

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Financial Statements
December 31, 2015

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, 2015 and December 31, 2014 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, 2015 and December 31, 2014 and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

Halifax, Canada
February 24, 2016

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Accountants

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

	Note	December 31, 2015	December 31, 2014
Assets			
Non-current assets			
Investment properties	3	\$ 3,157,279	\$ 3,196,097
Intangible assets	4	45,607	48,106
Other assets	5	100,891	93,489
Long-term receivables	6	600	12,572
		<u>3,304,377</u>	<u>3,350,264</u>
Current assets			
Cash and cash equivalents		1,057	611
Other assets	5	33,978	27,902
Long-term receivables	6	13,333	1,059
Investment properties held for sale	7	119,448	33,578
		<u>167,816</u>	<u>63,150</u>
Total Assets		<u>3,472,193</u>	<u>3,413,414</u>
Liabilities			
Non-current liabilities			
Investment property debt	8	1,548,648	1,496,925
Senior unsecured notes	9	398,080	273,592
Convertible debentures	10	131,518	175,215
Deferred taxes	11	74,200	78,400
Employee future benefits obligation	12	7,736	7,803
Trade and other payables	13	6,661	4,781
		<u>2,166,843</u>	<u>2,036,716</u>
Current liabilities			
Investment property debt	8	92,555	127,622
Employee future benefits obligation	12	246	239
Trade and other payables	13	65,319	65,523
		<u>158,120</u>	<u>193,384</u>
Total liabilities excluding net assets attributable to Unitholders		<u>2,324,963</u>	<u>2,230,100</u>
Net assets attributable to Unitholders		<u>\$ 1,147,230</u>	<u>\$ 1,183,314</u>
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		\$ 694,484	\$ 716,025
Special Voting Units and Class B Limited Partnership Unitholders		452,746	467,289
		<u>\$ 1,147,230</u>	<u>\$ 1,183,314</u>
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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, 2015	Year ended December 31, 2014
Property revenue	14	\$ 369,866	\$ 358,319
Property operating expenses		113,261	109,620
Net property income		256,605	248,699
Gain (loss) on derecognition of investment properties		23	9,353
Impairment of investment properties	3	(12,575)	(10,750)
Depreciation of investment properties	3	(60,498)	(57,983)
Amortization of deferred leasing costs	3	(598)	(535)
Amortization of intangible assets	4	(5,480)	(5,606)
General and administrative expenses		(14,401)	(14,748)
Operating income before finance costs and taxes		163,076	168,430
Finance costs - operations	17	(98,611)	(99,466)
Operating income before taxes		64,465	68,964
Taxes - current	11	(2,936)	—
Taxes - deferred	11	4,200	2,425
Operating income attributable to Unitholders		65,729	71,389
Finance costs - other			
Distributions to Unitholders		(116,576)	(113,937)
Change in fair value of financial instruments	13	56	289
Decrease in net assets attributable to Unitholders		(116,520)	(113,648)
		(50,791)	(42,259)
Other comprehensive income			
Items that will not be subsequently reclassified to Decrease in net assets attributable to Unitholders:			
Unamortized actuarial gains (losses) in employee future benefit obligation	12	352	(582)
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		2,520	2,797
Net change in derivatives designated as cash flow hedges		—	7
Other comprehensive income		2,872	2,222
Comprehensive income (loss)		\$ (47,919)	\$ (40,037)

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)

	REIT Units, Special Voting Units and Class B LP Units (Note 18)	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2015	\$ 1,462,101	\$ (265,010)	\$ (13,777)	\$ 1,183,314	\$ 716,025	\$ 467,289
Adjustments related to EUPP	75	51	—	126	126	—
Conversion of debentures	205	—	—	205	205	—
Statements of comprehensive income (loss)	—	(50,791)	2,872	(47,919)	(28,595)	(19,324)
Units issued under DRIP	11,504	—	—	11,504	6,723	4,781
Balance, December 31, 2015	\$ 1,473,885	\$ (315,750)	\$ (10,905)	\$ 1,147,230	\$ 694,484	\$ 452,746

	REIT Units, Special Voting Units and Class B LP Units (Note 18)	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2014	\$ 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

See accompanying notes to the consolidated financial statements.

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

	Note	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows provided by (used in)			
Operating Activities			
Decrease in net assets attributable to Unitholders	\$	(50,791)	\$ (42,259)
Items not affecting operating cash	19	94,015	65,337
Change in other non-cash operating items	19	1,481	(1,093)
Income taxes paid		(3,591)	—
Cash provided by (used in) operating activities		<u>41,114</u>	<u>21,985</u>
Financing Activities			
Issue of investment property debt		119,134	40,616
Deferred financing charges - investment property debt		(1,020)	(795)
Advance (repayment) of investment property debt		(121,440)	(111,389)
Issue of senior unsecured notes		125,000	100,393
Deferred financing charges - senior unsecured notes		(988)	(1,043)
Redemption of convertible debentures		(44,795)	—
REIT Units and Class B LP Units issued		—	100,023
REIT Units and Class B LP Units issue costs		—	(2,827)
Repayment of EUPP loans receivable		75	779
Decrease in liabilities related to derecognized property		—	(5,627)
Issue of long-term receivables		—	(11,856)
Collection of (increase in) long-term receivables		(302)	46
Cash provided by (used in) financing activities		<u>75,664</u>	<u>108,320</u>
Investing Activities			
Acquisition of investment properties and intangible assets		(79,954)	(157,544)
Additions to investment properties		(25,684)	(32,584)
Proceeds on derecognition of investment properties		2,770	67,053
Additions to tenant incentives		(12,638)	(18,683)
Additions to deferred leasing costs		(826)	(933)
Decrease in assets related to derecognized property		—	5,830
Cash provided by (used in) investing activities		<u>(116,332)</u>	<u>(136,861)</u>
Net change in cash and cash equivalents		446	(6,556)
Cash and cash equivalents, beginning of year		611	7,167
Cash and cash equivalents, end of year	\$	<u>1,057</u>	<u>\$ 611</u>

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 investing in income-producing retail, office and mixed use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The consolidated financial statements for the years ended December 31, 2015 and December 31, 2014 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 24, 2016.

