CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Financial Statements
December 31, 2014

Independent auditor's report

To the Unitholders of **Crombie Real Estate Investment Trust**

We have audited the accompanying consolidated financial statements of Crombie Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of comprehensive income (loss), changes in net assets attributable to unitholders and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crombie Real Estate Investment Trust as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Halifax, Canada
February 26, 2015

Chartered Accountants

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

	Note	December 31, 2014	December 31, 2013
Assets			
Non-current assets			
Investment properties	3	**$ 3,196,097**	$ 3,168,097
Intangible assets	4	**48,106**	49,237
Other assets	5	**93,489**	77,365
Long term receivables	6	**12,572**	1,127
		3,350,264	3,295,826
Current assets			
Cash and cash equivalents		**611**	7,167
Other assets	5	**27,902**	41,478
Long term receivables	6	**1,059**	694
Investment properties held for sale	7	**33,578**	—
		63,150	49,339
Total Assets		**3,413,414**	3,345,165
Liabilities			
Non-current liabilities			
Investment property debt	8	**1,496,925**	1,553,297
Senior unsecured notes	9	**273,592**	173,937
Convertible debentures	10	**175,215**	174,929
Deferred taxes	11	**78,400**	80,825
Employee future benefits obligation	12	**7,803**	6,945
Trade and other payables	13	**4,781**	—
		2,036,716	1,989,933
Current liabilities			
Investment property debt	8	**127,622**	140,903
Employee future benefits obligation	12	**239**	233
Trade and other payables	13	**65,523**	89,798
		193,384	230,934
Total liabilities excluding net assets attributable to Unitholders		**2,230,100**	2,220,867
Net assets attributable to Unitholders		**$ 1,183,314**	$ 1,124,298
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		**$ 716,025**	$ 680,935
Special Voting Units and Class B Limited Partnership Unitholders		**467,289**	443,363
		$ 1,183,314	$ 1,124,298
Commitments and contingencies	23		
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See accompanying notes to the consolidated financial statements.

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Property revenue	14	**$ 358,319**	$ 297,043
Property operating expenses		**109,620**	106,673
Net property income		**248,699**	190,370
Gain on derecognition of investment properties		**9,353**	2,858
Impairment of investment properties	3	**(10,750)**	(12,270)
Depreciation of investment properties	3	**(57,983)**	(42,101)
Amortization of deferred leasing costs	3	**(535)**	(544)
Amortization of intangible assets	4	**(5,606)**	(7,383)
General and administrative expenses		**(14,748)**	(13,666)
Operating income before finance costs and taxes		**168,430**	117,264
Finance costs - operations	17	**(99,466)**	(82,387)
Operating income before taxes		**68,964**	34,877
Taxes - deferred	11	**2,425**	1,675
Operating income attributable to Unitholders		**71,389**	36,552
Finance costs - other			
Distributions to Unitholders		**(113,937)**	(86,620)
Change in fair value of financial instruments	13	**289**	2,473
		(113,648)	(84,147)
Decrease in net assets attributable to Unitholders		**(42,259)**	(47,595)
Other comprehensive income			
Items that will not be subsequently reclassified to Decrease in net assets attributable to Unitholders:			
Change in employee future benefit obligation	12	**(582)**	207
Items that will be subsequently reclassified to Decrease in net assets attributable to Unitholders:			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**2,797**	3,759
Net change in derivatives designated as cash flow hedges		**7**	22
Other comprehensive income		**2,222**	3,988
Comprehensive income (loss)		**$ (40,037)**	$ (43,607)

See accompanying notes to the consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Changes in Net Assets Attributable to Unitholders
(In thousands of CAD dollars)

	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
		(Note 18)					
Balance, January 1, 2014	18	**$ 1,363,025**	**$ (222,728)**	**$ (15,999)**	**$ 1,124,298**	**$ 680,935**	**$ 443,363**
Adjustments related to EUPP		**842**	**(23)**	**—**	**819**	**819**	**—**
Conversion of debentures		**600**	**—**	**—**	**600**	**600**	**—**
Statements of comprehensive income (loss)		**—**	**(42,259)**	**2,222**	**(40,037)**	**(23,951)**	**(16,086)**
Units issued under DRIP		**438**	**—**	**—**	**438**	**256**	**182**
Unit issue proceeds, net of costs of $2,827		**97,196**	**—**	**—**	**97,196**	**57,366**	**39,830**
Balance, December 31, 2014		**$ 1,462,101**	**$ (265,010)**	**$ (13,777)**	**$ 1,183,314**	**$ 716,025**	**$ 467,289**

	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
		(Note 18)					
Balance, January 1, 2013		$ 977,112	$ (175,124)	$ (19,987)	$ 782,001	$ 470,747	$ 311,254
Adjustments related to EUPP		483	(9)	—	474	474	—
Conversion of debentures		17,115	—	—	17,115	17,115	—
Conversion feature of debentures	13	2,694	—	—	2,694	2,694	—
Statements of comprehensive income (loss)		—	(47,595)	3,988	(43,607)	(25,811)	(17,796)
Unit issue proceeds, net of costs of $9,423		365,621	—	—	365,621	215,716	149,905
Balance, December 31, 2013		$ 1,363,025	$ (222,728)	$ (15,999)	$ 1,124,298	$ 680,935	$ 443,363

See accompanying notes to the consolidated financial statements.

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

Cash flows provided by (used in)	**Note**	**Year ended December 31, 2014**	Year ended December 31, 2013
Operating Activities			
Decrease in net assets attributable to Unitholders		**$ (42,259)**	$ (47,595)
Items not affecting operating cash	19	**65,337**	66,820
Change in other non-cash operating items	19	**(1,093)**	8,085
Cash provided by (used in) operating activities		**21,985**	27,310
Financing Activities			
Issue of investment property debt		**40,616**	835,720
Deferred financing charges - investment property debt		**(795)**	(8,631)
Repayment of investment property debt		**(111,389)**	(213,586)
Issue of senior unsecured notes		**100,393**	175,000
Deferred financing charges - senior unsecured notes		**(1,043)**	(1,094)
Issue of convertible debentures		**—**	75,000
Deferred financing charges - convertible debentures		**—**	(2,920)
Redemption of convertible debentures		**—**	(1,564)
REIT Units and Class B LP Units issued		**100,023**	375,044
REIT Units and Class B LP Units issue costs		**(2,827)**	(9,423)
Repayment of EUPP loans receivable		**779**	435
Decrease in liabilities related to derecognized property		**(5,627)**	(191)
Issue of long term receivables		**(11,856)**	—
Collection of long term receivables		**46**	724
Cash provided by (used in) financing activities		**108,320**	1,224,514
Investing Activities			
Acquisition of investment properties and intangible assets		**(157,544)**	(1,217,189)
Additions to investment properties		**(32,584)**	(23,395)
Proceeds on derecognition of investment properties		**67,053**	14,250
Additions to tenant incentives		**(18,683)**	(17,980)
Additions to deferred leasing costs		**(933)**	(633)
Decrease in assets related to derecognized property		**5,830**	290
Cash provided by (used in) investing activities		**(136,861)**	(1,244,657)
Net change in cash and cash equivalents		**(6,556)**	7,167
Cash and cash equivalents, beginning of year		**7,167**	—
Cash and cash equivalents, end of year		**$ 611**	$ 7,167

See accompanying notes to the consolidated financial statements.

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

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 principal business of Crombie is the acquisition of retail and office properties for purposes of leasing. Crombie is registered in Canada and the address of its registered office is 115 King Street, Stellarton, Nova Scotia, Canada, B0K 1S0. The consolidated financial statements for the years ended December 31, 2014 and December 31, 2013 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange (“TSX”) under the symbol “CRR.UN”.

The consolidated financial statements were authorized for issue by the Board of Trustees on February 26, 2015.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

The consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value with changes in fair value recognized in Decrease in net assets attributable to Unitholders ("FVTPL" classification) or designated as available for sale ("AFS") that have been measured at fair value.

(c) Presentation of financial statements

When Crombie: (i) applies an accounting policy retrospectively; (ii) makes a retrospective restatement of items in its financial statements; or (iii) reclassifies items on the balance sheet; it will present an additional balance sheet as at the beginning of the earliest comparative period.

(d) Basis of consolidation

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at December 31, 2014. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of December 31, 2014.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements. Where unrealized losses on intercompany asset sales are reversed on consolidation, the underlying asset is also tested for impairment from an entity perspective.

Operating income (loss) and other comprehensive income (loss) of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(e) Investment properties

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Investment properties are carried at cost less accumulated depreciation and are reviewed for impairment as described in Note 2(z).

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

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

Upon acquisition, Crombie performs an assessment of investment properties being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business under IFRS 3 - Business Combinations; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders.

For asset acquisitions, 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 - are recorded at the estimated fair value of the building and its components and significant parts.

