$106,079 of fixed rate mortgage debt maturing in the first quarter of 2010. Negotiations on refinancing have begun and Crombie does not anticipate difficulty in refinancing the debt prior to maturity.

Convertible debentures

	Series A	Series B
Issue value	\$30,000	\$85,000
Interest rate (payable semi-annually)	7.00%	6.25%
Conversion price per unit	\$13	\$11
Issue date	March 20, 2008	September 30, 2009
Maturity date	March 20, 2013	June 30, 2015

The Series A Debentures were issued in relation to the Portfolio Acquisition and the Series B Debentures were issued to pay down the Term Facility.

Both the Series A Debentures and the Series B 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 units and applying the proceeds to satisfy its interest obligation.

Each Series A Debenture and Series B Debenture is 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 \$1,000 principal amount of Series A Debentures and 90.9091 Units per \$1,000 principal amount of Series B Debentures. If all conversion rights attaching to the Series A Debentures and the Series B Debentures are exercised, Crombie would be required to issue approximately 2,307,693 Units and 7,727,272 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 Toronto Stock Exchange 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 aforementioned redemption period, 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.

Unitholders’ Equity

In April 2009 there were 43,408 Units awarded as part of the Employee Unit Purchase Plan with an additional 4,003 issued in September 2009 (April 2008 – 34,053). On June 25, 2009, there were 4,725,000 Units issued, including the underwriters’ over-allotment Units, through a public offering. Concurrent with the public offering of Units, in satisfaction of its pre-emptive right, ECL purchased 3,846,154 Class B LP Units and the attached Special Voting Units on a private placement basis. Total units outstanding at November 5, 2009 were as follows:

Units	32,044,299
Special Voting Units ⁽¹⁾	28,925,730

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 28,925,730 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.

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%

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; and
- annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements.

The Revolving Credit Facility also contains a covenant of Crombie that ECL must maintain a minimum 40% voting interest in Crombie. If ECL reduces its voting interest below this level, Crombie will be required to renegotiate the Revolving Credit Facility or obtain alternative financing. Pursuant to an exchange agreement and while such covenant remains in place, ECL will be required to give Crombie at least six months' prior written notice of its intention to reduce its voting interest below 40%.

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 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. In order to hedge its interest rate risk on various debt commitments maturing through 2011, Crombie has entered into a series of interest rate swap agreements on notional principal amounts totalling approximately \$188,334 at September 30, 2009 that have settlement dates between October 15, 2009 and July 4, 2011. The recent turmoil in the capital markets has caused the mark-to-market adjustment on these interest rate swap agreements to reach an out-of-the-money position of approximately \$25,090 at September 30, 2009. There is no immediate cash impact from this mark-to-market adjustment. The unfavourable difference in the mark-to-market amount of the remaining interest rate swap agreements is reflected in other comprehensive income (loss) rather than net income (loss) as the swaps are all designated and effective hedges. However, the deterioration in the mark-to-market position may have the impact of reducing Crombie's available credit pursuant to the Revolving Credit Facility.

At September 30, 2009, the amount available under the Revolving Credit Facility was \$77,522 after calculation of the Aggregate Coverage Amount.

At September 30, 2009, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value Ratio

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as bank loans plus commercial 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) less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie and (ii) the amount of future income 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 ratio was 51.0% at September 30, 2009 compared to 50.9% at June 30, 2009. 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 in the range of 50% to 55% of gross book value, depending upon Crombie's future acquisitions and financing opportunities.

<i>(In thousands of dollars, except as otherwise noted)</i>	As at Sep. 30, 2009	As at Jun. 30, 2009	As at Mar. 31, 2009	As at Dec. 31, 2008	As at Sep. 30, 2008
Mortgages payable	\$573,615	\$564,101	\$565,980	\$531,970	\$524,307
Convertible debentures	115,000	30,000	30,000	30,000	30,000
Term facility	41,378	139,000	140,323	178,824	180,000
Revolving credit facility payable	72,217	62,812	111,400	93,400	121,585
Demand credit facility payable	--	--	--	10,000	--
Total debt outstanding	802,210	795,913	847,703	844,194	855,892
Less: Applicable fair value debt adjustment	(8,489)	(9,256)	(10,032)	(10,818)	(11,615)
Debt	\$793,721	\$786,657	\$837,671	\$833,376	\$844,277
Total assets	\$1,465,591	\$1,470,474	\$1,466,045	\$1,483,219	\$1,501,186
Add:					
Deferred financing charges	9,066	7,600	6,332	6,255	6,351
Accumulated depreciation of commercial properties	63,865	57,715	51,796	45,865	40,105
Accumulated amortization of intangible assets	72,147	66,492	60,836	53,505	45,995
Less:					
Assets related to discontinued operations	(7,038)	(7,054)	(7,162)	(7,184)	(9,673)
Interest rate subsidy	(8,489)	(9,256)	(10,032)	(10,818)	(11,615)
Fair value adjustment to future taxes	(39,245)	(39,245)	(39,245)	(39,245)	(39,245)
Gross book value	\$1,555,897	\$1,546,726	\$1,528,570	\$1,531,597	\$1,533,104
Debt to gross book value	51.0%	50.9%	54.8%	54.4%	55.1%
Maximum borrowing capacity⁽¹⁾	65%	65%	65%	65%	65%

(1) Maximum permitted by the Declaration of Trust

Debt and Interest Service Coverage Ratios

Crombie's interest and debt service coverage ratios for the nine months ended September 30, 2009 were 2.85 times EBITDA and 1.98 times EBITDA. This compares to 2.81 times EBITDA and 2.02 times EBITDA respectively for the nine months ended September 30, 2008. EBITDA should not be considered an alternative to net income, cash provided by operating activities or any other measure of operations as prescribed by Canadian GAAP. EBITDA is not a GAAP 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.

<i>(In thousands of dollars)</i>	Nine Months Ended	
	September 30, 2009	September 30, 2008 (as restated)
Property revenue	\$154,876	\$135,620
Amortization of above-market leases	2,316	2,286
Amortization of below-market leases	(6,435)	(5,145)
Adjusted property revenue	150,757	132,761
Property expenses	(55,814)	(50,721)
General and administrative expenses	(7,172)	(5,935)
EBITDA (1)	\$87,771	\$76,105
Interest expense	\$33,597	\$27,914
Amortization of deferred financing charges	(1,713)	(826)
Amortization of effective swap agreements	(1,112)	--
Adjusted interest expense (2)	\$30,772	\$27,088
Debt repayments	\$213,228	\$157,519
Debt repayments on discontinued operations	--	(109)
Amortization of fair value debt premium	(4)	(20)
Payments relating to interest rate subsidy	(2,329)	(2,537)
Payments relating to Term Facility	(137,446)	(100,000)
Payments relating to revolving credit facility	(49,900)	(29,793)
Payments relating to demand credit facility	(10,000)	--
Balloon payments on mortgages	--	(14,447)
Adjusted debt repayments (3)	\$13,549	\$10,613
Interest service coverage ratio $\{(1)/(2)\}$	2.85	2.81
Debt service coverage ratio $\{(1)/((2)+(3))\}$	1.98	2.02

Distributions and Distribution Payout Ratios

Distribution Policy

Pursuant to Crombie's Declaration of Trust, it is required, at a minimum, to make distributions to Unitholders equal to the amount of net income and net realized capital gains of Crombie as is necessary to ensure that Crombie will not be liable for income taxes. Within these guidelines, Crombie targets to make annual cash distributions to Unitholders equal to approximately 70% of its FFO and 95% of its AFFO on an annual basis.

Details of distributions to Unitholders are as follows:

<i>(Distribution amounts represented in thousands of dollars)</i>	Nine Months Ended	
	September 30, 2009	September 30, 2008
Distributions to Unitholders	\$19,626	\$17,051
Distributions to Special Voting Unitholders	17,882	15,344
Total distributions	\$37,508	\$32,395
Number of diluted Units	28,996,836	25,033,294
Number of diluted Special Voting Units	26,460,247	23,072,277
Total diluted weighted average Units	55,457,083	48,105,571
Distributions per unit	\$0.68	\$0.67
FFO payout ratio (target ratio = 70%)	77.5%	62.5%
AFFO payout ratio (target ratio = 95%)	145.5%	107.9%

The FFO payout ratio of 77.5% was unfavourable to the target ratio as the FFO was impacted by the settlement of an ineffective interest rate swap agreement and the write off of deferred financing charges. The AFFO payout ratio of 145.5% was unfavourable to the target ratio as a result of the reduced FFO and the adjustment for the settlement of effective interest rate swap agreements.

THIRD QUARTER RESULTS

Comparison to Previous Year

Comparative figures have been restated for retrospective application of the change in accounting policy related to the accounting for recoverable capital expenditures. Comparative AFFO information has been restated to reflect the retrospective application of the impact of settlement of effective interest rate swap agreements.

<i>(In thousands of dollars, except where otherwise noted)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Property revenue	\$50,991	\$51,044	\$(53)
Property expenses	18,585	18,634	49
Property NOI	32,406	32,410	(4)
NOI margin percentage	63.6%	63.5%	0.1%
Expenses:			
General and administrative	1,882	2,004	122
Interest	11,595	11,449	(146)
Depreciation and amortization	11,032	12,535	1,503
	24,509	25,988	1,479
Income from continuing operations before other items, income taxes and non-controlling interest	7,897	6,422	1,475
Other income (expenses)	(9,981)	27	(10,008)
Income (loss) from continuing operations before income taxes and non-controlling interest	(2,084)	6,449	(8,533)
Income taxes expense – Future	--	859	859
Income (loss) from continuing operations before non-controlling interest	(2,084)	5,590	(7,674)
Write down of assets held for sale	--	(895)	895
Income from discontinued operations	--	226	(226)
Income (loss) before non-controlling interest	(2,084)	4,921	(7,005)
Non-controlling interest	(989)	2,358	3,347
Net income (loss)	\$(1,095)	\$2,563	\$(3,658)
Basic and diluted net income (loss) per Unit	\$(0.03)	\$0.09	\$(0.12)
Basic weighted average Units outstanding (in 000's)	31,879	27,147	
Diluted weighted average Units outstanding (in 000's)	31,879	27,272	

Net income (loss) for the quarter ended September 30, 2009 of \$(1,095) decreased by \$3,658 from the net income of \$2,563 for the quarter ended September 30, 2008. The decrease was primarily due to:

- expense on settlement of an ineffective interest rate swap agreement and the write off of deferred financing charges, offset in part by;
- lower amortization charges on intangible assets as some intangibles have become fully amortized.

Property Revenue and Property Expenses

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset property revenue	\$50,991	\$51,044	\$(53)
Acquisition property revenue	--	--	--
Property revenue	\$50,991	\$51,044	\$(53)

For the quarter ended September 30, 2009, all previous acquisitions are included in same-asset property revenue on a comparative basis. Property revenue for the quarter is consistent with the same period in 2008.

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset property expenses	\$18,585	\$18,634	\$49
Acquisition property expenses	--	--	--
Property expenses	\$18,585	\$18,634	\$49

For the quarter ended September 30, 2009, all previous acquisitions are included in same-asset expenses on a comparative basis. Property expenses for the quarter are consistent with the same period in 2008.

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset property NOI	\$32,406	\$32,410	\$(4)
Acquisition property NOI	--	--	--
Property NOI	\$32,406	\$32,410	\$(4)

There was no material change in same-asset NOI for the quarter ended September 30, 2009 compared to the same quarter of 2008.

Property NOI for the quarter ended September 30, 2009 by region was as follows:

<i>(In thousands of dollars)</i>	2009			2008		Variance
	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue	
Nova Scotia	\$23,293	\$9,761	\$13,532	58.1%	56.2%	1.9%
Newfoundland and Labrador	7,928	2,237	5,691	71.8%	70.5%	1.3%
New Brunswick	5,929	2,396	3,533	59.6%	63.0%	(3.4)%
Ontario	8,161	2,702	5,459	66.9%	70.7%	(3.8)%
Prince Edward Island	1,232	311	921	74.8%	69.7%	5.1%
Quebec	3,724	968	2,756	74.0%	75.0%	(1.0)%
Saskatchewan	724	210	514	71.0%	73.9%	(2.9)%
Total	\$50,991	\$18,585	\$32,406	63.6%	63.5%	0.1%

Overall, NOI as a percentage of revenue remained consistent with the same quarter in 2008. NOI % has increased in Prince Edward Island due to offsetting declines in property revenue and property expenses. NOI % has decreased in New Brunswick due to decreased property revenue; in Ontario due to increased property expenses; and, in Saskatchewan due to increased property expenses partially offset by increased property revenue.