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, 2015. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of December 31, 2015.

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(x).

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 items 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.

CROMBIE REAL ESTATE INVESTMENT TRUST
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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).

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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-employment 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) Unit based compensation plans

(i) Deferred Unit Plan ("DU Plan")

Crombie provides a voluntary DU Plan whereby eligible trustees, officers and employees (the "Participants") may elect to receive all or a portion of their eligible compensation in deferred units ("DUs"). Unless otherwise determined by the Board (or its' designated Committee), DUs are fully vested at the time they are allocated, with the value of the award recorded as a liability and expensed as general and administrative expenses. A Participant may redeem their vested DUs in whole or in part by filing a written notice of redemption; redemption will also occur as the result of specific events such as the retirement of a Participant. Upon redemption, a Participant will receive the net value of the vested DUs being redeemed, with the net value determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive Crombie REIT Units for redeemed DU's after deducting applicable withholding taxes. For fair value measurement purposes, each DU is measured based on the market value of a REIT Unit at the balance sheet date.

(ii) Restricted Unit Plan ("RU Plan")

Crombie has a RU Plan for certain eligible executives and employees ("RU Participants"), whereby the RU Participants may elect each year to participate in the RU Plan and receive all or a portion of their annual long-term incentive plan awards in restricted units ("RUs"). The RUs are accounted for under IAS 19 Employee benefits and the liability and expense are recognized over the service period which ends on the vesting date. On the vesting date, each eligible RU Participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested RUs held by the RU Participant multiplied by the market value on the vesting date, with the market value of each RU determined by the market value of a REIT Unit. Alternatively, a RU Participant may elect to convert their RUs to DUs under Crombie's DU Plan. No REIT Units or other securities of Crombie will be issued from treasury.

(l) Distribution reinvestment plan ("DRIP")

Crombie has a DRIP 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

Deferred financing charges consist of costs directly attributable to the issuance of debt. These charges are amortized using the effective interest method, over the term 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 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 of occurrence and when Crombie has a reliable estimate of the obligation. 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 REAL ESTATE INVESTMENT TRUST
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(In thousands of CAD dollars)
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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
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
Deferred Unit compensation plan	FVTPL	Fair value
Investment property debt	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, accrued straight-line rent receivable, tenant incentives, 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 judgments in applying accounting policies

The following are the critical judgments 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 judgments 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(y). The critical judgments inherent in this policy relates to applying the criteria set out in IAS 32, "Financial Instruments: Presentation", relating to the puttable instrument exception.

(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, 2015:

Long-term employee benefits

Crombie initiated a RU Plan, which is being accounted for under IAS 19, Employee Benefits, see Note 13. The RU Plan entitles certain employees to receive RUs which have a specified vesting period. The amount payable to employees is recognized as a liability over the service period that the employees become entitled to payment. The change in the liability is recognized in general and administrative expenses in the consolidated statements of comprehensive income (loss).

(cc) Future changes in accounting standards

The IASB has issued a number of standards and interpretations with an effective date after the date of these financial statements. Set out below are only those standards that may have a material impact on the consolidated financial statements in future periods. Management is currently evaluating the impact of these future policies on its consolidated financial statements.

(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 is effective for annual periods beginning on or after January 1, 2018, 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.

(iii) IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. Management is currently assessing the impact of IFRS 16 on Crombie's consolidated financial statements.

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3) INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2015	\$ 977,895	\$ 2,479,018	\$ 5,540	\$ 3,462,453
Acquisitions	20,503	74,229	—	94,732
Additions	3,537	23,155	1,118	27,810
Derecognition	(1,453)	(706)	—	(2,159)
Transfer to investment properties held for sale (Note 7)	(31,619)	(103,315)	(332)	(135,266)
Transfer from investment properties held for sale (Note 7)	7,139	28,319	454	35,912
Balance, December 31, 2015	976,002	2,500,700	6,780	3,483,482
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2015	—	263,391	2,965	266,356
Depreciation and amortization	—	60,498	598	61,096
Derecognition	—	(23)	—	(23)
Impairment	—	12,575	—	12,575
Transfer to investment properties held for sale (Note 7)	—	(18,424)	(217)	(18,641)
Transfer from investment properties held for sale (Note 7)	—	4,608	232	4,840
Balance, December 31, 2015	—	322,625	3,578	326,203
Net carrying value, December 31, 2015	\$ 976,002	\$ 2,178,075	\$ 3,202	\$ 3,157,279

	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
Derecognition	(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
Derecognition	—	(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

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by \$708,949 at December 31, 2015 (December 31, 2014 - \$563,060). 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 year ended December 31, 2015, Crombie recorded an impairment of \$12,575 on three retail properties and an office property. The impairments were the result of the fair value impact of tenant departures during the year; lower occupancy rates; and slower than expected leasing activity. 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

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amount for that property. The recoverable amount was determined to be each property's fair value which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

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 experienced lower occupancy rates; renewals at reduced square footage; and indications of non-renewals when leases were to 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 each property's fair value, based on selling price less costs to sell for the properties being disposed; and, recent external appraisal reports for the two mixed use properties.