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

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

Change in useful life of investment properties

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

(f) Intangible assets

Intangible assets include the value of tenant relationships.

Amortization of the value of tenant relationships is determined using the straight-line method over the terms of the tenant lease agreements and renewal periods where applicable and is recorded as amortization.

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

(g) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, cash in bank and guaranteed investments with a maturity less than 90 days at date of acquisition.

(h) Assets held for sale and discontinued operations

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. 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 and in use is measured at the lower of its carrying value amount before it was classified as held for sale, adjusted for any depreciation and amortization expense that would have been recognized had it been continuously classified as held and in use, and its estimated fair value at the date of the subsequent decision not to sell.

Assets that are classified as held for sale and that constitute a component of Crombie are presented as discontinued operations and are presented separately in the Statement of Comprehensive Income (Loss). A component of Crombie includes a property type or geographic area of operations.

(i) Convertible debentures

Convertible debentures issued by Crombie are convertible into a fixed number of REIT Units (a liability) at the option of the holder and are redeemable by the issuer under certain conditions (Note 10).

Upon issuance, convertible debentures are separated into their debt component and embedded derivative features. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without the embedded derivative features. Subsequent to initial recognition, the debt component is measured at amortized cost using the effective interest method.

The embedded derivative features include a holder conversion option at any time and an issuer redemption option under certain conditions. The multiple embedded derivative features are treated as a single compound embedded derivative liability and initially recognized at fair value. Subsequent to initial recognition, changes in fair value are recognized in the Consolidated Statements of Comprehensive Income (Loss).

Upon issuance, any directly attributable costs are allocated to the debt component and embedded derivative liability in proportion to their initial carrying amounts. For the debt component, the transaction costs are reflected in the determination of the effective interest rate. For the embedded derivative liability, the transaction costs are immediately expensed in the Consolidated Statements of Comprehensive Income (Loss).

Upon conversion, the carrying amount of the debt component and the related fair value of the derivative liability as of the date of conversion are transferred to Net assets attributable to Unitholders in the Consolidated Balance Sheets. Upon redemption, the redemption proceeds are compared to the carrying amount of the debt component and the related fair value of the embedded derivative extinguished as of the date of redemption, and any gain or loss on redemption is recognized in the Consolidated Statements of Comprehensive Income (Loss).

(j) Employee future benefits obligation

The cost of Crombie's pension benefits for defined contribution plans is expensed for employees in respect of the period in which they render services. The cost of defined benefit pension plans and other benefit plans is accrued based on estimates, using actuarial techniques, of the amount of benefits employees have earned in return for their services in the current and prior periods. The present value of the defined benefit obligation and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. Other factors considered for other benefit plans include assumptions regarding salary escalation, retirement ages and expected growth rate of health care costs. The fair value of any plan assets is based on current market values. The present value of the defined benefit obligation is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the obligation. The defined benefit plan and post-retirement benefit plan are unfunded.

The impact of changes in plan provisions will be recognized in benefit costs on a straight-line basis over a period not exceeding the average period until the benefit becomes vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, the plan, the past service cost will be recognized immediately.

In measuring its defined benefit liability, Crombie recognizes unamortized actuarial gains and losses directly to other comprehensive income (loss).

(k) Employee unit purchase plan ("EUPP")

Crombie has a unit purchase plan for certain employees, which is described in Note 18.

(l) Distribution reinvestment plan ("DRIP")

Crombie has a distribution reinvestment plan which is described in Note 18.

(m) Revenue recognition

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

(n) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

(i) Crombie as lessor

Crombie has determined that all of its leases with its tenants are operating leases. Revenue is recorded in accordance with Crombie's revenue recognition policy (Note 2(m)).

(ii) Crombie as lessee

Operating leases consist mainly of land leases which are expensed to property operating costs as incurred. Crombie also has a small amount of equipment and vehicle leases that are expensed to general and administrative expenses as incurred.

(o) Deferred financing charges

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

(p) Finance costs - operations

Finance costs - operations primarily comprise interest on Crombie's borrowings. Finance costs directly attributable to the acquisition, redevelopment, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other finance costs - operations are expensed in the period in which they are incurred.

(q) Finance costs - distributions to Unitholders

The determination to declare and make payable distributions from Crombie is at the discretion of the Board of Trustees and, until declared payable by the Board of Trustees, Crombie has no contractual obligation to pay cash distributions to Unitholders.

(r) Income taxes

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

Deferred tax assets and/or 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, deferred taxes are recognized for the expected deferred tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Deferred taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

Deferred tax assets and/or liabilities are offset only when Crombie has a right and intention to set off tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in operations, except where they relate to items that are recognized in other comprehensive income (loss) (such as the unrealized gains and losses on cash flow hedges) or directly in change in net assets, in which case the related deferred tax is also recognized in other comprehensive income (loss) or change in net assets, respectively.

(s) Hedges

Crombie may use cash flow hedges 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 operating income. Amounts recognized in accumulated other comprehensive income (loss) are reclassified to operating income in the same periods in which the hedged item is recognized in operating income. Fair value hedges and the related hedged items are recognized on the balance sheet at fair value with any changes in fair value recognized in operating 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 assesses on an ongoing basis whether any existing derivative financial instrument continues to be effective in offsetting changes in interest rates on the hedged items.

(t) Comprehensive income (loss)

Comprehensive income (loss) is the change in net assets attributable to Unitholders during a period from transactions and other events and circumstances from non-unitholder sources. Crombie reports a consolidated statement of comprehensive income (loss), comprising changes in net assets attributable to

Unitholders and other comprehensive income (loss) for the year. Accumulated other comprehensive income (loss), has been included in the consolidated statements of changes in net assets attributable to Unitholders.

(u) Provisions

Provisions are recognized when: Crombie has a present obligation (legal or constructive) as a result of a past event; it is probable that Crombie will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect Crombie's best estimate at the reporting date.

Environmental liabilities are recognized when Crombie has an obligation relating to site closure or rehabilitation. The extent of the work required and the associated costs are dependent on the requirements of the relevant authorities and Crombie's environmental policies. Provisions for the cost of each closure and rehabilitation program are recognized at the time that environmental disturbance occurs. Changes in the provision are recognized in the period of the change.

Crombie's provisions are immaterial and are included in trade and other payables.

(v) Financial instruments

Crombie classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purpose of ongoing measurement. Classification choices for financial assets include: a) FVTPL- measured at fair value with changes in fair value recognized in decrease in net assets attributable to Unitholders for the period; b) held to maturity - recorded at amortized cost with gains and losses recognized in decrease in net assets attributable to Unitholders in the period that the asset is derecognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in other comprehensive income (loss) for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in decrease in net assets attributable to Unitholders in the period that the asset is no longer recognized or impaired. Classification choices for financial liabilities include: a) FVTPL - measured at fair value with changes in fair value recognized in decrease in net assets attributable to Unitholders for the period; and b) other - measured at amortized cost with gains and losses recognized in comprehensive income in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Crombie's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Assets related to derecognized property	Held to maturity	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Long term receivables	Loans and receivables	Amortized cost
Marketable securities	FVTPL	Fair value
Derivative financial assets and liabilities	FVTPL	Fair value
Accounts payable and other liabilities (excluding convertible debentures embedded derivatives and interest rate swaps)	Other liabilities	Amortized cost
Investment property debt	Other liabilities	Amortized cost
Liabilities related to derecognized property	Other liabilities	Amortized cost
Convertible debentures (excluding embedded derivatives)	Other liabilities	Amortized cost
Senior unsecured notes	Other liabilities	Amortized cost

Other balance sheet accounts, including, but not limited to, prepaid expenses, investment properties, intangible assets, deferred taxes and employee future benefits obligation are not financial instruments.

Transaction costs, other than those related to financial instruments classified as FVTPL that are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method. Financing costs incurred to establish revolving credit facilities are deferred and amortized on a straight-line basis over the term of the facilities. In the event any debt is extinguished, the associated unamortized financing costs are expensed immediately.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. The holder conversion option and issuer redemption options in Crombie's convertible debentures are considered to be embedded derivatives. Crombie's accounting policies relating to convertible debentures are described in Note 2(i).

(w) Fair value measurement

The fair value of financial instruments is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Crombie.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Crombie uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The fair value of any interest rate swap is estimated by discounting net cash flows of the swaps using forward interest rates for swaps of the same remaining maturities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When determining the highest and best use of non-financial assets Crombie takes into account the following;

- use of the asset that is physically possible - Crombie assesses the physical characteristics of the asset that market participants would take into account when pricing the asset;
- use that is legally permissible - Crombie assesses any legal restrictions on the use of the asset that market participants would take into account when pricing the asset; and
- use that is financially feasible - Crombie assesses whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows to produce an investment return that market participants would require from an investment in that asset put to that use.