General and Administrative Expenses

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

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Salaries and benefits	\$815	\$1,031	\$216
Professional fees	479	388	(91)
Public company costs	185	275	90
Rent and occupancy	195	163	(32)
Other	208	147	(61)
General and administrative expenses	\$1,882	\$2,004	\$122
As a percentage of revenue	3.7%	3.9%	0.2%

General and administrative expenses, as a percentage of revenue, decreased by 0.2% for the quarter ended September 30, 2009 to \$1,882 compared to \$2,004 for the quarter ended September 30, 2008. The decrease in expenses was primarily due to a one-time payroll cost allocation adjustment in the third quarter of 2009; professional fees incurred in 2009 related to tax issues and short term financing matters; and the timing of the annual costs.

Interest Expense

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset interest expense	\$11,595	\$11,449	\$(146)
Acquisition interest expense	--	--	--
Interest expense	\$11,595	\$11,449	\$(146)

Same-asset interest expense of \$11,595 for the quarter ended September 30, 2009 increased by 1.3% when compared to the quarter ended September 30, 2008 due to the amortization of payments made on the settlement of interest rate swap agreements of \$450, offset in part by a decline in the floating interest rate paid on the Revolving Credit Facility and Term Facility.

There is an agreement between ECL and Crombie whereby ECL 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. Over the term of this agreement, management expects this subsidy to aggregate to the amount of approximately \$20,564. The amount of the interest rate subsidy received during the quarter ended September 30, 2009 was \$767 (quarter ended September 30, 2008 - \$818). The interest rate subsidy is received by Crombie through monthly repayments by ECL of amounts due under one of the demand notes issued by ECL to CDL.

Depreciation and Amortization

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Same-asset depreciation and amortization	\$11,032	\$12,535	\$1,503
Acquisition depreciation and amortization	--	--	--
Depreciation and amortization	\$11,032	\$12,535	\$1,503

Same-asset depreciation and amortization of \$11,032 for the quarter ended September 30, 2009 was 12.0% lower than the quarter ended September 30, 2008 due primarily to the intangible assets related to the origination costs and the in-place leases associated with the properties purchased at the date of the IPO being fully amortized, offset in part by depreciation on fixed asset additions and amortization on tenant improvement and lease costs incurred since September 30, 2008. Depreciation and amortization consists of:

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Depreciation of commercial properties	\$4,721	\$4,544	\$(177)
Depreciation of recoverable capital expenditures	268	233	(35)
Amortization of tenant improvements/lease costs	1,161	989	(172)
Amortization of intangible assets	4,882	6,769	1,887
Depreciation and amortization	\$11,032	\$12,535	\$1,503

Other Income (Expenses)

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Expense related to swap settlement	\$(8,139)	\$-	\$(8,139)
Write off of deferred financing charges	(1,860)	-	(1,860)
Other income items	18	27	(9)
	\$(9,981)	\$27	\$(10,008)

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 Term Facility with long-term financing. Due to the conversion option in the Series B Debenture issue, 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 (loss) for the period ended September 30, 2009 for the settlement amount. In addition, Crombie wrote off the deferred financing charges related to the repaid component of the Term Facility.

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

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2009			Quarter ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$6,702	\$--	\$6,702	\$7,018	\$--	\$7,018
Property expenses	1,276	--	1,276	1,691	--	1,691
Property NOI	\$5,426	\$--	\$5,426	\$5,327	\$--	\$5,327
NOI Margin %	81.0%	--%	81.0%	75.9%	--%	75.9%
Occupancy %	100.0%	--%	100.0%	100.0%	--%	100.0%

The improvement in the retail freestanding property NOI and NOI % margin is a result of a decrease in recoverable costs, primarily property taxes.

Retail Plaza Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2009			Quarter ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$17,656	\$--	\$17,656	\$17,317	\$--	\$17,317
Property expenses	5,935	--	5,935	5,024	--	5,024
Property NOI	\$11,721	\$--	\$11,721	\$12,293	\$--	\$12,293
NOI Margin %	66.4%	--%	66.4%	71.0%	--%	71.0%
Occupancy %	96.2%	--%	96.2%	96.1%	--%	96.1%

NOI and NOI % are lower in the third quarter of 2009 when compared to 2008 due to increased roofing and paving costs, primarily in Ontario.

Retail Enclosed Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2009			Quarter ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$12,309	\$--	\$12,309	\$11,917	\$--	\$11,917
Property expenses	4,082	--	4,082	4,260	--	4,260
Property NOI	\$8,227	\$--	\$8,227	\$7,657	\$--	\$7,657
NOI Margin %	66.8%	--%	66.8%	64.3%	--%	64.3%
Occupancy %	91.1%	--%	91.1%	90.4%	--%	90.4%

The improvement in NOI was primarily caused by the improved results at Avalon Mall in St. John's, Newfoundland and Labrador. Same-asset NOI margin % is higher than 2008 due to the lower non-shareable and recoverable expenses in 2009. Occupancy is higher in 2009 compared to 2008 due to the completion of redevelopment work ongoing at two properties as previously discussed and the commencement of the new leases at those properties.

Office Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2009			Quarter ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$5,598	\$--	\$5,598	\$5,893	\$--	\$5,893
Property expenses	2,910	--	2,910	3,091	--	3,091
Property NOI	\$2,688	\$--	\$2,688	\$2,802	\$--	\$2,802
NOI Margin %	48.0%	--%	48.0%	47.5%	--%	47.5%
Occupancy %	87.4%	--%	87.4%	89.7%	--%	89.7%

Occupancy levels have decreased slightly at the Halifax Developments Properties when compared to the same quarter of the prior year, while occupancy remained steady at Terminal Centres in New Brunswick. Higher net rent per square foot at the Halifax Developments Properties was offset by lower rent at Terminal Centres due to a decline in the rent per square foot leasing results. Halifax Developments also incurred higher common area expenses resulting in overall lower property NOI and NOI margin % for the office properties in 2009 compared to 2008.

Mixed-Use Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2009			Quarter ended September 30, 2008		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$8,726	\$--	\$8,726	\$8,899	\$--	\$8,899
Property expenses	4,382	--	4,382	4,568	--	4,548
Property NOI	\$4,344	\$--	\$4,344	\$4,331	\$--	\$4,331
NOI Margin %	49.8%	--%	49.8%	48.7%	--%	48.7%
Occupancy %	93.1%	--%	93.1%	96.8%	--%	96.8%

The decrease in mixed-use occupancy levels from 96.8% in 2008 to 93.1% in 2009 was due primarily to the decrease in occupancy in Aberdeen Business Centre, Nova Scotia. The NOI margin has increased as a result of decreased common area expenses.

OTHER THIRD QUARTER PERFORMANCE MEASURES

Funds from Operations

A calculation of FFO for the quarter ended September 30, 2009 and 2008 is as follows:

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Net income (loss)	\$(1,095)	\$2,563	\$(3,658)
Add (deduct):			
Non-controlling interest	(989)	2,358	(3,347)
Depreciation of commercial properties	4,721	4,544	177
Depreciation of recoverable capital expenditures	268	233	35
Amortization of tenant improvements/lease costs	1,161	989	172
Amortization of intangible assets	4,882	6,769	(1,887)
Depreciation and amortization on discontinued operations	--	(10)	10
Future income taxes	--	859	(859)
Write down of asset held for sale	--	895	(895)
FFO	\$8,948	\$19,200	\$(10,252)

The significant decrease in FFO for the quarter ended September 30, 2009 was primarily due to the impact of the settlement of the ineffective interest rate swap agreement as previously discussed.

Adjusted Funds from Operations

The calculation of AFFO for the quarters ended September 30, 2009 and 2008 is as follows:

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008 (as restated)	
FFO	\$8,948	\$19,200	\$(10,252)
Add:			
Amortization of effective swap agreements	450	--	450
Above-market lease amortization	773	771	2
Deduct:			
Below-market lease amortization	(2,145)	(2,145)	--
Straight-line rent adjustment	(648)	(741)	93
Maintenance capital expenditures	(939)	(3,401)	2,462
Maintenance TI and leasing costs	(4,083)	(1,219)	(2,864)
Settlement of effective interest rate swap agreements	(2,807)	(2,438)	(369)
Non-cash revenue impacts on discontinued operations	--	(8)	8
AFFO	\$(451)	\$10,019	\$(10,470)

The AFFO result for the quarter ended September 30, 2009 was primarily affected by the reduced FFO. Details of the maintenance TI and capital expenditures are outlined in the "Tenant Improvement and Capital Expenditures" section of the MD&A.

As discussed in the "Borrowing Capacity and Debt Covenants" and "Risk Management" sections of this MD&A, recent turmoil in the financial markets have resulted in a significant deterioration of the mark-to-market values for the interest rate swap agreements Crombie had entered into to hedge its exposure to potential increases in Canadian bond yields associated with variable rate debt and future debt issuances. During 2009, as Crombie has cash settled these mark-to-market values, the non-recurring impact of the swap settlements has had a material effect on the AFFO and AFFO payout ratio. Excluding the impact of the swaps settled (both effective and ineffective) during the quarter ended September 30, 2009, AFFO would have been \$10,045 and the AFFO payout ratio would have been 135.0% (quarter ended September 30, 2008 \$12,457 and 93.5% respectively).

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 GAAP measure, which is interpreted to be the cash flow from operating activities rather than net income. The reconciliation is as follows:

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008 (as restated)	
Cash provided by operating activities	\$23,583	\$13,941	\$9,642
Add back (deduct):			
Recoverable/productive capacity enhancing TIs	--	111	(111)
Change in non-cash operating items	(9,561)	2,166	(11,727)
Unit-based compensation expense	(12)	(11)	(1)
Amortization of deferred financing charges	(716)	(349)	(367)
Write off of deferred financing charges	(1,860)	--	(1,860)
Settlement of ineffective interest rate swap agreement	(8,139)	--	(8,139)
Settlement of effective interest rate swap agreements	(2,807)	(2,438)	(369)
Maintenance capital expenditures	(939)	(3,401)	2,462
AFFO	\$(451)	\$10,019	\$(10,470)

Cash Flow

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Cash provided by (used in):			
Operating activities	\$23,583	\$13,941	\$9,642
Financing activities	\$(21,380)	\$(4,842)	\$(16,538)
Investing activities	\$(2,203)	\$(9,099)	\$6,896

Operating Activities

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Cash provided by (used in):			
Net income and non-cash items	\$18,105	\$17,437	\$668
TI and leasing costs	(4,083)	(1,330)	(2,753)
Non-cash working capital	9,561	(2,166)	11,727
Cash provided by operating activities	\$23,583	\$13,941	\$9,642

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. The details of the TI and leasing costs during the third quarter of 2009 are outlined in the "Tenant Improvements and Capital Expenditures" section of the MD&A.

Financing Activities

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	September 30, 2009	September 30, 2008	
Cash provided by (used in):			
Net issue of convertible debentures	\$81,443	\$--	\$81,443
Settlement of interest rate swap agreements	(10,946)	(2,438)	(8,508)
Net issue (repayment) of commercial property debt	(79,188)	8,420	(87,608)
Payment of distributions	(13,565)	(11,649)	(1,916)
Other items (net)	876	825	51
Cash provided by (used in) financing activities	\$(21,380)	\$(4,842)	\$(16,538)

Cash used in financing activities for the quarter ended September 30, 2009 was \$16,538 higher than the quarter ended September 30, 2008 primarily due to the issue of the Series B Debentures with proceeds being used to pay down commercial property debt in the quarter ended September 30, 2009, as well as the settlement of the interest rate swap agreements.

Investing Activities

Cash used in investing activities for the quarter ended September 30, 2009 was \$2,203. Of this, \$1,965 was used for additions to commercial properties. Cash used in investing activities for the quarter ended September 30, 2008 of \$9,099 was primarily due to the liquor store expansions onto three Sobeys locations.