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

		Fair Value		Carrying Value
December 31, 2015	\$	4,143,000	\$	3,434,051
December 31, 2014	\$	3,939,000	\$	3,375,940

Carrying value consists of the net carrying value of:

			December 31, 2015		December 31, 2014
Investment properties	3	\$	3,157,279	\$	3,196,097
Intangible assets	4		45,607		48,106
Accrued straight-line rent receivable	5		50,050		38,908
Tenant incentives	5		61,667		59,251
Investment properties held for sale	7		119,448		33,578
Total carrying value		\$	3,434,051	\$	3,375,940

The fair value of investment properties is a Level 3 fair value measurement. The fair value represents the estimated 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, 2015 and 2014, 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 valuers. 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, 2015, 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.

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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:

	Weighted Average Capitalization Rate	Impact of a 0.25% Change in Capitalization Rate		
		Increase in Rate	Decrease in Rate	
December 31, 2015	6.15%	\$ (163,000)	\$	177,000
December 31, 2014	6.22%	(154,000)	\$	167,000

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.

2015

Transaction Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition)	
				Price	Assumed Mortgages
February 2, 2015 ⁽¹⁾	Third party	—	51,000	\$ 12,650	\$ 5,479
April 1, 2015 ⁽¹⁾	Empire ⁽²⁾	—	7,500	2,333	—
August 18, 2015	Third party	1	50,000	20,500	12,077
November 3, 2015 ⁽¹⁾	Empire ⁽²⁾	—	34,800	8,450	—
November 3, 2015	Empire ⁽²⁾	4	183,800	48,845	—
December 23, 2015 ⁽¹⁾	Empire ⁽²⁾	—	6,700	3,530	—
			\$ 333,800	\$ 96,308	\$ 17,556

⁽¹⁾ Relates to an acquisition of an addition to a pre-existing retail property.

⁽²⁾ Empire includes Empire Company Limited, a related party, and its subsidiaries.

The initial acquisition prices stated above exclude closing and transaction costs.

During the first quarter of 2015, Crombie disposed of a portion of one property's land and building through a partial expropriation. The carrying value of the portion disposed was derecognized at that time. During the fourth quarter of 2015, Crombie disposed of a portion of one property's land through a partial expropriation. The carrying value of the portion disposed was derecognized at that time.

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2014

Transaction Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
January 31, 2014 ⁽¹⁾	Empire ⁽⁴⁾	—	6,700	\$ 1,490	\$ —
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	—
			630,300	166,240	—
January 16, 2014 ⁽²⁾	Third party	—	(25,000)	(1,200)	—
March 31, 2014 ⁽³⁾	Empire	(1)	(53,000)	(12,127)	—
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)	—
			(55,600)	\$ 86,013	\$ —

⁽¹⁾ Relates to an 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 acquisition prices stated above exclude closing and transaction costs.

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. The disposition was recorded at the fair value of the land.

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

	Year ended December 31, 2015	Year ended December 31, 2014
Investment property acquired, net:		
Land	\$ 20,503	\$ 46,425
Buildings	74,229	118,271
Intangible assets	3,457	4,977
Fair value debt adjustment on assumed mortgages	(679)	—
Net purchase price	97,510	169,673
Assumed mortgages	(17,556)	—
	\$ 79,954	\$ 169,673

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4) INTANGIBLE ASSETS

Tenant Relationships	Cost		Accumulated Amortization		Net Carrying Value	
Balance, January 1, 2015	\$	99,019	\$	50,913	\$	48,106
Acquisitions		3,457		—		3,457
Amortization		—		5,480		(5,480)
Transfer to investment properties held for sale (Note 7)		(4,432)		(3,956)		(476)
Transfer from investment properties held for sale (Note 7)		92		92		—
Balance, December 31, 2015	\$	98,136	\$	52,529	\$	45,607
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

5) OTHER ASSETS

	December 31, 2015		December 31, 2014	
Trade receivables	\$	10,624	\$	7,415
Provision for doubtful accounts		(60)		(59)
Net trade receivables		10,564		7,356
Marketable securities		1,965		2,123
Prepaid expenses and deposits		10,548		10,144
Restricted cash		75		3,609
Accrued straight-line rent receivable		50,050		38,908
Tenant incentives		61,667		59,251
	\$	134,869	\$	121,391

Tenant Incentives	Cost		Accumulated Amortization		Net Carrying Value	
Balance, January 1, 2015	\$	94,825	\$	35,574	\$	59,251
Additions		12,509		—		12,509
Amortization		—		9,712		(9,712)
Derecognition		—		540		(540)
Transfer to investment properties held for sale (Note 7)		(4,625)		(2,278)		(2,347)
Transfer from investment properties held for sale (Note 7)		4,413		1,907		2,506
Balance, December 31, 2015	\$	107,122	\$	45,455	\$	61,667
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

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Included in the current portion of other assets as at December 31, 2015, is \$2,874 of straight-line rent receivable related to the 11 assets reclassified to investment properties held for sale (Note 7).

See Note 21(a) for fair value information.

6) LONG-TERM RECEIVABLES

	December 31, 2015	December 31, 2014
Capital expenditure program	\$ 105	\$ 105
Interest rate subsidy	717	1,127
Amount receivable from related party	13,111	12,399
	\$ 13,933	\$ 13,631

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.

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.

See Note 21(a) for fair value information.