(x) Impairment of long-lived tangible and definite life intangible assets

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

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

(y) Net assets attributable to Unitholders

(i) Balance Sheet presentation

In accordance with International Accounting Standard ("IAS") 32 Financial Instruments: Presentation, puttable instruments are generally classified as financial liabilities. Crombie's REIT units and Class B LP units with attached Special Voting Units ("SVU") are both puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 which could result in classification as equity; however, Crombie's units do not meet the exception requirements. Therefore, Crombie has no instrument qualifying for equity classification on its Balance Sheet pursuant to IFRS. The classification of all units as financial liabilities with presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

(ii) Balance Sheet measurement

REIT units and Class B LP units with attached SVUs are carried on the Balance Sheet at net asset value. Although puttable instruments classified as financial liabilities are generally required to be remeasured to fair value at each reporting period, the alternative presentation as net assets attributable to Unitholders reflects that, in total, the interests of the Unitholders is limited to the net assets of Crombie.

(iii) Statement of Comprehensive Income (Loss) presentation

As a result of the classification of all units as financial liabilities, the Statement of Comprehensive Income (Loss) recognizes distributions to Unitholders as a finance cost. In addition, terminology such as net income has been replaced by Increase (decrease) in net assets attributable to Unitholders to reflect the absence of an equity component on the Balance Sheet.

(iv) Presentation of per unit measures

As a result of the classification of all units as financial liabilities, Crombie has no equity instrument; therefore, in accordance with IAS 33 Earnings per Share, there is no denominator for purposes of calculation of per unit measures.

(v) Allocation of Comprehensive income (loss)

The components of Comprehensive income (loss) are allocated between REIT Units and Class B LP Units as follows:

- Operating income - based on the weighted average number of units outstanding during the reporting period.
- Distributions to Unitholders - based on the actual distributions paid to each separate unit class.
- Accumulated other comprehensive income (loss) - increases are allocated based on the weighted average number of units outstanding during the reporting period, decreases in previously accumulated amounts are drawn down based on the average accumulation allocation rate.

(z) Critical judgements in applying accounting policies

The following are the critical judgements that have been made in applying Crombie's accounting policies and that have the most significant effect on the consolidated financial statements:

(i) Investment properties

Crombie's accounting policies relating to investment properties are described in Note 2(e). In applying these policies, judgement is applied in determining whether certain costs are additions to the carrying amount of an investment property and whether properties acquired are considered to be asset acquisitions or business combinations. Crombie has determined that all properties acquired to date are asset acquisitions.

(ii) Leases

Crombie makes judgements in determining whether certain leases, in particular long-term ground leases where Crombie is the lessee and the property meets the definition of investment property, are operating or finance leases. Crombie determined that all long-term ground leases where Crombie is the lessee are operating leases. All tenant leases where Crombie is a lessor have been determined to be operating leases.

(iii) Classifications of Units as liabilities

Crombie's accounting policies relating to the classification of Units as liabilities are described in Note 2(x). The critical judgements inherent in this policy relates to applying the criteria set out in IAS 32, "Financial Instruments: Presentation", relating to the puttable instrument exemption.

(iv) Income taxes

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

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

(aa) Critical accounting estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

(i) Fair value measurement

A number of assets and liabilities included in Crombie's financial statements require measurement at, and/or disclosure of, fair value.

In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value 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 significant methods and assumptions used in estimating fair value are set out in Notes 3 and 21.

(ii) Investment properties

Investment properties are carried at cost less accumulated depreciation. Crombie estimates the useful lives of investment properties and the significant components thereof to calculate depreciation and amortization.

(iii) Impairment of long-lived tangible and definite life intangible assets

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

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

(iv) Investment property valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the measurement date, represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Internal quarterly valuations are performed using internally generated valuation

models prepared by considering the aggregate cash flows received from leasing the property. A yield obtained from an independent valuation company, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual cash flows to arrive at the property valuation.

(v) Defined benefit liability

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

(vi) Purchase price allocation

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Upon acquisition, management allocates the purchase price of the acquisition as described in Note 2(e). This allocation contains a number of estimates and underlying assumptions including, but not limited to, highest and best use and fair value of the properties, estimated cash flows, discount rates, lease-up rates, inflation rates, renewal rates, tenant incentive allowances, cost recoveries and leasing costs and termination costs.

(bb) Application of new and revised IFRSs

Crombie has applied the following new and revised IFRSs effective January 1, 2014:

(i) IAS 32 - Financial Instruments Presentation

Amendments were made to IAS 32 to clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of off-set' and 'simultaneous realization and settlement'. The amended standard did not have an impact on Crombie.

(ii) IFRS Interpretations Committee Interpretation 21- Levies ("IFRIC 21")

In May 2013, IFRIC 21 was issued. IFRIC 21 addresses various accounting issues relating to levies imposed by a government. Crombie has assessed the applicability of IFRIC 21 and has determined there is no impact on the consolidated financial statements.

(cc) Future changes in accounting standards

(i) IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments which replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 has three main phases: classification and measurement, impairment and general hedging.

The new standard requires assets to be classified based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at FVTPL unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of financial liabilities remain generally unchanged, with the exception of financial liabilities recorded at FVTPL. For financial liabilities designated at FVTPL, IFRS 9 requires the presentation of the effects of changes in our own credit risk in other comprehensive income instead of decrease in net assets attributable to unitholders. IFRS 9 also introduces an impairment model for financial instruments not measured at FVTPL that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting expands the scope of eligible hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the impact the adoption of this standard will have on Crombie's consolidated financial statements.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 becomes effective for annual periods

beginning on or after January 1, 2017, with early adoption permitted and is to be applied retrospectively. Management is currently assessing the impact the adoption of this standard will have on Crombie's consolidated financial statements.

(dd) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's consolidated financial statement presentation. The reclassifications did not impact the consolidated balance sheets, consolidated statements of changes in net assets attributable to Unitholders or the consolidated statements of cash flows.

3) INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2014	**$ 956,672**	**$ 2,417,780**	**$ 5,621**	**$ 3,380,073**
Acquisitions	**46,425**	**118,271**	**—**	**164,696**
Additions	**3,798**	**24,828**	**581**	**29,207**
Dispositions	**(14,875)**	**(33,478)**	**(103)**	**(48,456)**
Transfer to investment properties held for sale (Note 7)	**(14,125)**	**(48,383)**	**(559)**	**(63,067)**
Balance, December 31, 2014	**977,895**	**2,479,018**	**5,540**	**3,462,453**
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2014	**—**	**209,218**	**2,758**	**211,976**
Depreciation and amortization	**—**	**57,983**	**535**	**58,518**
Dispositions	**—**	**(5,750)**	**(29)**	**(5,779)**
Impairment	**—**	**10,750**	**—**	**10,750**
Transfer to investment properties held for sale (Note 7)	**—**	**(8,810)**	**(299)**	**(9,109)**
Balance, December 31, 2014	**—**	**263,391**	**2,965**	**266,356**
Net carrying value, December 31, 2014	**$ 977,895**	**$ 2,215,627**	**$ 2,575**	**$ 3,196,097**

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2013	$ 545,337	$ 1,608,276	$ 4,861	$ 2,158,474
Acquisitions	414,666	790,572	—	1,205,238
Additions	195	28,029	829	29,053
Dispositions	(3,526)	(9,097)	(69)	(12,692)
Balance, December 31, 2013	956,672	2,417,780	5,621	3,380,073
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2013	—	157,009	2,240	159,249
Depreciation and amortization	—	42,101	544	42,645
Dispositions	—	(2,162)	(26)	(2,188)
Impairment	—	12,270	—	12,270
Balance, December 31, 2013	—	209,218	2,758	211,976
Net carrying value, December 31, 2013	$ 956,672	$ 2,208,562	$ 2,863	$ 3,168,097

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $563,060 at December 31, 2014 (December 31, 2013 - $567,980). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment.

During the fourth quarter of 2014, Crombie disposed of five retail properties. Two of the properties were sold for less than their carrying value, and as such, Crombie recorded an impairment of $3,250 during the third quarter. In addition, Crombie recorded an impairment charge of $7,500 during the fourth quarter of 2014 on two mixed use properties. Both properties are experiencing lower occupancy rates; renewals at reduced square footage; and indications of non-renewals when leases mature. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be the properties' fair value, based on selling price or a recent external appraisal report, less costs to sell.

During the year ended December 31, 2013, Crombie recorded an impairment charge of $12,270 on a retail property. The impairment was the result of the departure of a major tenant during 2013 and Crombie has had no success in finding a replacement tenant. The recoverable amount was determined to be the property's fair value, based on a recent external appraisal report, less costs to sell.