Tenant Improvements and Capital Expenditures

<i>(In thousands of dollars)</i>	Quarter Ended	
	September 30, 2009	September 30, 2008
Total additions to commercial properties	\$1,965	\$9,099
Less: amounts recoverable from ECL	--	(1,177)
Net additions to commercial properties	1,965	7,922
Less: productive capacity enhancements	(1,026)	(4,521)
Maintenance capital expenditures	\$939	\$3,401

<i>(In thousands of dollars)</i>	Quarter Ended	
	September 30, 2009	September 30, 2008
Total additions to TI and leasing costs	\$4,083	\$1,330
Less: amounts recoverable from ECL	--	(111)
Net additions to TI and leasing costs	4,083	1,219
Less: productive capacity enhancements	--	--
Maintenance TI and leasing costs	\$4,083	\$1,219

The lower maintenance capital expenditures are primarily as a result of the cautious outlook on capital intensive projects during the current economic environment. The higher maintenance TI and leasing costs in the third quarter are the result of the tenants now willing to commit to new leasing deals as the economic outlook has begun to improve.

Productive capacity enhancements during the quarter consisted of the redevelopment of Valley Mall in Corner Brook, Newfoundland and Labrador, the conversion of Fort Edward Mall in Windsor, Nova Scotia from a retail enclosed property to a retail plaza and construction of additional GLA at Aberdeen Business Centre, New Glasgow, Nova Scotia.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009 Crombie adopted one new accounting standard that was issued by the CICA in 2008 and one Emerging Issues Committee Abstract issued by the CICA in January 2009. These accounting policy changes have been adopted in accordance with the transitional provisions.

The new standards and accounting policy changes are as follows:

Goodwill and Intangible Assets

Effective January 1, 2009, the accounting and disclosure requirements of the CICA's new accounting standard: "Handbook Section 3064, Goodwill and Intangible Assets" was adopted.

This standard is effective for annual and interim financial statements related to fiscal years beginning on or after October 1, 2008 and is applicable for Crombie's first quarter of fiscal 2009. Section 3064 states that intangible assets may be recognized as assets only if they meet the definition of an intangible asset. Section 3064 also provides further information on the recognition of internally generated intangible assets, (including research and development).

This standard has been applied retrospectively with restatement of prior periods. The adoption of this new standard resulted in an increase of \$233 to depreciation of commercial properties and a decrease of \$233 to property expenses in the consolidated Statements

of Income (Loss) for the three months ended September 30, 2008 and an increase of \$695 to depreciation of commercial properties and a decrease of \$695 to property expenses for the nine months ended September 30, 2008. In the consolidated Balance Sheets, there was an increase of \$3,946 to commercial properties, an increase of \$38 to receivables, a decrease of \$4,246 to prepaid expenses, and a decrease of \$220 to payables and accruals at December 31, 2008, and a decrease of \$20 to non-controlling interest and a decrease of \$22 to unitholders' equity at January 1, 2009.

Financial instruments - recognition and measurement

In January 2009, the CICA issued Emerging Issues Committee Abstract 173 ("EIC 173"), "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". EIC 173 requires that a company take into account its own credit risk and the credit risk of its counterparty in determining the fair value of financial assets and financial liabilities. This Abstract must be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of EIC 173 did not have a significant impact on Crombie's financial results, position or disclosures.

EFFECT OF NEW ACCOUNTING POLICIES NOT YET IMPLEMENTED

Financial Instrument Disclosures

In June 2009, the CICA issued amendments to the existing Section 3862, "Financial Instruments - Disclosures", to more closely align the section with those required under IFRS. The amendments include enhanced disclosure requirements relating to fair value measurements of financial instruments and liquidity risks. These amendments apply for annual financial statements with fiscal years ending after September 30, 2009. The adoption of the amendments to Section 3862 is not expected to have a material impact on the disclosures of Crombie.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board of Canada announced that GAAP for publicly accountable enterprises will be replaced by 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 Canadian 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, has launched an internal initiative to govern the conversion process and is currently evaluating the potential impact of the conversion to IFRS on its financial statements. At this time, the impact on Crombie's future financial position and results of operations is not reasonably determinable or estimatable. Crombie expects the transition to IFRS to impact accounting, financial reporting, internal control over financial reporting, information systems and business processes.

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

Crombie will continue 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. Additionally, Crombie will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

In order to assist Crombie with its transition to IFRS, the Unitholders approved amendments to Crombie's Declaration of Trust, at Crombie's Annual General and Special Meeting held on May 7, 2009, to allow the Trustees to make future amendments to the Declaration of Trust without the requirement to obtain Unitholder approval. These changes are in the same manner as the Declaration of Trust currently permits Trustees to act as it relates to the changes in taxation laws.

An example of a potential change to the Declaration of Trust in order to comply with IFRS standards as they are currently drafted include the fact that Crombie's units may be regarded under IFRS as a "liability" rather than "equity" (as they are currently recognized under Canadian GAAP). This interpretation is influenced principally by the requirement in the Declaration of Trust that Crombie "shall" distribute in each year an amount at least equal to its taxable income. Under IFRS, the units would be classified as a liability if they contain "a contractual obligation to deliver cash or another financial asset to another entity".

The amendments will not result in any material change to the Unitholders, but rather were contemplated in order to assist Crombie to implement changes that will assist in its transition to IFRS. Trustees will be obligated to determine whether any such change is

necessary or desirable in the circumstances, and all other matters that are currently required to be approved by Unitholders pursuant to the Declaration of Trust will remain unchanged.

Crombie's IFRS changeover plan is summarized below which details Crombie's progress towards completion of selected key activities.

	KEY ACTIVITIES	MILESTONES/DEADLINES	PROGRESS TO DATE
Financial statement preparation	Review differences in Canadian GAAP/IFRS accounting policies	Audit Committee sign off for all key IFRS accounting policy choices to occur during Q4 of fiscal 2009	Completed diagnostic impact assessment during 2009, which involved a high level review of major differences between IFRS and Canadian GAAP. Presented position papers on significant IFRS accounting policy choices for Audit Committee consideration.
	Evaluate and select IFRS policies & IFRS 1 choices		
	Develop financial statement format and disclosure	Draft skeleton IFRS annual and interim financial statements by Q3 fiscal 2009	
	Quantify effects of changeover in initial IFRS 1 disclosures and fiscal 2011 financial statements	Final quantification of conversion effects on 2011 comparative period by Q1 fiscal 2010	IFRS 1 exemptions applicable to the entity have been identified; assessment of alternatives is underway
Training and communication	Educate the Board of Trustees, Audit Committee, management, key employees, and other stakeholders	Ongoing training provided to all groups to align with changeover Additional training will occur as needed during the changeover year	Completed training for general awareness of IFRS to broad group of finance employees, Board of Trustees, and Audit Committee
	Communicate progress of changeover plan to internal and external stakeholders	Communicate project status updates regularly until completion of IFRS implementation	Frequent project status communications have been provided to internal and external stakeholders
	Monitor ongoing IFRS accounting standards developments	Ongoing monitoring of standards, exposure drafts, interpretations and pronouncements	Frequent attendance at relevant seminars, participation in industry groups events, web site monitoring
Information systems	Determine if business processes require change to be IFRS compliant	IT implementation plan to be completed by Q3 fiscal 2009	Assessment of business processes is underway in conjunction with work on accounting policies
	Determine if software requires upgrades, changes, or additions to support IFRS reporting requirements	Changes to systems and dual record-keeping process to be completed at the beginning of fiscal 2010	System impacts for IFRS differences are being assessed, including an assessment of dual record-keeping

Contractual arrangements and compensation	Assess the affect of IFRS on: Financial covenants Compensation arrangements Budgeting and planning	Complete necessary covenant negotiations during fiscal 2010	Preliminary analysis is underway in conjunction with work on accounting policies, and also as part of the key performance indicators (“KPI”) and budgeting IFRS project groups
	Make any required changes to plans and arrangements	Complete review of compensation arrangements during fiscal 2010	
		Complete budgeting plan during fiscal 2010	
Control environment	Assess and design internal controls over financial reporting (“ICFR”) for all accounting policy changes	Changes to ICFR and DC&P to be completed by Q1 2010 Test and evaluate revised controls throughout fiscal 2010	Analysis of control issues is underway in conjunction with the review of IFRS accounting issues and policies
	Assess and design disclosure controls and procedures (“DC&P”) for all identified accounting policy changes	Update Chief Executive Officer/Chief Financial Officer certification process by fiscal 2010	MD&A disclosures have begun IFRS communications committee, which includes Investor Relations, has been assembled and is engaged

RELATED PARTY TRANSACTIONS

As at September 30, 2009, Empire, through its wholly-owned subsidiary ECL, holds a 47.4% indirect interest in Crombie. Crombie uses the exchange amount as the measurement basis for the related party transactions.

For a period of five years commencing March 23, 2006, certain executive management individuals and other employees of Crombie will provide general management, financial, leasing, administrative, and other administration support services to certain real estate subsidiaries of Empire on a cost sharing basis. The costs assumed by Empire pursuant to the agreement during the three months ended and nine months ended September 30, 2009 were \$206 and \$781 (three months ended and nine months ended September 30, 2008 - \$285 and \$1,126 respectively) and were netted against general and administrative expenses owing by Crombie to Empire.

For a 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 on a cost sharing basis. In addition, for various periods, ECL has an obligation to provide rental income and interest rate subsidies. The costs assumed by Empire pursuant to the agreement during the three months ended and nine months ended September 30, 2009 were \$229 and \$878 (three months ended and nine months ended September 30, 2008 - \$343 and \$1,516 respectively) and was netted against property expenses owing by Crombie to Empire. The head lease subsidy during the three months ended and nine months ended September 30, 2009 were \$311 and \$715 (three months and nine months ended September 30, 2008 - \$105 and \$734 respectively).

Crombie also earned rental revenue of \$14,356 for the three months ended September 30, 2009 and \$47,566 for the nine months ended September 30, 2009 (three months ended and nine months ended September 30, 2008 - \$13,578 and \$33,075 respectively) from Sobey's Inc., Empire Theatres and ASC Commercial Leasing Limited (“ASC”). These companies were all subsidiaries of Empire until September 8, 2008 when ASC was sold. Property revenue from ASC is included in this note disclosure until the sale date.

Crombie had secured a \$13,800 floating rate demand credit facility with Empire on substantially the same terms and conditions that govern the Revolving Credit Facility. This facility was put in place to ensure that Crombie maintained adequate liquidity in order to fund its daily operating activities while volatility in the financial markets continued. As at December 31, 2008, Crombie had \$10,000 drawn against this facility which was repaid during the first quarter of 2009. During the third quarter of 2009, as a result of the improved financial market conditions, this facility was cancelled.

On June 1, 2009, Crombie acquired 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, an affiliate of Empire. ECL General Partner Limited provided debt of \$3,527 at a fixed rate of 8.00% and a term of 20 years.

On June 25, 2009, concurrent with the public offering, in satisfaction of its pre-emptive right, ECL purchased \$30,000 of Class B LP Units and the attached Special Voting Units, on a private-placement basis.

On September 30, 2009, as part of a prospectus offering, in satisfaction of its pre-emptive rights, ECL purchased \$10,000 of Series B Debentures.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are discussed under the section "Critical Accounting Estimates" in the 2008 Annual Report.

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 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.

Crombie has land leases on certain properties. These leases have annual payments of \$969 per year over the next five years. The land leases have terms of between 15.6 and 75.9 years remaining, including renewal options.

Crombie obtains letters of credit to support its obligations with respect to construction work on its commercial properties and defeasing commercial property debt. 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, Crombie has \$145 in standby letters of credit for construction work that is being performed on its commercial properties. Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

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. An allowance for doubtful accounts is taken for all anticipated problem accounts.

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 September 30, 2009;

- Excluding Sobeys (which accounts for 32.9% 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, no more than 9.3% of the gross leaseable area of Crombie will expire in any one year.

Crombie earned rental revenue of \$14,356 for the three months ended September 30, 2009 and \$47,566 for the nine months ended September 30, 2009 (three months ended and nine months ended September 30, 2008 - \$13,578 and \$33,075 respectively) from subsidiaries of Empire.