7) INVESTMENT PROPERTIES HELD FOR SALE

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2015	\$ 7,139	\$ 23,711	\$ 222	\$ —	\$ 2,506	\$ 33,578
Assets transferred to held for sale	31,619	84,891	115	476	2,347	119,448
Assets transferred from held for sale	(7,139)	(23,711)	(222)	—	(2,506)	(33,578)
Net carrying value, December 31, 2015	\$ 31,619	\$ 84,891	\$ 115	\$ 476	\$ 2,347	\$ 119,448

	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

Crombie has determined that 11 retail properties met the criteria for classification as held for sale as at December 31, 2015. Prior to classification as held for sale, each property was assessed for impairment, which, at that time, is the amount by which the carrying amount exceeds its recoverable amount. Subsequent to year end, a third party purchaser waived conditions to acquire the 11 properties.

During the first quarter of 2015, Crombie determined that an investment property previously classified as held for sale no longer met the criteria and was reclassified to in use. The determination was based on the decision to defer the sale to maximize Crombie's return on the property. As a result, depreciation and amortization totalling \$673 was recognized in the first quarter of 2015, representing the depreciation and amortization not recorded during the period the property was classified as held for sale.

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8) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2015
Fixed rate mortgages	2.70 - 6.90%	4.62%	6.6 years	\$ 1,521,079
Floating rate revolving credit facility		2.48%	2.5 years	130,000
Deferred financing charges				(9,876)
				\$ 1,641,203

	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

As at December 31, 2015, debt retirements for the next five years are:

<u>12 Months Ending</u>	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
December 31, 2016	\$ 48,392	\$ 43,168	\$ —	\$ 91,560
December 31, 2017	45,188	44,833	—	90,021
December 31, 2018	44,479	61,203	130,000	235,682
December 31, 2019	44,826	122,100	—	166,926
December 31, 2020	37,535	166,924	—	204,459
Thereafter	140,918	717,557	—	858,475
	\$ 361,338	\$ 1,155,785	\$ 130,000	1,647,123
Deferred financing charges				(9,876)
Unamortized fair value debt adjustment				3,956
				\$ 1,641,203

Specific investment properties with a carrying value of \$2,686,589 as at December 31, 2015 (December 31, 2014 - \$2,675,267) 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

For the year ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
December 31, 2015	New	12	2.85%	4.9	24.8	\$ 119,134
	Assumed	2	4.88%	4.7	12.6	17,556
	Repayment	11	4.85%	—	—	(58,162)
						\$ 78,528

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For the year ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
December 31, 2014	New	4	4.23%	8.8	25.0	\$ 40,616
	Renewal	1	3.97%	1.0	10.0	—
	Repayment	21	5.27%	—	—	(87,633)
						<u>\$ (47,017)</u>

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of \$300,000 (December 31, 2014 - \$300,000) and matures 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, 2015 – 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 changes depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status.

See Note 21(a) for fair value information.

9) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	December 31, 2015	December 31, 2014
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	100,000
Series C senior unsecured notes	February 10, 2020	2.775%	125,000	—
Unamortized Series B issue premium			294	348
Deferred financing charges			(2,214)	(1,756)
			<u>\$ 398,080</u>	<u>\$ 273,592</u>

On February 10, 2015 Crombie issued, on a private placement basis, \$125,000 Series C Notes (senior unsecured) with a five year term and an annual interest rate of 2.775%. There are no principal repayments until maturity and interest is payable in equal semi-annual installments in arrears on February 10 and August 10. The first semi-annual interest payment date was August 10, 2015.

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.

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As at December 31, 2015, senior unsecured note retirements for the next five years are:

12 Months Ending	Series A	Series B	Series C	Total
December 31, 2016	\$ —	\$ —	\$ —	—
December 31, 2017	—	—	—	—
December 31, 2018	175,000	—	—	175,000
December 31, 2019	—	—	—	—
December 31, 2020	—	—	125,000	125,000
Thereafter	—	100,000	—	100,000
	<u>\$ 175,000</u>	<u>\$ 100,000</u>	<u>\$ 125,000</u>	<u>400,000</u>
Unamortized Series B issue premium				294
Deferred financing charges				(2,214)
			<u>\$</u>	<u>398,080</u>

See Note 21(a) for fair value information.

10) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	December 31, 2015	December 31, 2014
Series C (CRR.DB.C)	\$ 15.30	February 18, 2015	5.75%	\$ —	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	74,400
Deferred financing charges				(2,882)	(4,185)
				<u>\$ 131,518</u>	<u>\$ 175,215</u>

Debenture Conversions	Conversion Price	Year Ended	
		December 31, 2015	December 31, 2014
Series C	\$ 15.30	\$ 205	\$ —
Series E	\$ 17.15	—	600
		<u>\$ 205</u>	<u>\$ 600</u>
REIT Units Issued		<u>13,398</u>	<u>34,984</u>

As at December 31, 2015, debenture retirements for the next five years are:

12 Months Ending	Series D	Series E	Total
December 31, 2016	\$ —	\$ —	—
December 31, 2017	—	—	—
December 31, 2018	—	—	—
December 31, 2019	60,000	—	60,000
December 31, 2020	—	—	—
Thereafter	—	74,400	74,400
	<u>\$ 60,000</u>	<u>\$ 74,400</u>	<u>134,400</u>
Deferred financing charges			(2,882)
		<u>\$</u>	<u>131,518</u>

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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.

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 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: 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 D Convertible Debentures and the Series E Convertible Debentures were exercised, as at December 31, 2015, Crombie would be required to issue approximately 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.