The estimated fair values of Crombie's investment properties are as follows:

		Fair Value		Carrying Value
December 31, 2014	**$**	**3,939,000**	**$**	**3,375,940**
December 31, 2013	$	3,877,000	$	3,309,020

Carrying value consists of the net carrying value of:

	Note		December 31, 2014		December 31, 2013
Investment properties	3	**$**	**3,196,097**	$	3,168,097
Intangible assets	4		**48,106**		49,237
Accrued straight-line rent receivable	5		**38,908**		28,052
Tenant incentives	5		**59,251**		63,634
Investment properties held for sale	7		**33,578**		—
Total carrying value		**$**	**3,375,940**	$	3,309,020

The fair value of investment properties is a Level 3 fair value measurement. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value included in this summary reflects the fair value of the properties as at December 31, 2014 and 2013, respectively. Four of Crombie's investment properties have a fair value, that based on an assumption that highest and best use is as a redevelopment property, exceeds their current value in use as a revenue generating investment property. For all of Crombie's other investment properties, highest and best use is its current use.

The valuation techniques and significant unobservable inputs used in determining the fair value of investment properties are set out below:

(i) **The capitalized net operating income method** - Under this method, capitalization rates are applied to net operating income (property revenue less property operating expenses). The key assumption is the capitalization rates for each specific property. Crombie receives quarterly capitalization rate reports from external, knowledgeable property valuators. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. Management selects the appropriate rate for each property from the range provided. Crombie generally employs this method to determine fair value.

(ii) **The discounted cash flow method** - Under this method, discount rates are applied to the forecasted cash flows reflecting the initial terms of the lease or leases for that specific property and assumptions as to renewal and new leasing activity. The key assumptions are the discount rate applied over the initial term of the lease, as well as lease renewals and new leasing activity. Crombie employs this method when the capitalized net operating income method indicates a risk of impairment or when a property is or will be undergoing redevelopment.

(iii) **External appraisals** - Crombie has external, independent appraisals performed on all properties on a rotational basis over a period of not more than four years.

As at December 31, 2014, all properties have been subjected to external, independent appraisal over the past four years.

Crombie utilizes capitalization and discount rates within the ranges provided by external valuations. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next; or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

Crombie has utilized the following weighted average capitalization rates and has determined that an increase (decrease) in this applied capitalization rate of 0.25% would result in an increase (decrease) in the fair value of the investment properties as follows:

		Impact of a 0.25% Change in Capitalization Rate	
	Weighted Average Capitalization Rate	**Increase in Rate**	**Decrease in Rate**
December 31, 2014	**6.22%**	**$ (154,000)**	**$ 167,000**
December 31, 2013	6.18%	$ (152,000)	$ 165,000

Investment Property Acquisitions and Dispositions

The operating results of acquired properties are included from the respective date of acquisition and for disposed properties up to the date of disposition.

2014

Acquisition/Disposition Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price
January 31, 2014[(1)]	Empire[(4)]	—	6,700	$ 1,490
March 31, 2014[(3)]	Empire	1	53,000	12,127
March 31, 2014[(3)]	Empire	(1)	(53,000)	(12,127)
May 1, 2014	Empire	1	39,400	10,176
November 17, 2014	Empire	6	292,500	63,850
November 21, 2014	Third party	1	36,000	9,140
November 24, 2014	Empire	1	53,500	8,385
December 3, 2014[(1)]	Third party	—	24,300	11,000
December 12, 2014	Third party	1	39,100	18,814
December 12, 2014	Empire	1	78,100	28,750
December 19, 2014[(1)]	Empire	—	7,700	2,508
			577,300	**154,113**
January 16, 2014[(2)]	Third party	—	(25,000)	(1,200)
August 21, 2014[(2)]	Third party	—	—	(1,900)
October 17, 2014	Third party	(4)	(374,500)	(35,000)
December 10, 2014	Third party	(1)	(233,400)	(30,000)
			(632,900)	**(68,100)**
			(55,600)	**$ 86,013**

(1) Relates to acquisition of adjacent property or additional development on a pre-existing retail property.
(2) Relates to the partial disposition of a property.
(3) Relates to an exchange of properties in Canmore, Alberta.
(4) Empire includes Empire Company Limited, a related party, and its subsidiaries.

The initial purchase prices stated above exclude closing and transaction costs. The acquisitions were funded through Crombie's floating rate revolving credit facility. On March 31, 2014, Crombie exchanged properties in Canmore, Alberta with Empire. The acquired property is measured at the carrying value of the disposed property, resulting in no gain or loss on exchange.

On August 21, 2014, Crombie completed a sale-leaseback of the land component of an investment property in Moncton, New Brunswick. The disposition is recorded at the fair value of the land and resulted in a small gain on disposal. The proceeds received in excess of fair value of the land have been deferred and will be recognized as a reduction in property operating expenses over the term of the land lease.

2013

Acquisition/Disposition Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 22, 2013	Third party	4	311,000	$ 131,890	$ 10,744
March 22, 2013	Empire	1	66,000	14,650	—
March 27, 2013	Empire	1	45,000	15,450	—
March 28, 2013[1]	Empire	—	9,000	2,455	—
April 30, 2013	Empire	1	59,000	20,875	—
September 6, 2013	Third party	4	77,000	44,370	—
November 3, 2013	Empire	70	3,105,000	991,300	—
			3,672,000	1,220,990	10,744
February 4, 2013	Third party	(1)	(31,000)	(1,700)	—
December 10, 2013	Third party	(1)	(113,000)	(13,431)	—
			3,528,000	$ 1,205,859	$ 10,744

[1] Relates to an acquisition of additional development on a pre-existing retail property.

The initial purchase prices stated above exclude closing and transaction costs. Excluding the November 3, 2013 transaction, the balance of the 2013 acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate revolving credit facility. The November acquisition, after deducting new mortgage proceeds, was financed through proceeds from REIT Units, Series E Debentures, Series A Notes and Class B LP Units issued in conjunction with the acquisition.

The allocation of the total cost of the acquisitions (including closing and transaction costs) is as follows:

Investment property acquired, net:	**Year ended December 31, 2014**	Year ended December 31, 2013
Land	**$ 46,425**	$ 414,666
Buildings	**118,271**	790,572
Intangible assets	**4,977**	23,107
Fair value debt adjustment on assumed mortgages	**—**	(412)
Net purchase price	**169,673**	1,227,933
Assumed mortgages	**—**	(10,744)
	$ 169,673	$ 1,217,189

4) INTANGIBLE ASSETS

Tenant Relationships	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2014	**$ 96,397**	**$ 47,160**	**$ 49,237**
Acquisitions	**4,977**	**—**	**4,977**
Dispositions	**(1,121)**	**(847)**	**(274)**
Amortization	**—**	**5,606**	**(5,606)**
Transfer to investment properties held for sale (Note 7)	**(1,234)**	**(1,006)**	**(228)**
Balance, December 31, 2014	**$ 99,019**	**$ 50,913**	**$ 48,106**
Balance, January 1, 2013	$ 73,853	$ 40,304	$ 33,549
Acquisitions	23,107	—	23,107
Dispositions	(563)	(527)	(36)
Amortization	—	7,383	(7,383)
Balance, December 31, 2013	$ 96,397	$ 47,160	$ 49,237

5) OTHER ASSETS

	December 31, 2014	December 31, 2013
Trade receivables	**$ 7,415**	$ 6,389
Provision for doubtful accounts	**(59)**	(47)
Net trade receivables	**7,356**	6,342
Assets related to derecognized property[a]	**—**	5,830
Marketable securities[b]	**2,123**	986
Prepaid expenses and deposits	**10,144**	8,356
Restricted cash	**3,609**	5,643
Accrued straight-line rent receivable	**38,908**	28,052
Tenant incentives	**59,251**	63,634
	$ 121,391	$ 118,843

[a] During the fourth quarter of 2008, Crombie defeased the mortgage associated with a derecognized property. The transaction did not qualify for defeasance accounting, therefore the defeased loan and related asset were not removed from the balance sheet. The defeased loan was repaid April 1, 2014.

[b] As partial consideration for property dispositions in October 2014 and December 2013, Crombie received units of a publicly traded real estate entity. During the year ended December 31, 2014, Crombie disposed of all units received from the December 2013 property disposition on which a small gain on disposal was realized and is included in Gain on derecognition of investment properties. The marketable securities, which Crombie is restricted from trading until April 2015, are carried at their estimated fair value. Unrealized gains or losses are recorded in the change in fair value of financial instruments. Refer to Note 21(a) for fair value information.