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 September 30, 2009:

- Crombie's weighted average term to maturity of the fixed rate mortgages was 6.0 years, and
- Crombie's exposure to floating rate debt, including the impact of the fixed rate swap agreements discussed below, was 9.3% of the total commercial property debt. Excluding the floating rate term facility, which is to be replaced with permanent fixed rate financing during the next two years, the exposure to floating rate debt is 3.5%

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. Recent turmoil in the financial markets has materially affected interest swap rates. The interest swap rates are based on Canadian bond yields, plus a premium, called the swap spread, which reflects the risk of trading with a private counterparty as opposed to the Canadian government. Swap spreads remain below historical average values and the effect of the abnormally low swap spreads, combined with the decline in the Canadian bond yields, has resulted in a significant deterioration of the mark-to-market values for the interest rate swap agreements. At September 30, 2009, the mark-to-market exposure on the interest rate swap agreements was approximately \$25,090. There is no immediate cash impact from the mark-to-market adjustment. The unfavourable difference in the mark-to-market amount of the remaining interest rate swap agreements is reflected in other comprehensive income (loss) rather than net income (loss) as the swaps are all designated and effective hedges. The breakdown of the swaps in place 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 to be paid on \$50,000 of the revolving credit facility. The fair value of the fixed interest rate swap at September 30, 2009, had an unfavourable mark-to-market exposure of \$3,280 (September 30, 2008 – unfavourable \$1,608) compared to its face value. The change in this amount has been recognized in other comprehensive income (loss). The mark-to-market amount of fixed interest rate swaps reduce to \$Nil upon maturity of the swaps.
- Crombie has entered into a number of delayed interest rate swap agreements of a notional amount of \$100,334 (September 30, 2008 - \$110,431) with settlement dates between February 1, 2010 and July 2, 2011, maturing between February 1, 2019 and July 2, 2021 to mitigate exposure to interest rate increases for mortgages maturing in 2010 and 2011. The fair value of these delayed interest rate swap agreements had an unfavourable mark-to-market exposure of \$15,082 compared to the face value September 30, 2009 (September 30, 2008 – unfavourable \$8,037). The change in these amounts has been recognized in other comprehensive income (loss).
- In relation to the acquisition of a portfolio of 61 retail properties from subsidiaries of Empire, Crombie has entered into a delayed interest rate swap agreement of a notional amount of \$38,000 (September 30, 2008 - \$180,000) with a settlement date of October 15, 2009 to mitigate exposure to interest rate increases prior to replacing the floating rate term facility with long-term financing. The fair value of this agreement had an unfavourable mark-to-market exposure of \$6,728 compared to the face value on September 30, 2009 (September 30, 2008 – unfavourable \$6,168). The change in this amount has been recognized in other comprehensive income (loss). Subsequent to period end the agreement was settled for \$6,116 (see "Subsequent Events").

During the first quarter of 2009, Crombie settled an interest rate swap agreement related to a notional amount of \$42,000 for a settlement amount of \$4,535. This settlement amount has been recognized in other comprehensive income (loss) since the inception of the interest rate swap agreements. This amount will be reclassified to interest expense using the effective interest method.

On August 27, 2009, Crombie settled an interest rate swap agreement related to a notional amount of \$16,000 for a settlement amount of \$2,807. This settlement amount has been recognized in other comprehensive income (loss) since the inception of the interest rate swap agreements. This amount will be reclassified to interest expense using the effective interest method.

On September 14, 2009, Crombie settled an interest rate swap agreement related to the notional amount of \$84,000 for a settlement amount of \$8,139. The settlement amount was recognized as an expense in the period as the swap was no longer deemed to be an effective hedge.

Crombie estimates that \$503 of other comprehensive income (loss) will be reclassified to interest expense during the remaining quarter of 2009 based on interest rate swap agreements settled to September 30, 2009.

A fluctuation in interest rates would have an impact on Crombie's net earnings and other comprehensive income (loss) items. 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:

	Three months ended September 30, 2009		Three months ended September 30, 2008	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on net income of interest rate changes the floating rate revolving credit facility	\$(189)	\$189	\$(501)	\$501

	Nine months ended September 30, 2009		Three months ended September 30, 2008	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on net income of interest rate changes the floating rate revolving credit facility	\$(703)	\$703	\$(866)	\$866

	September 30, 2009		September 30, 2008	
	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	\$6,139	\$(6,434)	\$9,486	\$(9,903)

Crombie does not enter into these 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. 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. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the Revolving Credit Facility is also limited to the amount utilized under the facility, plus any negative mark-to-market position on the interest rate swap agreements, not exceeding the security provided by Crombie. The mark-to-market adjustment on the interest rate swap agreements reached an out-of-the-money position of approximately \$25,090 at September 30, 2009. The deterioration in the mark-to-market position may have the impact of reducing Crombie's available credit in the Revolving Credit Facility.

Crombie has no mortgages maturing in fiscal 2009 and during the second quarter of 2009 completed the extension of the Term Facility from the original maturity date of October 2009 to May 2011. In addition, Crombie was able to access the equity capital markets in June 2009 for gross proceeds of \$66,855 and the debt capital markets in September 2009 for gross proceeds of \$85,000.

Crombie has a \$106,079 fixed rate mortgage debt maturing in the first quarter of 2010. Negotiations on refinancing have begun and Crombie does not anticipate difficulty in refinancing the debt prior to maturity.

SUBSEQUENT EVENTS

On October 22, 2009, Crombie declared distributions of 7.417 cents per unit for the period from October 1, 2009, to and including, October 31, 2009. The distribution will be payable on November 16, 2009 to Unitholders of record as at October 31, 2009.

On September 23, 2009, Crombie signed a commitment letter for mortgage financing of \$37,000 with a third party. Upon closing, the mortgage will have an interest rate of 6.9% and a term of 10 years. On receipt, the mortgage funds will be used to reduce the floating rate term facility. In connection with the mortgage financing, on October 14, 2009, Crombie cash settled an interest rate swap with a notional value of \$38,000 for a settlement amount of \$6,116. As at September 30, 2009, the swap had a mark-to-market value of \$6,728. The settlement amount will be reclassified to interest expense using the effective interest method over the 10 year term of the mortgage.

On November 5, 2009, Crombie entered into an agreement to acquire eight retail properties, representing approximately 335,000 square feet of gross leaseable area, from subsidiaries of Empire Company Limited. The purchase price of the properties is approximately \$62,000, excluding closing and transaction costs. The acquisition is expected to close in stages over the next six months as due diligence and mortgage financing for the properties are finalized. The purchase price will be funded through a combination of assumed mortgage financing and Crombie's floating rate revolving credit facility.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The control framework Management used to design ICFR is COSO, which is the Committee of Sponsoring Organizations of the Treadway Commission. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of Crombie's ICFR and have concluded as at September 30, 2009 that Crombie's ICFR were designed and operated effectively, and that there are no material weaknesses relating to the design or operation of Crombie's ICFR. There were no changes to Crombie's ICFR for the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect Crombie's ICFR.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to Crombie is made known to Management by others, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of Crombie's DC&P and have concluded as at September 30, 2009 that these DC&P were designed and operated effectively, and that there are no material weaknesses relating to the design or operation of Crombie's DC&P.

QUARTERLY INFORMATION

The following table shows information for revenues, net income (loss), AFFO, FFO, distributions and per unit amounts for the eight most recently completed quarters.

<i>(In thousands of dollars, except per unit amounts)</i>	Quarter Ended (as restated)							
	Sep. 30, 2009	Jun. 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sep. 30, 2008	Jun. 30, 2008	Mar. 31, 2008	Dec. 31, 2007
Property revenue	\$50,991	\$50,893	\$52,992	\$52,522	\$51,044	\$47,315	\$37,262	\$36,455
Property expenses	18,585	17,258	19,971	19,649	18,634	16,776	15,312	14,336
Property net operating income	32,406	33,635	33,021	32,873	32,410	30,539	21,950	22,119
Expenses:								
General and administrative	1,882	3,646	1,644	2,701	2,004	1,979	1,952	2,492
Interest	11,595	11,272	10,730	11,318	11,449	9,965	6,500	6,577
Depreciation and amortization	11,032	10,803	12,491	12,499	12,535	10,757	7,995	8,352
	24,509	25,721	24,865	26,518	25,988	22,701	16,447	17,421
Income from continuing operations before other items, income taxes and non-controlling interest	7,897	7,914	8,156	6,355	6,422	7,838	5,503	4,698
Other income (expense) items	(9,981)	--	92	55	27	97	--	--
Income (loss) from continuing operations before income taxes and non-controlling interest	(2,084)	7,914	8,248	6,410	6,449	7,935	5,503	4,698
Income tax expense (recovery) - Future	--	--	200	(3,450)	859	701	400	(2,994)
Income (loss) from continuing operations before non-controlling interest	(2,084)	7,914	8,048	9,860	5,590	7,234	5,103	7,692
Gain/(loss) on sale of discontinued operations	--	--	--	487	(895)	--	--	--
Income from discontinued operations	--	--	--	24	226	136	263	132
Income (loss) before non-controlling interest	(2,084)	7,914	8,048	10,371	4,921	7,370	5,366	7,824
Non-controlling interest	(989)	3,786	3,856	4,968	2,358	3,531	2,583	3,766
Net income (loss)	\$(1,095)	\$4,128	\$4,192	\$5,403	\$2,563	\$3,839	\$2,783	\$4,058
Basic and diluted net income (loss) per unit	\$(0.03)	\$0.15	\$0.15	\$0.20	\$0.09	\$0.15	\$0.13	\$0.19

<i>(In thousands of dollars, except per unit amounts)</i>	Quarter Ended (as restated)							
	Sep. 30, 2009	Jun. 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sep. 30, 2008	Jun. 30, 2008	Mar. 31, 2008	Dec. 31, 2007
AFFO	\$(451)	\$14,524	\$11,698	\$13,521	\$10,019	\$11,916	\$8,096	\$7,545
FFO	\$8,948	\$18,717	\$20,739	\$18,933	\$19,200	\$18,812	\$13,839	\$13,257
Distributions	\$13,566	\$12,294	\$11,649	\$11,649	\$11,649	\$11,879	\$8,867	\$8,867
AFFO per unit ⁽¹⁾	\$(0.01)	\$0.27	\$0.22	\$0.25	\$0.19	\$0.24	\$0.19	\$0.18
FFO per unit ⁽¹⁾	\$0.15	\$0.35	\$0.40	\$0.36	\$0.37	\$0.38	\$0.33	\$0.32
Distributions per unit ⁽¹⁾	\$0.22	\$0.23	\$0.22	\$0.22	\$0.22	\$0.23	\$0.21	\$0.21

(1) AFFO, FFO and distributions per unit are calculated by AFFO, FFO or distributions, as the case maybe, divided by the diluted weighted average of the total Units and Special Voting Units outstanding of 60,804,544 for the quarter ended September 30, 2009, 52,959,049 for the quarter ended June 30, 2009, 52,351,464 for the quarter ended March 31, 2009, 52,351,464 for the quarter ended December 31, 2008, 52,351,464 for the quarter ended September 30, 2008, 49,954,256 for the quarter ended June 30, 2008, 41,728,561 for the quarter ended March 31, 2008, 41,728,561 for the quarter ended December 31, 2007. The quarterly results of these calculations may not add to the annual calculations due to rounding.

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

Dated: November 5, 2009

Stellarton, Nova Scotia, Canada

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

	September 30, 2009	December 31, 2008
		Restated (Note 3)
Assets		
Commercial properties (Note 4)	\$1,308,086	\$1,308,347
Intangible assets (Note 5)	112,761	131,403
Notes receivable (Note 6)	8,925	11,323
Other assets (Note 7)	28,781	20,934
Cash and cash equivalents	-	4,028
Assets related to discontinued operations (Note 22)	7,038	7,184
	\$1,465,591	\$1,483,219
Liabilities and Unitholders' Equity		
Commercial property debt (Note 8)	\$682,551	\$808,971
Convertible debentures (Note 9)	110,593	28,968
Payables and accruals (Note 10)	63,110	94,462
Intangible liabilities (Note 11)	34,626	41,061
Employee future benefits obligation	6,222	4,836
Distributions payable	4,522	3,883
Future income tax liability (Note 17)	80,000	79,800
Liabilities related to discontinued operations (Note 22)	6,373	6,517
	987,997	1,068,498
Non-controlling interest (Note 12)	227,948	199,163
Unitholders' equity	249,646	215,558
	\$1,465,591	\$1,483,219

Commitments and contingencies (Note 19)

Subsequent events (Note 25)

See accompanying notes to the interim consolidated financial statements.