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, 2015	December 31, 2014
Tax liabilities relating to difference in tax and book value	\$ 85,815	\$ 87,853
Tax asset relating to non-capital loss carry-forward	(11,615)	(9,453)
Deferred tax liability	<u>\$ 74,200</u>	<u>\$ 78,400</u>

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The tax recovery (expense) consists of the following:

	Year ended December 31, 2015	Year ended December 31, 2014
Taxes - current		
Taxes - gains on derecognition of investment properties	\$ (2,066) \$	—
Taxes - operating income earned in corporate subsidiaries	(870)	—
Total current taxes	<u>\$ (2,936) \$</u>	<u>—</u>
Taxes - deferred		
Provision for income taxes at the expected rate	\$ (19,362) \$	(20,662)
Tax effect of income attribution to Crombie's Unitholders	21,496	23,087
	<u>2,134</u>	<u>2,425</u>
Taxes - gains on derecognition of investment properties	2,066	—
Total deferred taxes	<u>\$ 4,200 \$</u>	<u>2,425</u>

In the ordinary course of business, Crombie is subject to audits by tax authorities. One of Crombie's non-taxable subsidiaries was subject to audit by Canada Revenue Agency ("CRA") for fiscal years 2010 and 2011. The CRA audit has concluded and did not result in a reassessment of the completed returns.

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) can be achieved with the combined total of employee and employer contributions and investment returns 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 are 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-employment benefit plans for the year ended December 31, 2015 was \$531 (year ended December 31, 2014 - \$514).

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

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(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, 2015	December 31, 2016
Post-Employment Benefit Plans	May 1, 2012	May 1, 2016

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

	December 31, 2015		December 31, 2014	
	Senior Management Pension Plan	Post-Employment Benefit Plans	Senior Management Pension Plan	Post-Employment Benefit Plans
Discount rate - accrued benefit obligation	4.00%	4.00%	3.75%	4.00%
Rate of compensation increase	3.50%	N/A	3.50%	N/A

For measurement purposes, a 6.50% (2014 - 7.00%) 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.

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Defined benefit plans

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

	December 31, 2015		December 31, 2014	
	Senior Management Pension Plan	Post-Employment Benefit Plans	Senior Management Pension Plan	Post-Employment Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	\$ 4,160	\$ 3,882	\$ 3,644	\$ 3,534
Current service cost	171	45	141	39
Interest cost	159	156	166	169
Actuarial losses (gains)	(32)	(320)	409	173
Benefits paid	(200)	(39)	(200)	(33)
Balance, end of year	<u>4,258</u>	<u>3,724</u>	<u>4,160</u>	<u>3,882</u>
Plan Assets				
Fair value, beginning of the year	—	—	—	—
Employer contributions	200	39	200	33
Benefits paid	(200)	(39)	(200)	(33)
Fair value, end of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Funded status - deficit	4,258	3,724	4,160	3,882
Current portion	200	46	200	39
Non-current portion	4,058	3,678	3,960	3,843
Accrued benefit obligation recorded as a liability	<u>\$ 4,258</u>	<u>\$ 3,724</u>	<u>\$ 4,160</u>	<u>\$ 3,882</u>
Net expense				
Current service cost	\$ 171	\$ 45	\$ 141	\$ 38
Interest cost	159	156	166	169
Net expense	<u>\$ 330</u>	<u>\$ 201</u>	<u>\$ 307</u>	<u>\$ 207</u>

The table below outlines the sensitivity of the fiscal 2015 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	4.00%	4.00%	4.00%	4.00%
Impact of:				
1% increase	\$ (494)	\$ (14)	\$ (552)	\$ 2
1% decrease	\$ 604	\$ 15	\$ 689	\$ (7)
Growth rate of health costs ⁽²⁾			6.50%	6.50%
Impact of:				
1% increase		\$	\$ 608	\$ 29
1% decrease		\$	\$ (491)	\$ (23)

⁽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, 2015, the net defined contribution pension plans expense was \$689 (year ended December 31, 2014 - \$687).

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13) TRADE AND OTHER PAYABLES

	December 31, 2015	December 31, 2014
Tenant incentives and capital expenditures	\$ 16,648	\$ 15,999
Property operating costs	23,858	26,143
Prepaid rents	4,782	4,726
Finance costs on investment property debt, notes and debentures	10,163	8,891
Distributions payable	9,755	9,685
Unit based compensation plans	1,947	—
Fair value of embedded derivatives in convertible debentures	—	—
Deferred revenue	4,827	4,860
	\$ 71,980	\$ 70,304

Unit based compensation plans

(i) **Deferred Unit Plan**

Crombie has a DU Plan available to eligible Participants, which is designed to promote a greater alignment of interests between the Trustees, officers and employees of Crombie and its Unitholders. Participation in the DU Plan is voluntary unless Crombie's Board of Trustees (the "Board") or Human Resources Committee ("HRC") decides that special compensation is to be provided in the form of DUs. Unless otherwise determined by the Board or HRC, DUs granted under the DU Plan are fully vested at the time they are awarded. DUs are not Crombie REIT Units and do not entitle a Participant to any Unitholder rights, including voting rights, distribution entitlements (other than those noted below) or rights on liquidation. During the time that a Participant has outstanding DUs, whenever cash distributions are paid on REIT Units, additional DUs will be credited to the Participant's DU account, determined by multiplying the number of DUs in the Participant's DU account on the REIT distribution record date by the distribution paid per REIT Unit, and dividing the result by the market value of a Unit as determined in accordance with the DU Plan. Additional DUs issued as a result of distributions vest on the same basis as noted above and the value of the additional DUs credited is expensed to general and administrative expenses on allocation. Upon redemption, a Participant will receive the net value of the vested DUs being redeemed, with the net value determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive one Crombie REIT Unit issued for each DU redeemed after deducting applicable withholding taxes. For fair value measurement purposes, each DU is measured based on the market value of a REIT Unit at the balance sheet date (Note 21).