Tenant Incentives	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2014	**$ 96,213**	**$ 32,579**	**$ 63,634**
Additions	**8,413**	**—**	**8,413**
Amortization	**—**	**7,567**	**(7,567)**
Dispositions	**(2,039)**	**(994)**	**(1,045)**
Transfer to investment properties held for sale (Note 7)	**(7,762)**	**(3,578)**	**(4,184)**
Balance, December 31, 2014	**$ 94,825**	**$ 35,574**	**$ 59,251**
Balance, January 1, 2013	$ 76,762	$ 24,850	$ 51,912
Additions	20,835	—	20,835
Amortization	—	8,026	(8,026)
Dispositions	(1,384)	(297)	(1,087)
Balance, December 31, 2013	$ 96,213	$ 32,579	$ 63,634

6) LONG TERM RECEIVABLES

	December 31, 2014	December 31, 2013
Capital expenditure program	**$ 105**	$ 105
Interest rate subsidy	**1,127**	1,716
Amount receivable from related party	**12,399**	—
	$ 13,631	$ 1,821

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

During March 2014, Crombie advanced $11,856 to a subsidiary of Empire to partially finance their acquisition of development lands. The loan is repayable October 1, 2016 and bears interest at a rate of 6% per annum.

See Note 21(a) for fair value information.

7) INVESTMENT PROPERTY HELD FOR SALE

	Land	**Buildings**	**Deferred Leasing Costs**	**Tenant Relationships**	**Tenant Incentives**	**Total**
Opening balance, January 1, 2014	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Assets transferred to held for sale	**14,125**	**39,573**	**260**	**228**	**4,184**	**58,370**
Dispositions	**(6,986)**	**(15,862)**	**(38)**	**(228)**	**(1,678)**	**(24,792)**
Net carrying value, December 31, 2014	**$ 7,139**	**$ 23,711**	**$ 222**	**$ —**	**$ 2,506**	**$ 33,578**

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2013	$ —	$ —	$ —	$ —	$ —	$ —
Assets transferred to held for sale	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—
Net carrying value, December 31, 2013	$ —	$ —	$ —	$ —	$ —	$ —

Crombie has determined that one investment property listed for sale met the criteria for classification as held for sale as at December 31, 2014. Prior to classification as held for sale, the property was assessed for impairment, which, at that time, is the amount by which the carrying amount exceeds its recoverable amount. While classified as held for sale, impairment is assessed as the amount by which carrying value exceeds fair value less costs to sell. No depreciation or amortization will be recorded while the property is classified as held for sale. Crombie expects to complete the sale of the property during the 12 months subsequent to classification as held for sale.

8) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity		December 31, 2014
Fixed rate mortgages	**3.12 - 6.90%**	**4.77%**	**7.4 years**	**$**	**1,490,187**
Floating rate revolving credit facility		**3.00%**	**2.5 years**		**145,000**
Deferred financing charges					**(10,640)**
				$	**1,624,547**

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity		December 31, 2013
Fixed rate mortgages	3.12 - 6.90%	4.82%	8.0 years	$	1,585,960
Floating rate revolving credit facility		2.97%	2.5 years		120,000
Deferred financing charges					(11,760)
				$	1,694,200

As at December 31, 2014, debt retirements for the next five years are:

12 Months Ending		Fixed Rate Principal Payments		Fixed Rate Maturities		Floating Rate Maturities		Total
December 31, 2015	$	45,830	$	80,326	$	—	$	126,156
December 31, 2016		44,006		36,322		—		80,328
December 31, 2017		41,057		44,833		145,000		230,890
December 31, 2018		40,787		46,206		—		86,993
December 31, 2019		41,432		72,030		—		113,462
Thereafter		173,959		818,803		—		992,762
	$	387,071	$	1,098,520	$	145,000		1,630,591
Deferred financing charges								(10,640)
Unamortized fair value debt adjustment								4,596
							$	**1,624,547**

Specific investment properties with a carrying value of $2,675,267 as at December 31, 2014 (December 31, 2013 - $2,832,554) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, investment properties held for sale, intangible assets, as well as accrued straight-line rent and tenant incentives which are included in other assets.

Mortgage Activity

			Weighted Average				
Year ended December 31, 2014:	**Type**	**Number of Mortgages**	**Rates**	**Terms in Years**	**Amortization Period in Years**		**Proceeds (Repayments)**
	New	4	4.23%	8.8	25.0	$	40,616
	Renewal	1	3.97%	1.0	10.0		—
	Repayment	21	5.27%	—	—		(87,633)
						$	(47,017)
Year ended December 31, 2013:							
	New	56	4.35%	9.9	24.7	$	693,003
	Renewal	2	3.40%	5.0	22.0		—
	Repayment	2	6.53%	—	—		(16,708)
						$	676,295

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $300,000 (December 31, 2013 - $285,000). Subsequent to year end, Crombie renegotiated the terms of the revolving credit facility and the facility now matures on June 30, 2018. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (December 31, 2014 – borrowing base of $300,000). The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin increases as Crombie's overall debt leverage increases beyond specific thresholds.

See Note 21(a) for fair value information.

9) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	**December 31, 2014**	December 31, 2013
Series A senior unsecured notes	October 31, 2018	3.986%	**$ 175,000**	$ 175,000
Series B senior unsecured notes	June 1, 2021	3.962%	**100,000**	—
Unamortized Series B issue premium			**348**	—
Deferred financing charges			**(1,756)**	(1,063)
			$ 273,592	$ 173,937

On March 5, 2014 Crombie issued, on a private placement basis, $100,000 Series B Notes (senior unsecured) with a seven year three month term and an annual interest rate of 3.962%. The Series B Notes were issued for $100,393, resulting in an effective interest rate of 3.90%. There are no principal repayments until maturity and interest is payable in equal semi-annual installments in arrears on June 1 and December 1 commencing June 1, 2014. The Series A Notes pay interest in equal semi-annual installments in arrears on April 30 and October 31.

As at December 31, 2014, senior unsecured note retirements for the next five years are:

12 Months Ending	**Series A**	**Series B**	**Total**
December 31, 2015	$ —	$ —	$ —
December 31, 2016	—	—	—
December 31, 2017	—	—	—
December 31, 2018	175,000	—	175,000
December 31, 2019	—	—	—
Thereafter	—	100,000	100,000
	$ 175,000	$ 100,000	275,000
Unamortized Series B issue premium			348
Deferred financing charges			(1,756)
			$ 273,592

See Note 21(a) for fair value information.

10) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	December 31, 2014	December 31, 2013
Series C (CRR.DB.C)	$ 15.30	June 30, 2017	5.75%	$ 45,000	$ 45,000
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	60,000	60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	74,400	75,000
Deferred financing charges				(4,185)	(5,071)
				$ 175,215	$ 174,929

Debenture Conversions	Conversion Price	Year ended December 31, 2014	Year ended December 31, 2013
Series B	$ 11.00	$ —	$ 17,115
Series E	$ 17.15	600	—
		$ 600	$ 17,115
REIT Units Issued		34,984	1,555,887

As at December 31, 2014, debenture retirements for the next five years are:

12 Months Ending	Series C	Series D	Series E	Total
December 31, 2015	$ —	$ —	$ —	$ —
December 31, 2016	—	—	—	—
December 31, 2017	45,000	—	—	45,000
December 31, 2018	—	—	—	—
December 31, 2019	—	60,000	—	60,000
Thereafter	—	—	74,400	74,400
	$ 45,000	$ 60,000	$ 74,400	179,400
Deferred financing charges				(4,185)
				$ 175,215

On August 14, 2013, Crombie issued $75,000 of convertible unsecured subordinated debentures (the "Series E Debentures"). The Series E Debentures have an interest rate of 5.25% per annum and pay interest semi-annually in arrears on March 31 and September 30 each year. Each one thousand dollar principal amount of Series E Debenture is convertible into approximately 58.3090 units of Crombie, at any time, at the option of the holder, representing a conversion price of $17.15 per unit. The Series E Debentures mature on March 31, 2021.

The Series C Convertible Debentures pay interest semi-annually on June 30 and December 31 of each year. The Series D and Series E Debentures pay interest semi-annually on March 31 and September 30 each year. Crombie has the option to pay interest on any interest payment date by issuing REIT units and applying the proceeds to satisfy its interest obligation.The Series C, Series D, and Series E Convertible Debentures (collectively the "Debentures") are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate per one thousand dollars of principal amount of approximately: 65.3595 REIT Units for Series C Convertible Debentures, 49.7512 REIT Units for Series D Convertible Debentures; and 58.3090 REIT Units for Series E Convertible Debentures. If all conversion rights attaching to the Series C Convertible Debentures, the Series D Convertible Debentures and the Series E Convertible Debentures were exercised, as at December 31, 2014, Crombie would be required to issue approximately 2,941,176 REIT Units, 2,985,074 REIT Units, and 4,338,192 REIT 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 convertible debentures has a period, lasting two years, during which the Debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the five year period from the date of issue, and to the maturity date, the Debentures may be

redeemed, in whole or in part, at any time at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the Debentures at maturity or upon redemption, in whole or in part, by issuing the number of REIT Units equal to the principal amount of the Debentures then outstanding divided by 95% of the volume-weighted average trading price of the REIT Units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, Debenture holders have the right to put the Debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

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

On September 6, 2013, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series B Unsecured Debentures ("Series B Debentures") maturing June 30, 2015, in accordance with the term of the Trust Indenture. Holders of the Series B Debentures were entitled to convert their Series B Debentures to Units based on the conversion price of $11.00 per Unit until October 10, 2013. The redemption of the then outstanding Series B Debentures was completed on October 11, 2013 for a principal payment of $1,564 plus interest.