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

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
		Restated (Note 3)		Restated (Note 3)
Revenues				
Property revenue (Note 14)	\$50,991	\$51,044	\$154,876	\$135,620
Lease terminations	18	27	110	47
	<u>51,009</u>	<u>51,071</u>	<u>154,986</u>	<u>135,667</u>
Expenses				
Property expenses	18,585	18,634	55,814	50,721
General and administrative expenses	1,882	2,004	7,172	5,935
Interest expense (Note 15)	11,595	11,449	33,597	27,914
Depreciation of commercial properties	4,721	4,544	14,022	11,903
Depreciation of recoverable capital expenditures	268	233	794	695
Amortization of tenant improvements/lease costs	1,161	989	3,184	2,457
Amortization of intangible assets	4,882	6,769	16,326	16,232
	<u>43,094</u>	<u>44,622</u>	<u>130,909</u>	<u>115,857</u>
Income from continuing operations before other items	7,915	6,449	24,077	19,810
Other income (expenses) (Note 16)	(9,999)	-	(9,999)	77
Income (loss) from continuing operations before income taxes and non-controlling interest	(2,084)	6,449	14,078	19,887
Income tax expense - Future (Note 17)	-	859	200	1,960
Income (loss) from continuing operations before non-controlling interest	(2,084)	5,590	13,878	17,927
Write down of asset held for sale (Note 22)	-	(895)	-	(895)
Income from discontinued operations (Note 22)	-	226	-	625
Income (loss) before non-controlling interest	(2,084)	4,921	13,878	17,657
Non-controlling interest	(989)	2,358	6,653	8,472
Net income (loss)	<u>\$(1,095)</u>	<u>\$2,563</u>	<u>\$7,225</u>	<u>\$9,185</u>
Basic and diluted net income (loss) per unit (Note 13)				
Continuing operations	<u>\$ (0.03)</u>	<u>\$ 0.10</u>	<u>\$ 0.25</u>	<u>\$ 0.38</u>
Discontinued operations	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>
Net income (loss)	<u>\$ (0.03)</u>	<u>\$ 0.09</u>	<u>\$ 0.25</u>	<u>\$ 0.37</u>
Weighted average number of units outstanding				
Basic	<u>31,878,814</u>	<u>27,147,380</u>	<u>28,847,800</u>	<u>24,917,168</u>
Diluted	<u>31,878,814</u>	<u>27,271,888</u>	<u>28,996,836</u>	<u>25,033,294</u>

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Comprehensive Income (Loss)

(In thousands of dollars)

(Unaudited)

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
Net income (loss)	\$(1,095)	\$2,563	\$7,225	\$9,185
Losses on derivatives designated as cash flow hedges transferred to net income (loss) in the current period	4,514	-	4,859	-
Net change in derivatives designated as cash flow hedges	(2,210)	(3,744)	6,490	(6,551)
Other comprehensive income (loss)	2,304	(3,744)	11,349	(6,551)
Comprehensive income (loss)	\$1,209	\$(1,181)	\$18,574	\$2,634

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity

(In thousands of dollars)

(Unaudited)

	REIT Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
(Note 13)						
Unitholders' equity, January 1, 2009	\$265,096	\$34,652	\$34	\$(29,567)	\$(54,635)	\$215,580
Adjustment due to change in accounting policy (Note 3)	-	(22)	-	-	-	(22)
Unitholders' equity, January 1, 2009 as restated	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	-	-	35	-	-	35
Repayment of EUPP loans receivable	169	-	-	-	-	169
Net income	-	7,225	-	-	-	7,225
Distributions	-	-	-	-	(19,626)	(19,626)
Other comprehensive income	-	-	-	11,349	-	11,349
Unit issue proceeds, net of costs of \$1,919	34,936	-	-	-	-	34,936
Unitholders' equity, September 30, 2009	\$300,209	\$41,855	\$61	\$(18,218)	\$(74,261)	\$249,646
Unitholders' equity, January 1, 2008	\$205,273	\$20,064	\$12	\$(3,000)	\$(31,515)	\$190,834
Adjustment due to change in accounting policy (Note 3)	-	(22)	-	-	-	(22)
Unitholders' equity, January 1, 2008 as restated	205,273	20,042	12	(3,000)	(31,515)	190,812
Units released under EUPP	20	-	(20)	-	-	-
Units issued under EUPP	386	-	-	-	-	386
Loans receivable under EUPP	(386)	-	-	-	-	(386)
EUPP compensation	-	-	31	-	-	31
Repayment of EUPP loans receivable	171	-	-	-	-	171
Net income	-	9,185	-	-	-	9,185
Distributions	-	-	-	-	(17,051)	(17,051)
Other comprehensive loss	-	-	-	(6,551)	-	(6,551)
Unit issue proceeds, net of costs of \$2,008	60,997	-	-	-	-	60,997
Unit redemption	(1,375)	-	-	-	-	(1,375)
Unitholders' equity, September 30, 2008 as restated	\$265,086	\$29,227	\$23	\$(9,551)	\$(48,566)	\$236,219

See accompanying notes to the interim consolidated financial statements.

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

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
Cash flows provided by (used in)		Restated (Note 3)		Restated (Note 3)
Operating Activities				
Net income (loss)	\$(1,095)	\$2,563	\$7,225	\$9,185
Items not affecting operating cash (Note 18)	19,200	14,874	47,145	38,919
	18,105	17,437	54,370	48,104
Additions to tenant improvements and lease costs	(4,083)	(1,330)	(6,627)	(9,658)
Change in other non-cash operating items (Note 18)	9,561	(2,166)	(7,084)	(2,435)
Cash provided by operating activities	23,583	13,941	40,659	36,011
Financing Activities				
Issue of commercial property debt	24,405	120,320	82,717	470,895
Increase in deferred financing charges	(485)	(116)	(2,827)	(3,663)
Issue of convertible debentures	85,000	-	85,000	30,000
Issue costs of convertible debentures	(3,557)	-	(3,557)	(1,214)
Units and Class B LP Units issued	-	-	66,855	63,005
Units and Class B LP Units issue costs	-	-	(2,281)	(3,790)
Settlement of interest rate swap agreements	(10,946)	(2,438)	(15,481)	(2,438)
Repayment of commercial property debt	(103,108)	(111,784)	(213,228)	(157,519)
Decrease in liabilities related to discontinued operations	(38)	-	(144)	-
Collection of notes receivable	835	818	2,398	5,234
Repayment of EUPP loan receivable	79	7	169	171
Unit redemption	-	-	-	(1,375)
Payment of distributions	(13,565)	(11,649)	(36,869)	(31,468)
Cash provided by (used in) financing activities	(21,380)	(4,842)	(37,248)	367,838
Investing Activities				
Additions to commercial properties	(1,965)	(9,099)	(6,887)	(16,614)
Additions to recoverable capital expenditures	(254)	-	(662)	(725)
Decrease in assets related to discontinued operations	16	-	146	-
Proceeds on disposal of land, net of closing costs (Note 4)	-	-	-	187
Acquisition of commercial properties (Note 4)	-	-	(36)	(389,405)
Cash used in investing activities	(2,203)	(9,099)	(7,439)	(406,557)
Decrease in cash and cash equivalents during the period	Nil	Nil	(4,028)	(2,708)
Cash and cash equivalents, beginning of period	Nil	Nil	4,028	2,708
Cash and cash equivalents, end of period	\$Nil	\$Nil	\$Nil	\$Nil

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Consolidated Financial Statements

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

September 30, 2009

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 interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA"). These interim consolidated financial statements do not include all of the disclosures included in Crombie's annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008 as set out in the 2008 Annual Report.

The accounting policies used in preparation of these interim consolidated financial statements conform with those used in the 2008 annual consolidated financial statements, except as described in Note 3.

(b) 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 leasing commissions as well as foregone rent and operating cost recoveries during an assumed lease-up period.

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.

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Consolidated Financial Statements

(In thousands of dollars, except per unit amounts)

(Unaudited)

September 30, 2009

(c) 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.

(d) Income taxes

Crombie is taxed as a "mutual fund trust" for income tax purposes. Pursuant to the terms of the Declaration of Trust, Crombie must 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.

(e) 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 amendments 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.

(f) 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 benefit 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.

(g) Payment of distributions

The determination to declare and make payable distributions from Crombie are at the discretion of the Board of Trustees of Crombie and, until declared payable by the Board of Trustees of Crombie, Crombie has no contractual requirement to pay cash distributions to Unitholders' of Crombie. During the nine months ended September 30, 2009 \$37,508 (nine months ended September 30, 2008 - \$32,395) in cash distributions were declared payable by the Board of Trustees to Crombie Unitholders and Crombie Limited Partnership Unitholders (the "Class B LP Units").

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Consolidated Financial Statements
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(h) Convertible debentures

Debentures with conversion features are assessed at inception as to the value of both their equity component and their debt component. Based on the assessment, Crombie has determined to date that no amount should be attributed to equity and thus its convertible debentures have been classified as liabilities. Distributions to debenture holders are presented as interest expense. Issue costs on convertible debentures are netted against the convertible debentures and amortized over the original life of the convertible debentures using the effective interest method.

(i) Hedges

Crombie has cash flow hedges which are used to manage exposures to increases in variable interest rates. Cash flow hedges are recognized on the balance sheet at fair value with the effective portion of the hedging relationship recognized in other comprehensive income (loss). 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 fixed interest rate swap agreements and a number of delayed interest rate swap agreements 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.

(j) Comprehensive income (loss)

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 (loss), comprising net income (loss) and other comprehensive income (loss) for the period. Accumulated other comprehensive income (loss), has been added to the consolidated statements of Unitholders' equity.

(k) 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 classed 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.

(l) 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

Effective January 1, 2009 Crombie adopted one new accounting standard that was issued by the CICA in 2008 and one Emerging Issues Committee Abstract issued by the CICA in January 2009. These accounting policy changes have been adopted in accordance with the transitional provisions.

The new standards and accounting policy changes are as follows:

CROMBIE REAL ESTATE INVESTMENT TRUST
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(Unaudited)
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Goodwill and Intangible Assets

Effective January 1, 2009, the accounting and disclosure requirements of the CICA's new accounting standard: "Handbook Section 3064, Goodwill and Intangible Assets" was adopted.

This standard is effective for annual and interim financial statements related to fiscal years beginning on or after October 1, 2008 and is applicable for Crombie's first quarter of fiscal 2009. Section 3064 states that intangible assets may be recognized as assets only if they meet the definition of an intangible asset. Section 3064 also provides further information on the recognition of internally generated intangible assets, (including research and development).

This standard has been applied retrospectively with restatement of prior periods. The adoption of this new standard resulted in an increase of \$233 to depreciation of commercial properties and a decrease of \$233 to property expenses in the consolidated Statements of Income (Loss) for the three months ended September 30, 2008 and an increase of \$695 to depreciation of commercial properties and a decrease of \$695 to property expenses for the nine months ended September 30, 2008. In the consolidated Balance Sheets, there was an increase of \$3,946 to commercial properties, an increase of \$38 to receivables, a decrease of \$4,246 to prepaid expenses, and a decrease of \$220 to payables and accruals at December 31, 2008, and a decrease of \$20 to non-controlling interest and a decrease of \$22 to unitholders' equity at January 1, 2009.

Financial instruments - recognition and measurement

In January 2009, the CICA issued Emerging Issues Committee Abstract 173 ("EIC 173"), "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". EIC 173 requires that a company take into account its own credit risk and the credit risk of its counterparty in determining the fair value of financial assets and financial liabilities. This Abstract must be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of EIC 173 did not have a significant impact on Crombie's financial results, position or disclosures.

Effect of new accounting standards not yet Implemented

Financial Instruments - Disclosures

In June 2009, the CICA issued amendments to the existing Section 3862, "Financial Instruments - Disclosures", to more closely align the section with those required under International Financial Reporting Standards ("IFRS"). The amendments include enhanced disclosure requirements relating to fair value measurements of financial instruments and liquidity risks. These amendments apply for annual financial statements with fiscal years ending after September 30, 2009. The adoption of the amendments to Section 3862 is not expected to have a material impact on the disclosures of Crombie.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board of Canada announced that GAAP for publicly accountable enterprises will be replaced by 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 Canadian 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, has launched an internal initiative to govern the conversion process and is currently evaluating the potential impact of the conversion to IFRS on its financial statements. At this time, the impact on Crombie's future financial position and results of operations is not reasonably determinable or estimatable. Crombie expects the transition to IFRS to impact accounting, financial reporting, internal control over financial reporting, information systems and business processes.