(ii) **Restricted Unit Plan**

Crombie has a RU Plan available to eligible RU Participants, which is designed to promote a greater alignment of interests between the specific employees of Crombie and its Unitholders; and assist Crombie in attracting, retaining and rewarding specific employees. RU Participants will receive all or a portion of their long-term incentive plan awards in RUs. The RUs vest over a period of not more than three years, ending on the final day of the third quarter of the third calendar year of the RUs term. The RUs are subject to vesting conditions including continuing employment. The number of RUs which fully vest is determined by: (a) the dollar amount of the award divided by the market value of a REIT Unit on the award grant date, plus (b) deemed distributions on RUs during the vesting period at a rate equivalent to the number of REIT Units that would have been issued had the vested RUs been treated as a REIT Unit. The value of these additional RUs from deemed distributions is expensed to general and administrative expenses at the time of allocation. On the vesting date, each participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested RUs held by the RU Participant multiplied by the market value on the vesting date, as determined by the market value of a REIT Unit. Alternatively, a RU Participant who is an eligible employee on the vesting date may elect to convert their vested RUs to DUs under Crombie's DU Plan. No REIT Units or other securities of Crombie will be issued from treasury as settlement of any obligation under the RU Plan.

Deferred Revenue

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

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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.

Change in fair value of financial instruments:

	Year ended December 31, 2015	Year ended December 31, 2014
Change in fair value of DU Plan	\$ (18) \$	—
Change in fair value of marketable securities	74	289
Change in fair value of financial instruments	\$ 56 \$	289

14) PROPERTY REVENUE

	Year ended December 31, 2015	Year ended December 31, 2014
Rental revenue contractually due from tenants	\$ 362,699 \$	352,182
Contingent rental revenue	1,562	2,014
Straight-line rent recognition	11,142	11,440
Tenant incentive amortization	(9,712)	(7,567)
Lease terminations	4,175	250
	\$ 369,866 \$	358,319

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

	December 31, 2015		December 31, 2014	
	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	\$ 156,289	42.3%	\$ 148,213	41.4%

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, 2015, is as follows:

	Year Ending December 31,						
	2016	2017	2018	2019	2020	Thereafter	Total
Future minimum rental income	\$ 246,522	\$ 232,766	\$ 223,419	\$ 213,151	\$ 201,176	\$ 1,882,304	\$ 2,999,338

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 9 to 74 years including renewal options:

	Year Ending December 31,						
	2016	2017	2018	2019	2020	Thereafter	Total
Future minimum lease payments	\$ 1,469	\$ 1,523	\$ 1,550	\$ 1,551	\$ 1,552	\$ 64,175	\$ 71,820

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16) EMPLOYEE BENEFIT EXPENSE

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

	Year ended December 31, 2015		Year ended December 31, 2014	
Wages and salaries	\$	22,906	\$	23,389
Post-employment benefits		689		687
	\$	23,595	\$	24,076

17) FINANCE COSTS – OPERATIONS

	Year ended December 31, 2015		Year ended December 31, 2014	
Fixed rate mortgages	\$	71,871	\$	77,452
Floating rate term, revolving and demand facilities		3,685		2,342
Senior unsecured notes		14,506		10,174
Convertible debentures		8,549		9,498
Finance costs - operations		98,611		99,466
Amortization of fair value debt adjustment and accretion income		1,391		2,107
Change in accrued finance costs		(1,272)		(232)
Amortization of effective swap agreements		(2,520)		(2,797)
Amortization of issue premium on senior unsecured notes		54		45
Amortization of deferred financing charges		(3,616)		(3,171)
Finance costs - operations, paid	\$	92,648	\$	95,418

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, 2015	77,304,079	\$ 870,578	53,275,266	\$ 591,523	130,579,345	\$ 1,462,101
Net change in EUPP loans receivable	—	75	—	—	—	75
Units issued under DRIP	540,131	6,723	383,036	4,781	923,167	11,504
Conversion of debentures	13,398	205	—	—	13,398	205
Balance, December 31, 2015	77,857,608	\$ 877,581	53,658,302	\$ 596,304	131,515,910	\$ 1,473,885

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	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

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.

During the year ended December 31, 2015, \$205 of Series C Convertible Debentures were converted for a total of 13,398 REIT Units at the conversion price of \$15.30 per unit.

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.

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.

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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.

Employee Unit Purchase Plan

Crombie previously provided for REIT Unit purchase entitlements under the EUPP for certain senior executives. Awards made under the EUPP allowed 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 were provided interest-bearing, non-recourse loans by Crombie for the outstanding EUPP loan balances and the REIT Units purchased are held as collateral for the loan. The loans are being 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. The loans are required to be repaid by December 31, 2023.

As at December 31, 2015, there are loans receivable from executives of \$1,856 under Crombie's EUPP, representing 151,516 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, 2015 was \$1,939.

The compensation expense related to the EUPP for the year ended December 31, 2015 was \$42 (year ended December 31, 2014 - \$42).

As at December 31, 2014, the EUPP was replaced with a RU Plan with a specific 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 date, 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.

19) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Year ended December 31, 2015	Year ended December 31, 2014
Items not affecting operating cash:		
Straight-line rent recognition	\$ (11,142) \$	(11,440)
Amortization of tenant incentives	9,712	7,567
Loss (gain) on derecognition of investment properties	(23)	(9,353)
Impairment of investment properties	12,575	10,750
Depreciation of investment properties	60,498	57,983
Amortization of deferred leasing costs	598	535
Amortization of intangible assets	5,480	5,606
Unit based compensation	51	42
Amortization of effective swap agreements	2,520	2,797
Amortization of deferred financing charges	3,616	3,171
Amortization of issue premium on senior unsecured notes	(54)	(45)
Non-cash distributions to Unitholders in the form of DRIP Units	11,504	438
Taxes - deferred	(4,200)	(2,425)
Income tax expense	2,936	—
Change in fair value of financial instruments	(56)	(289)
	\$ 94,015 \$	65,337

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b) Change in other non-cash operating items

	Year ended December 31, 2015	Year ended December 31, 2014
Cash provided by (used in):		
Trade receivables	\$ (1,989) \$	(1,014)
Prepaid expenses and deposits and other assets	3,130	246
Payables and other liabilities	340	(325)
	<u>\$ 1,481 \$</u>	<u>(1,093)</u>

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, 2015, Empire, through its wholly-owned subsidiary ECL Developments Limited ("ECLD"), holds a 41.5% (fully diluted 40.2%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Property revenue	(a) \$ 160,470 \$	152,855
Head lease income	(b) \$ 736 \$	947
Management support services provided	(c) \$ 377 \$	431
Property management services	(d) \$ 869 \$	500
Lease termination income	\$ 3,999 \$	—
Rental expense	(e) \$ 78 \$	187
Property operating expenses	\$ 135 \$	145
Interest rate subsidy	(b) \$ 482 \$	700
Interest income	\$ 711 \$	544
Finance costs - operations	(f) \$ 1,200 \$	1,200
Finance costs - distributions to Unitholders	\$ 48,369 \$	47,318

(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 previously leased its head office space from ECL Developments Limited. The lease was terminated in May, 2015.

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

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In addition to the above:

- During the fourth quarter of 2015, Crombie acquired four retail properties and additions to two existing retail properties from Empire for \$60,825 excluding closing and transaction costs. The properties, located in Alberta, British Columbia, Prince Edward Island, Manitoba and Quebec, contain approximately 225,300 square feet of fully occupied space.
- On April 1, 2015, Crombie acquired additional development space from Empire on a pre-existing retail property for \$2,333 excluding closing and transaction costs. The property, located in Nova Scotia, contains approximately 7,500 square feet of fully occupied space.
- During the second quarter of 2015, Sobeys closed two retail stores on Crombie properties for which Crombie recognized lease termination income in the amount of \$3,849; a portion of which is being received in non-cash considerations. In relation to one of the store closures, Sobeys has assigned to Crombie future development activity rights in their leases on specific other Crombie properties in exchange for a fee on future developments which will reduce the actual cash Crombie will receive from the lease termination income.
- During the year ended December 31, 2015, Crombie issued 383,036 (December 31, 2014, 15,153) Class B LP Units to ECLD under the DRIP (Note 18).
- During the year ended December 31, 2015, Crombie and ECLD negotiated an extension of a rental income guarantee and put option on a property Crombie acquired from ECLD in 2006. The rental income guarantee and put option were originally scheduled to mature in March 2016 and have been extended for a period of five years with either party having the ability to terminate the agreements with written notice. The fixed price put option is in excess of the carrying value of the property.
- During the first quarter of 2015, Crombie acquired development lands in British Columbia with Sobeys Developments Limited Partnership ("SDLP"). Crombie's 50% portion of the acquisition cost was \$2,676, including closing and transaction costs.
- During the fourth quarter of 2014, Crombie acquired eight retail properties from Empire for \$100,985 excluding closing adjustments and transaction costs. The properties, containing approximately 424,000 square feet of GLA, included one in Prince Edward Island, Ontario and Manitoba, three in Alberta and two in British Columbia. Crombie also acquired additional development space from Empire on a pre-existing retail property for \$2,508 excluding closing and transaction costs.
- During the third quarter of 2014 Crombie received \$2,650 from a subsidiary of Empire related to a prepayment of their future obligation under a land sub-lease. The amount has been deferred and will be recognized as a reduction in property operating expenses over the remaining term of the land lease.
- On May 30, 2014, ECLD purchased 3,018,868 Class B LP Units and the attached SVUs at a price of \$13.25 per Class B LP Unit for proceeds of \$39,830, net of issue costs, on a private placement basis.
- During the second quarter of 2014, Crombie acquired a retail property from SDLP for \$10,176 excluding closing adjustments and transactions cost. 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 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.

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.

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

	Year ended December 31, 2015		Year ended December 31, 2014	
Salary, bonus and other short-term employee benefits	\$	2,860	\$	4,158
Other long-term benefits		102		103
	\$	2,962	\$	4,261

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, 2015:

	Level 1		Level 2		Level 3		Total	
Financial assets								
Marketable securities	\$	—	\$	—	\$	1,965	\$	1,965
Total financial assets measured at fair value	\$	—	\$	—	\$	1,965	\$	1,965
Financial liabilities								
Unit based compensation plans	\$	842	\$	—	\$	—	\$	842
Total financial liabilities measured at fair value	\$	842	\$	—	\$	—	\$	842

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2015.