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

See Note 21(a) for fair value information.

11) 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 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.

The deferred tax liability of the wholly-owned corporate subsidiaries which are subject to income taxes consist of the following:

		December 31, 2014		December 31, 2013
Tax liabilities relating to difference in tax and book value	**$**	**87,853**	$	91,906
Tax asset relating to non-capital loss carry-forward		**(9,453)**		(11,081)
Deferred tax liability	**$**	**78,400**	$	80,825

The tax recovery (expense) consists of the following:

		Year ended December 31, 2014		Year ended December 31, 2013
Provision for income taxes at the expected rate	**$**	**(20,662)**	$	(10,017)
Tax effect of income attribution to Crombie's Unitholders		**23,087**		11,692
Taxes - deferred	**$**	**2,425**	$	1,675

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

There are no corporate tax implications to Crombie from any of the components of accumulated other comprehensive income.

12) 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 provides pension benefits to members designated in writing by the Board of Trustees based on a formula recognizing length of service and final average earnings. The annual pension payable at age 65 is equal to 2% of the final average earnings multiplied by years of credited service (to a maximum of 30 years) over the estimated retirement income provided under the defined contribution pension plan and deferred profit sharing plan. The final average earnings is 12 times the average of the 60 highest months of eligible earnings. 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. Crombie's defined benefit plans are unfunded.

Once participants attain age 55 and 5 years of continuous service, they can retire. The total pension payable is reduced by 5/12% for each month by which the early retirement precedes age 60 (62 for a member who was designated as a member on or after June 25, 2009). The normal form of pension payment is a 60% joint and survivor pension.

The post-employment benefits program offered to Crombie employees and retirees in Canada is an open plan that provides life and medical benefits for grandfathered employees and employees retired prior to May 1, 2011 as well as critical illness coverage for other employees. Full-time employees must be over age 55 to be eligible for the post-employment benefits program.

The total defined benefit cost related to pension plans and post-retirement benefit plans for the year ended December 31, 2014 was $514 (year ended December 31, 2013 - $465).

The plan typically exposes Crombie to actuarial risks such as: interest rate risk, mortality risk and salary risk.

(i) Interest rate risk - The present value of the defined benefit liability is calculated using discount rates that reflect the average yield, as at the measurement date, on high quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high quality corporate bonds will increase Crombie's defined benefit liability.

(ii) Mortality risk - The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(iii) Salary risk - The present value of the defined benefit plan liability is calculated by reference to the anticipated future salary of the plan participants. As such, an increase in the salary of plan participants over that anticipated will increase the plan's liability.

	Most recent valuation date	Next required valuation date
Senior Management Pension Plan	December 31, 2014	December 31, 2016
Post Retirement Benefit Plans	May 1, 2012	May 1, 2015

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

	December 31, 2014		December 31, 2013	
	Senior Management Pension Plan	**Post-Employment Benefit Plans**	Senior Management Pension Plan	Post-Employment Benefit Plans
Discount rate - accrued benefit obligation	**3.75%**	**4.00%**	4.50%	4.75%
Rate of compensation increase	**3.50%**	**N/A**	4.00%	N/A

For measurement purposes, a 7.00% (2013 -7.50%) annual rate increase in the per capita cost of covered health care benefits was assumed. The cumulative rate is expected to decrease 0.50% annually to 5.00% in 2018.

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to year-end by reference to market yields of high quality corporate bonds that have a maturity approximating the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The projected unit credit method is used to determine the present value of the defined benefit obligation and the related current service cost for all active members.

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

Defined benefit plans

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

	December 31, 2014		December 31, 2013	
	Senior Management Pension Plan	**Post-Employment Benefit Plans**	Senior Management Pension Plan	Post-Retirement Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	**$ 3,644**	**$ 3,534**	$ 3,439	$ 3,706
Current service cost	**141**	**39**	143	42
Interest cost	**166**	**169**	131	149
Actuarial losses (gains)	**409**	**173**	131	(338)
Benefits paid	**(200)**	**(33)**	(200)	(25)
Balance, end of year	**4,160**	**3,882**	3,644	3,534
Plan Assets				
Fair value, beginning of the year	**—**	**—**	—	—
Employer contributions	**200**	**33**	200	25
Benefits paid	**(200)**	**(33)**	(200)	(25)
Fair value, end of year	**—**	**—**	—	—
Funded status - deficit	**4,160**	**3,882**	3,644	3,534
Current portion	**200**	**39**	200	33
Non-current portion	**3,960**	**3,843**	3,444	3,501
Accrued benefit obligation recorded as a liability	**$ 4,160**	**$ 3,882**	$ 3,644	$ 3,534
Net expense				
Current service cost	**$ 141**	**$ 38**	$ 143	$ 42
Interest cost	**166**	**169**	131	149
Net expense	**$ 307**	**$ 207**	$ 274	$ 191

The table below outlines the sensitivity of the fiscal 2014 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses. There was no change to the method and assumptions used in preparing the sensitivity analysis from prior years.

		Senior Management Pension Plan		Post-Employment Benefit Plans	
		Benefit Obligations	Benefit Cost[1]	Benefit Obligations	Benefit Cost[1]
Discount Rate		3.75%	3.75%	4.00%	4.00%
Impact of:	1% increase	$ (488)	$ (14)	$ (599)	$ 1
	1% decrease	$ 599	$ 16	$ 753	$ (7)
Growth rate of health costs[2]				7.00%	7.00%
Impact of:	1% increase			$ 683	$ 36
	1% decrease			$ (552)	$ (29)

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

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

For the year ended December 31, 2014, the net defined contribution pension plans expense was $687 (year ended December 31, 2013 - $632).

13) TRADE AND OTHER PAYABLES

	December 31, 2014	December 31, 2013
Tenant incentives and capital expenditures	**$ 15,999**	$ 30,417
Property operating costs	**26,143**	27,444
Prepaid rents	**4,726**	8,514
Finance costs on investment property debt, notes and debentures	**8,891**	8,659
Distributions payable	**9,685**	9,116
Fair value of interest rate swap agreements	**—**	21
Fair value of embedded derivatives in convertible debentures	**—**	—
Deferred revenue	**4,860**	—
Liabilities related to derecognized property	**—**	5,627
	$ 70,304	$ 89,798

During 2014, Crombie completed a sale-leaseback of the land component of an investment property. The proceeds received in excess of fair value of the land have been deferred and will be recognized as a reduction in property operating expenses over the term of the land lease. In addition, Crombie received a prepayment, from a related party, of their future obligation under a land sub-lease. This prepayment has also been deferred and will be recognized as a reduction in property operating expenses over the term of the land lease.

Fair value of embedded derivatives in convertible debentures:

	Year ended December 31, 2014	Year ended December 31, 2013
Balance, beginning of year	**$ —**	$ 5,062
Change in fair value of financial instruments	**—**	(2,368)
Impact of debentures converted	**—**	(2,694)
Balance, end of year	**$ —**	$ —

Change in fair value of financial instruments:

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Change in fair value of embedded derivatives in convertible debentures	13	**$ —**	$ 2,368
Change in fair value of marketable securities	5	**289**	105
Change in fair value of financial instruments		**$ 289**	$ 2,473

14) PROPERTY REVENUE

	Year ended December 31, 2014	Year ended December 31, 2013
Rental revenue contractually due from tenants	**$ 352,182**	$ 296,959
Contingent rental revenue	**2,014**	2,141
Straight-line rent recognition	**11,440**	5,484
Tenant incentive amortization	**(7,567)**	(8,026)
Lease terminations	**250**	485
	$ 358,319	$ 297,043

The following table sets out tenants that contribute in excess of 10% of total property revenue:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Revenue	**Percentage**	Revenue	Percentage
Sobeys Inc.	**$ 148,213**	**41.4%**	$ 98,874	33.3%

15) OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at December 31, 2014, is as follows:

	Year Ending December 31,						
	2015	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Future minimum rental income	$ 250,184	$ 240,815	$ 229,917	$ 219,502	$207,798	$ 1,999,070	$ 3,147,286

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from 10 to 75 years including renewal options:

	Year Ending December 31,						
	2015	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Future minimum lease payments	$ 1,471	$ 1,472	$ 1,527	$ 1,555	$ 1,556	$ 66,295	$ 73,876

16) EMPLOYEE BENEFIT EXPENSE

Crombie's payroll expenses are included in property operating expenses and in general and administrative expenses.