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

Crombie will continue 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. Additionally, Crombie will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

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

(Unaudited)

September 30, 2009

In order to assist Crombie with its transition to IFRS, the Unitholders approved amendments to Crombie's Declaration of Trust, at Crombie's Annual General and Special Meeting held on May 7, 2009, to allow the Trustees to make future amendments to the Declaration of Trust without the requirement to obtain Unitholder approval. These changes are in the same manner as the Declaration of Trust currently permits Trustees to act as it relates to the changes in taxation laws.

An example of a potential change to the Declaration of Trust in order to comply with IFRS standards as they are currently drafted include the fact that Crombie's units may be regarded under IFRS as a "liability" rather than "equity" (as they are currently recognized under Canadian GAAP). This interpretation is influenced principally by the requirement in the Declaration of Trust that Crombie "shall" distribute in each year an amount at least equal to its taxable income. Under IFRS, the units would be classified as a liability if they contain "a contractual obligation to deliver cash or another financial asset to another entity".

The amendments will not result in any material change to the Unitholders, but rather were contemplated in order to assist Crombie to implement changes that will assist in its transition to IFRS. Trustees will be obligated to determine whether any such change is necessary or desirable in the circumstances, and all other matters that are currently required to be approved by Unitholders pursuant to the Declaration of Trust will remain unchanged.

4) COMMERCIAL PROPERTIES

	September 30, 2009		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$292,187	\$Nil	\$292,187
Buildings	1,036,819	51,298	985,521
Recoverable capital expenditures	6,564	2,750	3,814
Tenant improvements and leasing costs	36,381	9,817	26,564
	\$1,371,951	\$63,865	\$1,308,086
	December 31, 2008		
	Cost	Accumulated Depreciation	Net Book Value
	Restated	Restated	Restated
	(Note 3)	(Note 3)	(Note 3)
Land	\$288,566	\$Nil	\$288,566
Buildings	1,029,990	37,276	992,714
Recoverable capital expenditures	5,902	1,956	3,946
Tenant improvements and leasing costs	29,754	6,633	23,121
	\$1,354,212	\$45,865	\$1,308,347

Property Acquisitions and Disposals

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

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, an affiliate of Empire Company Limited. The building has been leased for a one year period while management assesses the future development of this site. The acquisition was financed with debt of \$3,527 at a fixed rate of 8.00% and a term of 20 years with ECL General Partner Limited and the property is held as security.

2008

On April 22, 2008, Crombie acquired 61 properties in Atlantic Canada, Quebec and Ontario from subsidiaries of Empire Company Limited, representing a 3,288,000 square foot increase to the portfolio, for \$428,500 plus additional closing costs. The acquisition was financed through a \$280,000 term facility, the issuance of \$30,000 convertible debentures, the issuance of \$55,000 of Class B LP units of

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

(Unaudited)

September 30, 2009

Crombie Limited Partnership to affiliates of Empire, the issuance of \$63,005 of REIT units (5,727,750 units at a price of \$11.00 per unit), and a draw on Crombie's revolving credit facility.

On May 21, 2008, land attached to a commercial property was sold to an unrelated third party for cash proceeds of \$187, net of closing costs, resulting in a gain of \$77.

On June 12, 2008, Crombie acquired a property in Saskatoon, Saskatchewan, representing a 160,000 square foot increase to the portfolio, for \$27,200 plus additional closing costs, from an unrelated third party. The acquisition was financed through an assumption of an existing mortgage of \$16,517 at a fixed rate of 5.35% and a term of three years with the balance of the purchase price paid using funds from the revolving credit facility.

The allocation of the total cost of the acquisitions is as follows:

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
Commercial property acquired, net:				
Land	\$-	\$-	\$3,563	\$107,826
Buildings	-	-	-	287,154
Intangible assets:				
Lease origination costs	-	-	-	40,233
Tenant relationships	-	-	-	21,622
Above-market leases	-	-	-	370
In-place leases	-	-	-	35,384
Intangible liabilities:				
Below-market leases	-	-	-	(31,848)
Net purchase price	-	-	3,563	460,741
Assumed mortgages	-	-	(3,527)	(16,517)
Fair value debt adjustment on assumed mortgages	-	-	-	181
	\$-	\$-	\$36	\$444,405
Consideration funded by:				
Revolving credit facility	\$-	\$-	\$36	\$16,000
Term facility	-	-	-	280,000
Units	-	-	-	63,005
Convertible debentures	-	-	-	30,000
Application of deposit	-	-	-	400
Cash paid	-	-	36	389,405
Class B LP Units (non-controlling interest) paid	-	-	-	55,000
Total consideration paid	\$-	\$-	\$36	\$444,405

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5) INTANGIBLE ASSETS

	September 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Origination costs for existing leases	\$54,419	\$15,919	\$38,500
In-place leases	57,376	24,826	32,550
Tenant relationships	57,098	21,079	36,019
Above-market existing leases	16,015	10,323	5,692
	\$184,908	\$72,147	\$112,761

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Origination costs for existing leases	\$54,419	\$11,680	\$42,739
In-place leases	57,376	19,072	38,304
Tenant relationships	57,098	14,746	42,352
Above-market existing leases	16,015	8,007	8,008
	\$184,908	\$53,505	\$131,403

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 over the period from 2006 to 2010. 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 an average term to maturity of approximately 2.5 years.

The balance of each note is as follows:

	September 30, 2009	December 31, 2008
Capital expenditure program	\$436	\$505
Interest rate subsidy	8,489	10,818
	\$8,925	\$11,323

7) OTHER ASSETS

	September 30, 2009	December 31, 2008
		Restated (Note 3)
Gross accounts receivable	\$6,501	\$7,286
Provision for doubtful accounts	(297)	(250)
Net accounts receivable	6,204	7,036
Accrued straight-line rent receivable	10,560	7,786
Prepaid expenses	11,992	5,174
Restricted cash	25	938
	\$28,781	\$20,934

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September 30, 2009

8) COMMERCIAL PROPERTY DEBT

	Range	Weighted average interest rate	Weighted average term to maturity	September 30, 2009
Fixed rate mortgages	4.85-8.00%	5.57%	6.0 years	\$573,615
Floating rate term facility		4.40%	1.7 years	41,378
Floating rate revolving credit facility		3.63%	1.8 years	72,217
Deferred financing charges				(4,659)
				\$682,551

	Range	Weighted average interest rate	Weighted average term to maturity	December 31, 2008
Fixed rate mortgages	5.15-6.44%	5.55%	6.1 years	\$531,970
Floating rate term facility		4.87%	0.8 years	178,824
Floating rate revolving credit facility		4.37%	2.5 years	93,400
Floating rate demand credit facility		3.50%	Demand	10,000
Deferred financing charges				(5,223)
				\$808,971

As September 30, 2009, debt retirements for the next 5 years are:

	Fixed Rate	Floating Rate	Financing Costs	Total
Remaining 2009	\$4,879	\$Nil	\$Nil	\$4,879
2010	121,919	-	-	121,919
2011	42,557	113,595	-	156,152
2012	16,362	-	-	16,362
2013	47,235	-	-	47,235
Thereafter	332,075	-	-	332,075
	565,027	113,595	-	678,622
Deferred financing charges	-	-	(4,659)	(4,659)
Fair value debt adjustment	8,588	-	-	8,588
	\$573,615	\$113,595	\$(4,659)	\$682,551

The floating rate term facility is used to partially finance the acquisition of 61 properties from subsidiaries of Empire Company Limited. On February 12, 2009, Crombie completed mortgage financings of \$39,000 to refinance a portion of the floating rate term facility. Fixed rate first mortgages were placed with a third party for a total of \$32,800. The first mortgages have a weighted average interest rate of 4.88% with a maturity date of March 2014. In addition, \$6,200 of fixed rate second mortgages were provided by Empire Company Limited. The second mortgages have a weighted average interest rate of 5.38% with a maturity date of March 2014. On August 27, 2009, Crombie completed a mortgage financing of \$15,000 with a third party to refinance a portion of the floating rate term facility. The mortgage has an interest rate of 7.30% with a maturity date of September 2029. On September 30, 2009, Crombie issued \$85,000 in unsecured convertible debentures to further reduce the floating rate term facility (Note 9).

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On June 4, 2009, Crombie completed the syndication of the floating rate term facility and extended the maturity date to May 2011. The floating interest rate is based on a specific margin over prime rate or the bankers acceptance rate. It is secured by a charge on the secured properties, together with an assignment of leases. The floating rate term facility contains financial and non-financial covenants that are customary for a credit facility of this nature and which mirror the covenants set forth in the floating rate revolving credit facility.

The floating rate revolving credit facility has a maximum principal amount of \$150,000 and is used by Crombie 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.

Crombie had secured a \$13,800 floating rate demand credit facility with Empire on substantially the same terms and conditions that govern the Revolving Credit Facility. This facility was put in place to ensure that Crombie maintained adequate liquidity in order to fund its daily operating activities while volatility in the financial markets continued. As at December 31, 2008, Crombie had \$10,000 drawn against this facility which was repaid during the first quarter of 2009. During the third quarter of 2009, as a result of the improved financial market conditions, this facility was cancelled.

9) CONVERTIBLE DEBENTURES

	<u>Maturity date</u>	<u>Interest rate</u>	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Series A	March 20, 2013	7.00%	\$30,000	\$30,000
Series B	June 30, 2015	6.25%	85,000	-
Deferred financing charges			(4,407)	(1,032)
			<u>\$110,593</u>	<u>\$28,968</u>

Series A Convertible Debentures – Refer to the note disclosure in Crombie's 2008 Annual Report.

Series B Convertible Debentures

On September 30, 2009, Crombie issued \$85,000 in unsecured convertible debentures (the "Series B Debentures"), the net proceeds of which were used to reduce the floating rate term facility.

Each Series B Debenture is convertible into units of Crombie at the option of the Series B Debenture holder up to the maturity date of June 30, 2015 at a conversion price of \$11 per unit.

The Series B Debentures bear interest at an annual fixed rate of 6.25%, payable semi-annually on June 30 and December 31 in each year commencing on December 31, 2009. The Series B Debentures are not redeemable prior to September 30, 2012, except upon the satisfaction of certain conditions. On or after September 30, 2012 and prior to September 30, 2013, the Series B Debentures may be redeemed by Crombie, 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 of redemption is given exceeds 125% of the conversion price (\$13.75 per unit). On or after September 30, 2013, the Series B Debentures may be redeemed by Crombie, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest.

Crombie also has an option to satisfy its obligation to pay, in whole or in part, the principal amount of the Series B Debentures that are to be redeemed or that have matured by issuing units to Series B Debenture holders. In addition, Crombie also has the option to pay interest on any interest payment date by selling units and applying the proceeds to satisfy its interest obligation.

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

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10) PAYABLES AND ACCRUALS

	September 30, 2009	December 31, 2008
		Restated (Note 3)
Tenant improvements and capital expenditures	\$15,785	\$13,384
Property operating costs	16,803	20,166
Advance rents	2,232	5,364
Interest on commercial property debt and debentures	3,200	2,504
Fair value of interest rate swap agreements	25,090	53,044
	\$63,110	\$94,462

11) INTANGIBLE LIABILITIES

	September 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Below-market existing leases	\$55,703	\$21,077	\$34,626

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Below-market existing leases	\$55,703	\$14,642	\$41,061

12) NON-CONTROLLING INTEREST

	Class B LP Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
Balance, January 1, 2009	\$244,520	\$32,118	\$Nil	\$(27,254)	\$(50,201)	\$199,183
Adjustment due to change in accounting policy (Note 3)	-	(20)	-	-	-	(20)
Balance, January 1, 2009 as restated	244,520	32,098	Nil	(27,254)	(50,201)	199,163
Net income	-	6,653	-	-	-	6,653
Distributions	-	-	-	-	(17,882)	(17,882)
Other comprehensive income	-	-	-	10,376	-	10,376
Class B LP Unit issue proceeds, net of costs of \$362	29,638	-	-	-	-	29,638
Balance, September 30, 2009	\$274,158	\$38,751	\$Nil	\$(16,878)	\$(68,083)	\$227,948

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	Class B LP Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
Balance, January 1, 2008	\$191,302	\$18,678	\$Nil	\$(2,784)	\$(29,277)	\$177,919
Adjustment due to change in accounting policy (Note 3)	-	(20)	-	-	-	(20)
Balance, January 1, 2008 as restated	191,302	18,658	Nil	(2,784)	(29,277)	177,899
Net income	-	8,472	-	-	-	8,472
Distributions	-	-	-	-	(15,344)	(15,344)
Other comprehensive income (loss)	-	-	-	(6,060)	-	(6,060)
Class B LP Unit issue proceeds, net of costs of \$1,782	53,218	-	-	-	-	53,218
Balance, September 30, 2008 as restated	\$244,520	\$27,130	\$Nil	\$(8,844)	\$(44,621)	\$218,185

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, 2009	27,271,888	\$265,096	25,079,576	\$244,520	52,351,464	\$509,616
Unit issue proceeds, net of costs	4,725,000	34,936	3,846,154	29,638	8,571,154	64,574
Units issued under EUPP	47,411	341	-	-	47,411	341
Units released under EUPP	-	8	-	-	-	8
Net change in EUPP loans receivable	-	(172)	-	-	-	(172)
Balance, September 30, 2009	32,044,299	\$300,209	28,925,730	\$274,158	60,970,029	\$574,367

	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, 2008	21,648,985	\$205,273	20,079,576	\$191,302	41,728,561	\$396,575
Unit issue proceeds, net of costs	5,727,750	60,997	5,000,000	53,218	10,727,750	114,215
Units issued under EUPP	34,053	386	-	-	34,053	386
Units released under EUPP	-	20	-	-	-	20
Net change in EUPP loans receivable	-	(215)	-	-	-	(215)
Unit redemption	(138,900)	(1,375)	-	-	(138,900)	(1,375)
Balance, September 30, 2008	27,271,888	\$265,086	25,079,576	\$244,520	52,351,464	\$509,606

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Crombie REIT Units

On June 25, 2009, Crombie closed a public offering, on a bought deal basis, of 4,725,000 Units, after full exercise of the underwriters' over-allotment option, to the public at a price of \$7.80 per Unit for proceeds of \$34,936 net of issue costs.