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, 2015		December 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables	\$	13,968	\$	13,933
Total other financial assets	\$	13,968	\$	13,663
Financial liabilities				
Investment property debt	\$	1,782,776	\$	1,651,079
Senior unsecured notes		405,348		400,000
Convertible debentures		138,360		134,400
Total other financial liabilities	\$	2,326,484	\$	2,185,479

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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 embedded derivatives).

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. The more significant 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, 2015:

- Excluding Sobeys (which accounts for 49.9% of Crombie's go forward minimum rent), no other tenant accounts for more than 5.8% of Crombie's minimum rent, and;
- Over the next five years, no more than 6.0% of the gross leasable area of Crombie will expire in any one year.

As outlined in Note 20, Crombie earned property revenue of \$160,470 for the year ended December 31, 2015 (year ended December 31, 2014 - \$152,855) 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.

	Year ended December 31, 2015	Year ended December 31, 2014
Provision for doubtful accounts, beginning of year	\$ 59	\$ 47
Additional provision	20	(43)
Recoveries	(38)	(33)
Write-offs	19	88
Provision for doubtful accounts, end of year	<u>\$ 60</u>	<u>\$ 59</u>

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

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, 2015:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 6.6 years;

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- Crombie has a floating rate revolving credit facility available to a maximum of \$300,000, subject to available borrowing base, with a balance of \$130,000 at December 31, 2015; and
- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

Crombie estimates that \$2,440 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2016, based on all settled swap agreements as of December 31, 2015.

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 on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Impact of a 0.5% interest rate change	
	Decrease in rate	Increase in rate
Year ended December 31, 2015	\$ 635	\$ (635)
Year ended December 31, 2014	\$ 334	\$ (334)

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 ending December 31,						
	Contractual Cash Flows ⁽¹⁾	2016	2017	2018	2019	2020	Thereafter
Fixed rate mortgages ⁽²⁾	\$ 1,908,629	\$ 158,514	\$ 152,448	\$ 163,332	\$ 221,009	\$ 245,318	\$ 968,008
Senior unsecured notes	455,486	14,407	14,407	188,244	7,431	129,346	101,651
Convertible debentures	166,157	6,906	6,906	6,906	66,156	3,906	75,377
	2,530,272	179,827	173,761	358,482	294,596	378,570	1,145,036
Floating rate revolving credit facility	138,060	3,224	3,224	131,612	—	—	—
Total	\$ 2,668,332	\$ 183,051	\$ 176,985	\$ 490,094	\$ 294,596	\$ 378,570	\$ 1,145,036

⁽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.

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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, 2015	December 31, 2014
Investment property debt	\$ 1,641,203	\$ 1,624,547
Senior unsecured notes	398,080	273,592
Convertible debentures	131,518	175,215
Crombie REIT Unitholders	694,484	716,025
SVU and Class B LP Unitholders	452,746	467,289
	\$ 3,318,031	\$ 3,256,668

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, 2015	December 31, 2014
Fixed rate mortgages	\$ 1,521,079	\$ 1,490,187
Senior unsecured notes	400,000	275,000
Convertible debentures	134,400	179,400
Revolving credit facility	130,000	145,000
Total debt outstanding	2,185,479	2,089,587
Less: Applicable fair value debt adjustment	(1,721)	(2,203)
Debt	\$ 2,183,758	\$ 2,087,384
Investment properties, cost	\$ 3,483,482	\$ 3,462,453
Below-market lease component, cost ⁽¹⁾	72,634	71,368
Intangible assets, cost	98,136	99,019
Long-term receivables	13,933	13,631
Other assets, cost (see below)	180,324	156,965
Cash and cash equivalents	1,057	611
Deferred financing charges	14,972	16,581
Investment properties held for sale, cost	144,323	40,417
Interest rate subsidy	(1,721)	(2,203)
Fair value adjustment to deferred taxes	(34,645)	(34,645)
Gross book value	\$ 3,972,495	\$ 3,824,197
Debt to gross book value	55.0%	54.6%

⁽¹⁾ Below market lease component is included in the carrying value of investment properties and assets held for sale.

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Other assets are calculated as follows:

	December 31, 2015	December 31, 2014
Other assets per Note 5	\$ 134,869	\$ 121,391
Add back (deduct):		
Tenant incentive accumulated amortization	45,455	35,574
Other assets, cost	\$ 180,324	\$ 156,965

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, 2015, 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 and satisfying mortgage financing requirements. As at December 31, 2015, Crombie has a total of \$1,425 in outstanding letters of credit related to:

	December 31,	
	2015	2014
Construction work being performed on investment properties	\$ 1,425	\$ 979
Total outstanding letters of credit	\$ 1,425	\$ 979

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 9 to 74 years including renewal options. For the year ended December 31, 2015, Crombie paid \$1,418 in land lease payments to third party landlords (year ended December 31, 2014 - \$1,225). Crombie's commitments under the land leases are disclosed in Note 15.

As at December 31, 2015, Crombie had signed construction contracts totalling \$16,736 of which \$11,516 has been paid.

24) SUBSEQUENT EVENTS

- (a) On January 20, 2016 Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2016 to and including, January 31, 2016. The distributions were paid on February 15, 2016, to Unitholders of record as of January 29, 2016.
- (b) On February 17, 2016 Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2016 to and including, February 29, 2016. The distributions will be paid on March 14, 2016, to Unitholders of record as of February 29, 2016.
- (c) On January 29, 2016, Crombie and a third party waived conditions for the disposition of 11 retail properties totalling 857,000 square feet of gross leaseable area, with an expected closing in the first quarter of 2016. Total proceeds, before closing adjustments and transaction costs, are approximately \$150,000 resulting in a pre-tax gain on disposal of approximately \$30,000.

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.