	Year ended December 31, 2014	Year ended December 31, 2013
Wages and salaries	**$ 23,389**	$ 21,155
Post-employment benefits	**687**	632
	$ 24,076	$ 21,787

17) FINANCE COSTS – OPERATIONS

	Year ended December 31, 2014	Year ended December 31, 2013
Fixed rate mortgages	**$ 77,452**	$ 66,429
Floating rate term, revolving and demand facilities	**2,342**	3,496
Senior unsecured notes	**10,174**	1,185
Convertible debentures	**9,498**	7,840
Subscription receipts adjustment payment	**—**	3,437
Finance costs - operations	**99,466**	82,387
Amortization of fair value debt adjustment and accretion income	**2,107**	2,938
Change in accrued finance costs	**(232)**	(2,141)
Amortization of effective swap agreements	**(2,797)**	(3,759)
Amortization of issue premium on senior unsecured notes	**45**	—
Amortization of deferred financing charges	**(3,171)**	(5,161)
Finance costs - operations, paid	**$ 95,418**	$ 74,264

18) UNITS OUTSTANDING

	Crombie REIT Units		**Class B LP Units and attached Special Voting Units**		**Total**	
	Number of Units	**Amount**	**Number of Units**	**Amount**	**Number of Units**	**Amount**
Balance, January 1, 2014	**72,662,264**	**$ 811,514**	**50,241,245**	**$ 551,511**	**122,903,509**	**$ 1,363,025**
Units issued (proceeds are net of issue costs)	**4,530,000**	**57,366**	**3,018,868**	**39,830**	**7,548,868**	**97,196**
Units issued under EUPP	**55,467**	**738**	**—**	**—**	**55,467**	**738**
Units released under EUPP	**—**	**64**	**—**	**—**	**—**	**64**
Net change in EUPP loans receivable	**—**	**40**	**—**	**—**	**—**	**40**
Units issued under DRIP	**21,364**	**256**	**15,153**	**182**	**36,517**	**438**
Conversion of debentures	**34,984**	**600**	**—**	**—**	**34,984**	**600**
Balance, December 31, 2014	**77,304,079**	**$ 870,578**	**53,275,266**	**$ 591,523**	**130,579,345**	**$ 1,462,101**

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2013	53,342,855	$ 575,506	38,430,221	$ 401,606	91,773,076	$ 977,112
Units issued (proceeds are net of issue costs)	17,720,000	215,716	11,811,024	149,905	29,531,024	365,621
Units issued under EUPP	43,522	634	—	—	43,522	634
Units released under EUPP	—	49	—	—	—	49
Net change in EUPP loans receivable	—	(200)	—	—	—	(200)
Conversion of debentures	1,555,887	17,115	—	—	1,555,887	17,115
Conversion feature of debentures	—	2,694	—	—	—	2,694
Balance, December 31, 2013	72,662,264	$ 811,514	50,241,245	$ 551,511	122,903,509	$ 1,363,025

Crombie REIT Units

Crombie is authorized to issue an unlimited number of REIT Units and an unlimited number of SVU and Class B LP Units. Issued and outstanding REIT Units may be subdivided or consolidated from time to time by the Trustees without the approval of the Unitholders. REIT Units are redeemable at any time on demand by the holders at a price per REIT Unit equal to the lesser of: (i) 90% of the weighted average price per Crombie REIT Unit during the period

of the last ten days during which Crombie's REIT Units traded; and (ii) an amount equal to the price of Crombie's REIT Units on the date of redemption, as defined in the Declaration of Trust.

The aggregate redemption price payable by Crombie in respect of any REIT Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the REIT Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their REIT Units is subject to the limitation that:

(i) the total amount payable by Crombie in respect of such REIT Units and all other REIT Units tendered for redemption, in the same calendar month must not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees);

(ii) at the time such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units; and

(iii) the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or if not listed on a stock exchange, in any market where the REIT Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date.

On May 30, 2014, Crombie closed a public offering, on a bought deal basis, of 4,530,000 Units, at a price of $13.25 per Unit for proceeds of $57,366 net of issue costs.

During the year ended December 31, 2014, $600 of Series E Convertible Debentures were converted for a total of 34,984 REIT Units at the conversion price of $17.15.

On August 14, 2013, Crombie issued 17,720,000 subscription receipts at a price of $12.70 each for net proceeds of $215,716, as detailed in a Short Form Prospectus filed August 8, 2013. On November 4, 2013, upon completion of the acquisition of a portfolio of properties, each Subscription Receipt was exchanged for one REIT Unit. Each Subscription Receipt Holder also received a cash payment equal to the amount per Unit of cash distributions made by Crombie for the record dates occurring during the period that the Subscription Receipts were outstanding, being $3,943, including interest earned on the invested Subscription Receipts proceeds.

During the year ended December 31, 2013, $17,115 of Series B Convertible Debentures were converted for a total of 1,555,887 REIT Units at the conversion price of $11.00.

Crombie REIT Special Voting Units ("SVU") and Class B LP Units

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

The Class B LP Units issued by a subsidiary of Crombie to ECL Developments Limited are indirectly exchangeable on a one-for-one basis for Crombie's REIT Units at the option of the holder, under the terms of the Exchange Agreement.

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

On May 30, 2014, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,830 net of issue costs, on a private placement basis.

On November 4, 2013, Crombie issued 11,811,024 Class B LP Units together with the attached SVUs to ECL Developments Limited, at a price of $12.70 per Class B LP Unit, the same price as the Subscription Receipts issued, for proceeds of $149,905 net of issue costs, on a private placement basis.

Employee Unit Purchase Plan

Crombie provides for REIT Unit purchase entitlements under the EUPP for certain senior executives. Awards made under the EUPP will allow executives to purchase REIT Units from treasury at the average daily high and low board lot trading prices per REIT 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 REIT Units from treasury and the REIT 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 REIT Units, as well as the after-tax portion of any Long-Term Incentive Plan cash awards received, as payments on interest and principal. As at December 31, 2014, there are loans receivable from executives of $1,931 under Crombie's EUPP, representing 166,110 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2014 was $2,146.

The compensation expense related to the EUPP for the year ended December 31, 2014 was $42 (year ended December 31, 2013 - $40).

As at December 31, 2014, no further REIT Units will be issued under the EUPP. It will be replaced with a Restricted Unit Plan with a three year vesting period and no employee loans.

Distribution Reinvestment Plan

During the fourth quarter of 2014, Crombie instituted a DRIP whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. Units issued under the DRIP will be issued directly from the treasury of Crombie REIT at a price equal to 97% of the volume-weighted average trading price of the REIT units on the TSX for the five trading days immediately preceding the relevant distribution payment made, which is typically on or about the 15th day of the month following the declaration. Crombie recognizes the net proceeds in Net assets attributable to Unitholders. Crombie issued 21,364 REIT Units and 15,153 Class B LP Units under the DRIP during the fourth quarter of 2014.

19) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Year ended December 31, 2014	Year ended December 31, 2013
Items not affecting operating cash:		
Accrued straight-line rent	**$ (11,440)**	$ (5,458)
Amortization of tenant incentives	**7,567**	8,026
Loss (gain) on derecognition of investment properties	**(9,353)**	(2,858)
Impairment of investment properties	**10,750**	12,270
Depreciation of investment properties	**57,983**	42,101
Amortization of deferred leasing costs	**535**	544
Amortization of intangible assets	**5,606**	7,383
Amortization of issue premium on senior unsecured notes	**(45)**	—
Unit based compensation	**42**	40
Amortization of effective swap agreements	**2,797**	3,759
Amortization of deferred financing charges	**3,171**	5,161
Non-cash distributions to Unitholders in the form of DRIP Units	**438**	—
Taxes - deferred	**(2,425)**	(1,675)
Change in fair value of financial instruments	**(289)**	(2,473)
	$ 65,337	$ 66,820

b) Change in other non-cash operating items

		Year ended December 31, 2014		Year ended December 31, 2013
Cash provided by (used in):				
Trade receivables	**$**	**(1,014)**	$	3,757
Prepaid expenses and deposits and other assets		**246**		(4,423)
Payables and other liabilities		**(325)**		8,751
	$	**(1,093)**	$	8,085

20) RELATED PARTY TRANSACTIONS

Related party transactions are transactions with associates, post-employment benefit plans and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this note. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

Crombie's transactions with related parties are as follows:

	Note		Year ended December 31, 2014		Year ended December 31, 2013
Property revenue	(a)	**$**	**152,855**	$	106,926
Head lease income	(b)	**$**	**947**	$	712
Management support services provided	(c)	**$**	**431**	$	344
Property management services	(d)	**$**	**500**	$	224
Rental expense	(e)	**$**	**187**	$	187
Property operating expenses		**$**	**145**	$	—
Interest rate subsidy	(b)	**$**	**700**	$	888
Finance costs - operations	(f)	**$**	**1,200**	$	1,200
Finance costs - distributions to Unitholders		**$**	**47,318**	$	36,766