Crombie REIT Special Voting Units and Class B LP Units

On June 25, 2009, concurrently with the issuance of the Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 3,846,154 Class B LP Units and the attached Special Voting Units at a price of \$7.80 per Class B LP Unit for proceeds of \$29,638 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 ("LTIP") cash awards received, as payments on interest and principal. As at September 30, 2009, there are loans receivable from executives of \$1,459 under Crombie's EUPP, representing 165,485 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 September 30, 2009 was \$1,706.

The compensation expense related to the EUPP during the three months ended and nine months ended September 30, 2009 were \$12 and \$35 (three months ended and nine months ended September 30, 2008 - \$11 and \$31 respectively).

Income (Loss) per Unit Computations

Basic net income (loss) per Unit is computed by dividing net income (loss) by the weighted average number of Units outstanding during the period. Diluted net income (loss) per Unit is calculated on the assumption that all EUPP loans were repaid at the beginning of the period. For all periods, the assumed exchange of all Class B LP Units would not be dilutive. The convertible debentures are anti-dilutive and have not been included in diluted net income (loss) per unit or diluted weighted average number of units outstanding. Crombie incurred a loss from continuing operations for the three months ended September 30, 2009, and as such the inclusion of any potential units in the calculation of the diluted net income (loss) per Unit for that three month period would be anti-dilutive. As at September 30, 2009, there are no other dilutive items.

14) PROPERTY REVENUE

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
Rental revenue contractually due from tenants	\$48,971	\$48,929	\$147,983	\$131,002
Straight-line rent recognition	648	741	2,774	1,759
Below-market lease amortization	2,145	2,145	6,435	5,145
Above-market lease amortization	(773)	(771)	(2,316)	(2,286)
	\$50,991	\$51,044	\$154,876	\$135,620

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15) INTEREST

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
Fixed rate mortgages	\$9,320	\$5,903	\$26,393	\$17,241
Floating rate term, revolving and demand facilities	1,731	5,018	5,610	9,558
Convertible debentures	544	528	1,594	1,115
Interest expense	11,595	11,449	33,597	27,914
Change in fair value debt adjustment	768	821	2,332	2,558
Interest paid on discontinued operations	-	88	-	266
Change in accrued interest	(610)	(773)	(696)	(935)
Amortization of effective swap agreements	(450)	-	(1,112)	-
Amortization of deferred financing charges	(716)	(349)	(1,713)	(826)
Interest paid	\$10,587	\$11,236	\$32,408	\$28,977

16) OTHER INCOME (EXPENSES)

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
Expense related to swap settlement	\$(8,139)	\$-	\$(8,139)	\$-
Write off of deferred financing charges	(1,860)	-	(1,860)	-
Gain on disposition of land	-	-	-	77
	\$(9,999)	\$-	\$(9,999)	\$77

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 (Note 9), 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 (loss) for the period ended September 30, 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 their 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.

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The future income tax liability of the wholly-owned corporate subsidiary which is subject to income taxes consists of the following:

	September 30, 2009	December 31, 2008
Tax liabilities relating to difference in tax and book value	\$86,655	\$86,060
Tax asset relating to non-capital loss carry-forward	(6,655)	(6,260)
Future income tax liability	\$80,000	\$79,800

The future income tax expense consists of the following:

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
Provision for income taxes at the expected rate	\$(627)	\$2,193	\$4,176	\$6,762
Tax effect of income attribution to Crombie's unitholders	627	(1,334)	(3,976)	(4,802)
Income tax expense	\$Nil	\$859	\$200	\$1,960

18) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
		Restated		Restated
		(Note 3)		(Note 3)
Items not affecting operating cash:				
Non-controlling interest	\$(989)	\$2,358	\$6,653	\$8,472
Depreciation of commercial properties	4,721	4,544	14,022	11,961
Depreciation of recoverable capital expenditures	268	233	794	695
Amortization of tenant improvements/lease costs	1,161	989	3,184	2,480
Amortization of deferred financing charges	716	349	1,713	826
Write off of deferred financing charges (Note 16)	1,860	-	1,860	-
Expense related to swap settlement (Note 16)	8,139	-	8,139	-
Amortization of effective swap agreements	450	-	1,112	-
Amortization of intangible assets	4,882	6,759	16,326	16,280
Amortization of above-market leases	773	766	2,316	2,315
Amortization of below-market leases	(2,145)	(2,144)	(6,435)	(5,153)
Gain on disposition of land	-	-	-	(77)
Accrued rental revenue	(648)	(745)	(2,774)	(1,766)
Unit based compensation	12	11	35	31
Write down of asset held for sale (Note 22)	-	895	-	895
Future income tax expense	-	859	200	1,960
	\$19,200	\$14,874	\$47,145	\$38,919

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b) Change in other non-cash operating items

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
		Restated		Restated
		(Note 3)		(Note 3)
Cash provided by (used in):				
Receivables	\$1,171	\$(159)	\$832	\$(1,079)
Prepaid expenses and other assets	(1,994)	(3,941)	(5,905)	(8,258)
Payables and other liabilities	10,384	1,934	(2,011)	6,902
	\$9,561	\$(2,166)	\$(7,084)	\$(2,435)

19) 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 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 Note 20.

Crombie has land leases on certain properties. These leases have payments of \$969 per year over the next five years. The land leases have terms of between 15.6 and 75.9 years remaining, including renewal options.

Crombie obtains letters of credit to support its obligations with respect to construction work on its commercial properties and defeasing commercial property debt. 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, Crombie has \$145 in standby letters of credit for construction work that is being performed on its commercial properties. Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

20) RELATED PARTY TRANSACTIONS

As at September 30, 2009, Empire Company Limited, through its wholly-owned subsidiary ECL, holds a 47.4% (fully diluted 42.0%) indirect interest in Crombie. Crombie uses the exchange amount as the measurement basis for the related party transactions.

For a period of five years commencing March 23, 2006, certain executive management individuals and other employees of Crombie will 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. The costs assumed by Empire Company Limited pursuant to the agreement during the three months ended and nine months ended September 30, 2009 were \$206 and \$781 (three months ended and nine months ended September 30, 2008 - \$285 and \$1,126 respectively) and were netted against general and administrative expenses owing by Crombie to Empire Company Limited.

For a 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. In addition, for various periods, ECL has an obligation to provide rental income and interest rate subsidies. The costs assumed by Empire Company Limited pursuant to the agreement during the three months ended and nine months ended September 30, 2009 were \$229 and \$878 (three months ended and nine months ended September 30, 2008 - \$343 and \$1,516 respectively) and was netted against property expenses owing by Crombie to Empire Company Limited. The head lease subsidy during the three months ended and nine months ended September 30, 2009 were \$311 and \$715 (three months ended and nine months ended September 30, 2008 - \$105 and \$734 respectively).

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Crombie also earned rental revenue of \$14,356 for the three months ended September 30, 2009 and \$47,566 for the nine months ended September 30, 2009 (three months ended and nine months ended September 30, 2008 - \$13,578 and \$33,075 respectively) from Sobeys Inc., Empire Theatres and ASC Commercial Leasing Limited ("ASC"). These companies were all subsidiaries of Empire Company Limited until September 8, 2008 when ASC was sold. Property revenue from ASC is included in this note disclosure until the sale date.

Crombie had secured a \$13,800 floating rate demand credit facility with Empire on substantially the same terms and conditions that govern the Revolving Credit Facility. This facility was put in place to ensure that Crombie maintained adequate liquidity in order to fund its daily operating activities while volatility in the financial markets continued. As at December 31, 2008, Crombie had \$10,000 drawn against this facility which was repaid during the first quarter of 2009. During the third quarter of 2009, as a result of the improved financial market conditions, this facility was cancelled.

On June 1, 2009, Crombie acquired 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, an affiliate of Empire Company Limited. ECL General Partner Limited provided debt of \$3,527 at a fixed rate of 8.00% and a term of 20 years.

On June 25, 2009, concurrent with the public offering, in satisfaction of its pre-emptive rights, ECL Developments Limited purchased \$30,000 of Class B LP Units and the attached Special Voting Units, on a private-placement basis.

On September 30, 2009, as part of a prospectus offering, in satisfaction of its pre-emptive rights, ECL Developments Limited purchased \$10,000 of Series B Debentures.

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 and 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 and interest 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 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.

	September 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets related to discontinued operations	\$7,038	\$7,226	\$7,184	\$7,477
Commercial property debt	\$687,210	\$678,349	\$814,194	\$812,488
Convertible debentures	\$115,000	\$115,824	\$30,000	\$25,950
Liabilities related to discontinued operations	\$6,373	\$6,348	\$6,487	\$6,599

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

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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 problem accounts (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 September 30, 2009;

- Excluding Sobeys (which accounts for 32.9% 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, no more than 9.3% of the gross leaseable area of Crombie will expire in any one year.

As outlined in Note 20, Crombie earned rental revenue of \$14,356 for the three months ended September 30, 2009 and \$47,566 for the nine months ended September 30, 2009 (three months ended and nine months ended September 30, 2008 - \$13,578 and \$33,075 respectively) from 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 September 30, 2009:

- Crombie's weighted average term to maturity of the fixed rate mortgages was 6.0 years; and
- Crombie's exposure to floating rate debt, including the impact of the fixed rate swap agreements discussed below, was 9.3% of the total commercial property debt. Excluding the floating rate term facility, which is to be replaced with permanent fixed rate financing during the next two years, the exposure to floating rate debt is 3.5%.

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. Recent turmoil in the financial markets has materially affected interest swap rates. The interest swap rates are based on Canadian bond yields, plus a premium, called the swap spread, which reflects the risk of trading with a private counterparty as opposed to the Canadian government. Swap spreads remain below historical average values and the effect of the abnormally low swap spreads, combined with the decline in the Canadian bond yields, has resulted in a significant deterioration of the mark-to-market values for the interest rate swap agreements. At September 30, 2009, the mark-to-market exposure on the interest rate swap agreements was approximately \$25,090. There is no immediate cash impact from the mark-to-market adjustment. The unfavourable difference in the mark-to-market amount of the remaining interest rate swap agreements is reflected in other comprehensive income (loss) rather than net income (loss) as the swaps are all designated and effective hedges. The breakdown of the swaps in place as part of the interest rate management program, and their associated mark-to-market amounts are as follows:

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- Crombie has entered into a fixed interest rate swap to fix the amount of interest to be paid on \$50,000 of the revolving credit facility. The fair value of the fixed interest rate swap at September 30, 2009, had an unfavourable mark-to-market exposure of \$3,280 (September 30, 2008 – unfavourable \$1,608) compared to its face value. The change in this amount has been
- recognized in other comprehensive income (loss). The mark-to-market amount of fixed interest rate swaps reduce to \$Nil upon maturity of the swaps.
- Crombie has entered into a number of delayed interest rate swap agreements of a notional amount of \$100,334 (September 30, 2008 - \$110,431) with settlement dates between February 1, 2010 and July 2, 2011, maturing between February 1, 2019 and July 2, 2021 to mitigate exposure to interest rate increases for mortgages maturing in 2010 and 2011. The fair value of these delayed interest rate swap agreements had an unfavourable mark-to-market exposure of \$15,082 compared to the face value September 30, 2009 (September 30, 2008 – unfavourable \$8,037). The change in these amounts has been recognized in other comprehensive income (loss).
- In relation to the acquisition of a portfolio of 61 retail properties from subsidiaries of Empire Company Limited, Crombie has entered into a delayed interest rate swap agreement of a notional amount of \$38,000 (September 30, 2008 - \$180,000) with a settlement date of October 15, 2009 to mitigate exposure to interest rate increases prior to replacing the floating rate term facility with long-term financing. The fair value of this agreement had an unfavourable mark-to-market exposure of \$6,728 compared to the face value on September 30, 2009 (September 30, 2008 – unfavourable \$6,168). The change in this amount has been recognized in other comprehensive income (loss). Subsequent to period end, the agreement was settled for \$6,116 (see Note 25 (b)).