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

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

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

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

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

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

In addition to the above:

- During the fourth quarter of 2014, Crombie issued 15,153 Units to ECL Developments Limited under the DRIP (Note 18).
- During the fourth quarter of 2014, Crombie acquired eight retail properties from Empire for $100,985 excluding closing adjustments and transaction costs. The properties, containing approximately 424,000 square feet of GLA, included one in Prince Edward Island, Ontario and Manitoba, three in Alberta and two in British Columbia. Crombie also acquired additional development space from Empire on a pre-existing retail property for $2,508 excluding closing and transaction costs.
- During the third quarter of 2014, Crombie received $2,650 from a subsidiary of Empire related to a prepayment of their future obligation under a land sub-lease. The amount has been deferred and is being recognized as a reduction in property operating expenses over the remaining term of the land lease.
- On May 30, 2014, ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,830, net of issue costs, on a private placement basis.
- During the second quarter of 2014, Crombie acquired a retail property from Sobeys Developments Limited Partnership ("SDLP") for $10,176 excluding closing adjustments and transaction costs. The property, located in Ontario, contains approximately 39,000 square feet of fully occupied space.
- During the first quarter of 2014, Crombie exchanged properties with a subsidiary of Empire by acquiring 1200 Railway Avenue in Canmore, Alberta in exchange for disposing of 555 Main Street in Canmore, Alberta. Crombie also acquired additional development space from Empire on a pre-existing retail property for $1,490 excluding closing and transaction costs.
- During the first quarter of 2014, Crombie entered into a loan agreement with SDLP to partially finance SDLP's acquisition of development lands in Langford, British Columbia. The $11,856 loan bears interest at a rate of 6% per annum and has no principal repayments until maturity on October 1, 2016.
- During the fourth quarter of 2013, Crombie acquired 70 properties from a wholly-owned subsidiary of Sobeys Inc. for an aggregate purchase price of $991,300, excluding closing and transition costs.
- On November 4, 2013, contemporaneously with the closing of the acquisition of 70 properties, ECL Developments Limited purchased 11,811,024 Class B LP Units and the attached SVUs at a price of $12.70 per Class B LP Unit as detailed in a Short Form Prospectus filed August 8, 2013 for proceeds of $149,905, net of issue costs, on a private placement basis.
- During the second quarter of 2013, Crombie acquired one property from a subsidiary of Empire for a total purchase price of $20,875 excluding closing and transactions costs.
- During the first quarter of 2013, Crombie acquired two properties and acquired one development addition to an existing property from subsidiaries of Empire for a total purchase price of $32,555 excluding closing and transaction costs.

Key management personnel compensation

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

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

	Year ended December 31, 2014	Year ended December 31, 2013
Salary, bonus and other short-term employee benefits	**$ 4,158**	$ 3,251
Other long-term benefits	**103**	94
	$ 4,261	$ 3,345

21) FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

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

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

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

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

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

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

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

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 actions 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. A provision for doubtful accounts is taken for all anticipated collectability risks (Note 5).

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

- Excluding Sobeys (which accounts for 50.3% of Crombie's go forward minimum rent), no other tenant accounts for more than 5.9% of Crombie's minimum rent, and;
- Over the next five years, no more than 5.5% of the gross leasable area of Crombie will expire in any one year.

As outlined in Note 20, Crombie earned property revenue of $152,855 for the year ended December 31, 2014 (year ended December 31, 2013 - $106,926) from Sobeys Inc. and other subsidiaries of Empire.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general, balances over 30 days are considered past due. None of the receivable balances are considered impaired. The provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable from independent accounts and is recorded as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable. Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

There have been no significant changes to Crombie's credit risk.

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

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates this risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt and, on occasion, utilizing interest rate swap agreements. Crombie does not enter into interest rate swaps on a speculative basis.

As at December 31, 2014:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 7.4 years;
- Crombie has a floating rate revolving credit facility available to a maximum of 300,000, subject to available borrowing base, with a balance of $145,000 at December 31, 2014; and

- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

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

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

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	**Decrease in rate**	**Increase in rate**
Year ended December 31, 2014	**$ 334**	**$ (334)**
Year ended December 31, 2013	$ 648	$ (648)

There have been no significant changes to Crombie's interest rate risk.

Liquidity risk

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

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

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 22, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

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

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

	Year ended December 31, 2014						
	Contractual Cash Flows(1)	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Fixed rate mortgages(2)	$ 1,904,322	$ 175,329	$ 142,343	$ 143,638	$ 140,623	$ 163,996	$ 1,138,393
Senior unsecured notes	327,164	10,938	10,938	10,938	184,775	3,962	105,613
Convertible debentures	224,533	9,494	9,494	53,200	6,906	66,156	79,283
	2,456,019	195,761	162,775	207,776	332,304	234,114	1,323,289
Floating rate revolving credit facility	155,875	4,350	4,350	147,175	—	—	—
Total	$ 2,611,894	$ 200,111	$ 167,125	$ 354,951	$ 332,304	$ 234,114	$ 1,323,289

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

There have been no significant changes to Crombie's liquidity risk.

22) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

Crombie's capital structure consists of the following:

	December 31, 2014	December 31, 2013
Investment property debt	**$ 1,624,547**	$ 1,694,200
Senior unsecured notes	**273,592**	173,937
Convertible debentures	**175,215**	174,929
Crombie REIT Unitholders	**716,025**	680,935
SVU and Class B LP Unitholders	**467,289**	443,363
	$ 3,256,668	$ 3,167,364

At a minimum, Crombie's capital structure is managed to ensure that it complies with the limitations 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 an individual property; and
- A restriction that Crombie shall not incur indebtedness of more than 60% of gross book value (65% including any convertible debentures).

For debt to gross book value calculation, Crombie does not include in total debt the financial liabilities to REIT Unitholders and to holders of Class B LP Units, as shown on the balance sheet as Net assets attributable to Unitholders. Crombie's debt to gross book value as defined in Crombie's Declaration of Trust is as follows:

		December 31, 2014		December 31, 2013
Fixed rate mortgages	**$**	**1,490,187**	$	1,585,960
Senior unsecured notes		**275,000**		175,000
Convertible debentures		**179,400**		180,000
Revolving credit facility		**145,000**		120,000
Total debt outstanding		**2,089,587**		2,060,960
Less: Applicable fair value debt adjustment		**(2,203)**		(2,903)
Debt	**$**	**2,087,384**	$	2,058,057
Investment properties, cost	**$**	**3,462,453**	$	3,380,073
Below-market lease component, cost [1]		**71,368**		71,173
Intangible assets, cost		**99,019**		96,397
Long term receivables		**13,631**		1,821
Other assets, cost (see below)		**156,965**		145,592
Cash and cash equivalents		**611**		7,167
Deferred financing charges		**16,581**		17,894
Investment properties held for sale, cost		**40,417**		—
Interest rate subsidy		**(2,203)**		(2,903)
Fair value adjustment to deferred taxes		**(34,645)**		(38,585)
Gross book value	**$**	**3,824,197**	$	3,678,629
Debt to gross book value		**54.6%**		55.9%

[1] Below market lease component is included in the carrying value of investment properties.

Other assets are calculated as follows:

		December 31, 2014		December 31, 2013
Other assets per Note 5	**$**	**121,391**	$	118,843
Add back (deduct):				
Tenant incentive accumulated amortization		**35,574**		32,579
Assets related to derecognized property		**—**		(5,830)
Other assets, cost	**$**	**156,965**	$	145,592

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 the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at December 31, 2014, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

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

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

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

Land leases have varying terms ranging from 10 to 75 years including renewal options. For the year ended December 31, 2014, Crombie paid $1,225 in land lease payments to third party landlords (year ended December 31, 2013 - $1,240). Crombie's commitments under the land leases are disclosed in Note 15.

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

24) SUBSEQUENT EVENTS

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

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

(c) On January 15, 2015, Target Corporation ("Target") announced its intent to cease their Canadian operations and that Target Canada (an indirect wholly-owned subsidiary of Target) had entered into Companies' Creditors Arrangement Act (Canada) ("CCAA") to wind down its operations. Crombie has three Target Canada leased locations representing less than 1% of Crombie's 2014 total property revenue and less than 2% of total gross leaseable area. The Target Canada leases have a weighted average remaining term of 9.4 years and one of the leases is guaranteed through an indemnity agreement with Target.

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

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

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

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

25) SEGMENT DISCLOSURE

Crombie owns and operates primarily retail and office 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.

26) INDEMNITIES

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.