During the first quarter of 2009, Crombie settled an interest rate swap agreement related to a notional amount of \$42,000 for a settlement amount of \$4,535. This settlement amount has been recognized in other comprehensive income (loss) since the inception of the interest rate swap agreements. This amount will be reclassified to interest expense using the effective interest method over the five year term of the mortgage.

On August 27, 2009, Crombie settled an interest rate swap agreement related to a notional amount of \$16,000 for a settlement amount of \$2,807. This settlement amount has been recognized in other comprehensive income (loss) since the inception of the interest rate swap agreements. This amount will be reclassified to interest expense using the effective interest method over the five year term of the mortgage.

On September 14, 2009, Crombie settled an interest rate swap agreement related to a notional amount of \$84,000 for a settlement amount of \$8,139 (Note 16).

Crombie estimates that \$503 of other comprehensive income (loss) will be reclassified to interest expense during the remaining quarter of 2009 based on interest rate swap agreements settled to September 30, 2009.

A fluctuation in interest rates would have an impact on Crombie's net income (loss) and other comprehensive income (loss) items. 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:

	Three months ended September 30, 2009		Three months ended September 30, 2008	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on net income of interest rate changes on the floating rate revolving credit facility	\$(189)	\$189	\$(501)	\$501

	Nine months ended September 30, 2009		Nine months ended September 30, 2008	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on net income of interest rate changes on the floating rate revolving credit facility	\$(703)	\$703	\$(866)	\$866

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	September 30, 2009		September 30, 2008	
	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	\$6,139	\$(6,434)	\$9,486	\$(9,903)

Crombie does not enter into these 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 (see 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.

Access to the revolving credit facility is also limited to the amount utilized under the facility, plus any negative mark-to-market position on the interest rate swap agreements, not exceeding the security provided by Crombie. The mark-to-market adjustment on the interest rate swap agreements reached an out-of-the-money position of approximately \$25,090 at September 30, 2009. The deterioration in the mark-to-market position may have the impact of reducing Crombie's available credit in the revolving credit facility.

Crombie has no mortgages maturing in fiscal 2009 and during the second quarter of 2009 completed the extension of the floating rate term facility from the original maturity date of October 2009 to May 2011. In addition, Crombie was able to access the equity capital markets in June 2009 for gross proceeds of \$66,855 (Note 13) and the debt capital markets in September 2009 for gross proceeds of \$85,000 (Note 9).

Crombie has \$106,079 of fixed rate mortgage debt maturing in the first quarter of 2010. Negotiations on refinancing have begun and Crombie does not anticipate difficulty in refinancing the debt prior to maturity.

22) ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

During the second quarter of 2008, Crombie and a potential purchaser signed a purchase and sale agreement for a commercial property. The purchase and sale agreement closed on October 24, 2008. In September 2008, the asset held for sale was written down to estimate the property's fair value at September 30, 2008, resulting in a charge of \$895 (net of taxes \$461).

During the fourth quarter of 2008, Crombie defeased the mortgage associated with the 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 mature between January 22, 2009 and September 15, 2013, have a weighted average interest rate of 3.64% 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.

The following tables set forth the balance sheets associated with the income property classified as held for sale as at September 30, 2009 and December 31, 2008 and the statements of income for the property held for sale for the three months ended and nine months ended September 30, 2009 and September 30, 2008.

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Balance Sheets

	September 30, 2009	December 31, 2008
Assets		
Assets related to discontinued operations	\$7,038	\$7,184
Liabilities		
Accounts payable and accrued liabilities	-	30
Liabilities related to discontinued operations	6,373	6,487
	6,373	6,517
Net investment in asset held for sale	\$665	\$667

Statements of Income

	Three Months Ended Sep. 30, 2009	Three Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2009	Nine Months Ended Sep. 30, 2008
Property revenue				
Rental revenue contractually due from tenants	\$-	\$593	\$-	\$2,010
Straight-line rent recognition	-	4	-	7
Below-market lease amortization	-	(1)	-	8
Above-market lease amortization	-	5	-	(29)
	-	601	-	1,996
Expenses				
Property expenses	-	297	-	976
Interest	-	88	-	266
Depreciation of commercial properties	-	-	-	58
Amortization of tenant improvements/lease costs	-	-	-	23
Amortization of intangible assets	-	(10)	-	48
	-	375	-	1,371
Income from discontinued operations	\$-	\$226	\$-	\$625

23) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness in the range of 50% to 55% of gross book value (as defined in the credit facility agreement), utilize staggered debt maturities, minimize long-term exposure to floating rate debt and maintain conservative payout ratios. Crombie's capital structure consists of the following:

	September 30, 2009	December 31, 2008
		Restated (Note 3)
Commercial property debt	\$682,551	\$808,971
Convertible debentures	110,593	28,968
Non-controlling interest	227,948	199,163
Unitholders' equity	249,646	215,558
	\$1,270,738	\$1,252,660

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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 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 any convertible debentures)

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

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
		Restated (Note 3)
Mortgages payable	\$573,615	\$531,970
Convertible debentures	115,000	30,000
Term facility	41,378	178,824
Revolving credit facility	72,217	93,400
Demand credit facility	-	10,000
Total debt outstanding	<u>802,210</u>	<u>844,194</u>
Less: Applicable fair value debt adjustment	<u>(8,489)</u>	<u>(10,818)</u>
Debt	<u>\$793,721</u>	<u>\$833,376</u>
Total assets	\$1,465,591	\$1,483,219
Add:		
Deferred financing charges	9,066	6,255
Accumulated depreciation of commercial properties	63,865	45,865
Accumulated amortization of intangible assets	72,147	53,505
Less:		
Assets held related to discontinued operations	(7,038)	(7,184)
Interest rate subsidy	(8,489)	(10,818)
Fair value adjustment to future taxes	<u>(39,245)</u>	<u>(39,245)</u>
Gross book value	<u>\$1,555,897</u>	<u>\$1,531,597</u>
Debt to gross book value	<u>51.0%</u>	<u>54.4%</u>

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.

The revolving credit facility also contains a covenant that ECL Developments Limited must maintain a minimum 40% voting interest in Crombie. If ECL Developments Limited reduces its voting interest below this level, Crombie will be required to renegotiate the revolving credit facility or obtain alternative financing. Pursuant to an exchange agreement and while such covenant 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%.

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As at September 30, 2009, 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. During the second quarter of 2009, Crombie announced the retirement of its Chief Executive Officer. As a result of this announcement, an adjustment of \$1,180 was made to the employee future benefit obligation to recognize service costs and interest costs.

The total defined benefit cost related to pension plans and post retirement benefit plans for the three months ended and nine months ended September 30, 2009 were \$63 and \$208 (three months ended and nine months ended September 30, 2008 - \$96 and \$287 respectively).

25) SUBSEQUENT EVENTS

a) On October 22, 2009, Crombie declared distributions of 7.417 cents per unit for the period from October 1, 2009 to and including, October 31, 2009. The distribution will be payable on November 16, 2009 to Unitholders of record as at October 31, 2009.

b) On September 23, 2009, Crombie signed a commitment letter for mortgage financing of \$37,000 with a third party. Upon closing, the mortgage will have an interest rate of 6.9% and a term of 10 years. On receipt, the mortgage funds will be used to reduce the floating rate term facility. In connection with the mortgage financing, on October 14, 2009, Crombie cash settled an interest rate swap with a notional value of \$38,000 for a settlement amount of \$6,116. As at September 30, 2009, the swap had a mark-to-market value of \$6,728. The settlement amount will be reclassified to interest expense using the effective interest method over the 10 year term of the mortgage.

c) On November 5, 2009, Crombie entered into an agreement to acquire eight retail properties, representing approximately 335,000 square feet of gross leaseable area, from subsidiaries of Empire Company Limited. The purchase price of the properties is approximately \$62,000, excluding closing and transaction costs. The acquisition is expected to close in stages over the next six months as due diligence and mortgage financing for the properties are finalized. The purchase price will be funded through a combination of assumed mortgage financing and Crombie's floating rate revolving credit facility.

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.

CORPORATE AND UNITHOLDER INFORMATION

BOARD OF TRUSTEES

Donald E. Clow
Trustee, President and Chief Executive Officer

Frank C. Sobey
Trustee and Chairman

Paul D. Sobey
Trustee

David G. Graham
Independent Trustee

David J. Hennigar
Independent Trustee and Lead Trustee

John E. Latimer
Independent Trustee

John Eby
Independent Trustee

Elisabeth Stroback
Independent Trustee

David Leslie
Independent Trustee

Paul Beesley
Trustee

Kent R. Sobey
Independent Trustee

Brian A. Johnson
Independent Trustee

OFFICERS

Donald E. Clow
President and Chief Executive Officer

Scott M. Ball
Vice President, Chief Financial Officer
and Secretary

Scott R. MacLean
Vice President Operations

Patrick G. Martin
Vice President Leasing

Gary Finkelstein
Vice President Ontario & Quebec

CROMBIE REIT

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Fax (902) 755-6477
Internet: www.crombiereit.com

INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts, and investors
should direct their financial inquiries or request to:
Scott M. Ball, C.A.
Vice President, Chief Financial Officer and Secretary
Email: investing@crombie.ca

Communications regarding investor records
including changes of address or ownership, lost
certificates or tax forms, should be directed to the
Company's transfer agent and registrar, CIBC
Mellon Trust Company.

STOCK EXCHANGE LISTING

Toronto Stock Exchange

UNIT SYMBOL

REIT Trust Units – CRR.UN

DISTRIBUTION RECORD AND PAYMENT DATES FOR FISCAL 2009

Record Date	Payment Date
Jan. 31, 2009	Feb. 16, 2009
Feb. 28, 2009	Mar. 16, 2009
Mar. 31, 2009	Apr. 15, 2009
Apr. 30, 2009	May 15, 2009
May 31, 2009	Jun. 15, 2009
Jun. 30, 2009	Jul. 15, 2009
Jul. 31, 2009	Aug. 17, 2009
Aug. 31, 2009	Sep. 15, 2009
Sep. 30, 2009	Oct. 15, 2009
Oct. 31, 2009	Nov. 16, 2009

TRANSFER AGENT

CIBC Mellon Trust Company
Investor Correspondence
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario, M5C 2W9
Telephone: (800) 387-0825
Email: enquires@cibcmellon.com

COUNSEL

Stewart McKelvey
Halifax, Nova Scotia

AUDITORS

Grant Thornton, LLP
New Glasgow, Nova Scotia

MULTIPLE MAILINGS

If you have more than one account, you
may receive a separate mailing for each.
If this occurs, please contact CIBC Mellon
Trust Company at (800) 387-0825 to
eliminate multiple mailings.



Crombie REIT's Portfolio

Province	Retail – Plaza	Retail – Enclosed	Retail – Freestanding	Mixed-Use	Office
New Brunswick	7	2	8	2	1
Newfoundland and Labrador	4	3	6	–	–
Nova Scotia	12	7	12	6	4
Ontario	16	1	5	–	–
Prince Edward Island	–	1	2	–	–
Quebec	4	–	9	–	–
Saskatchewan	1	–	–	–	–
Total Properties	44	14	42	8	5