CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
September 30, 2016
(Unaudited)

Contents

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Balance Sheets

(In thousands of CAD dollars)

(Unaudited)

	Note	**September 30, 2016**	December 31, 2015	September 30, 2015
Assets				
Non-current assets				
Investment properties	3	**$ 3,712,090**	$ 3,202,886	$ 3,273,130
Other assets	4	**186,561**	100,891	99,984
Long-term receivables	5	**6,128**	600	12,398
		3,904,779	3,304,377	3,385,512
Current assets				
Cash and cash equivalents		**—**	1,057	—
Other assets	4	**28,873**	33,978	39,387
Long-term receivables	5	**13,769**	13,333	1,440
Investment properties held for sale	6	**—**	119,448	—
		42,642	167,816	40,827
Total Assets		**3,947,421**	3,472,193	3,426,339
Liabilities				
Non-current liabilities				
Investment property debt	7	**1,761,602**	1,548,648	1,490,407
Senior unsecured notes	8	**398,461**	398,080	397,953
Convertible debentures	9	**131,980**	131,518	131,363
Deferred taxes	10	**76,600**	74,200	76,400
Employee future benefits obligation		**8,349**	7,736	8,051
Trade and other payables	11	**7,993**	6,661	9,466
		2,384,985	2,166,843	2,113,640
Current liabilities				
Investment property debt	7	**97,620**	92,555	91,234
Employee future benefits obligation		**246**	246	239
Trade and other payables	11	**79,498**	65,319	67,921
		177,364	158,120	159,394
Total liabilities excluding net assets attributable to Unitholders		**2,562,349**	2,324,963	2,273,034
Net assets attributable to Unitholders		**$ 1,385,072**	$ 1,147,230	$ 1,153,305
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		**$ 831,290**	$ 694,484	$ 698,166
Special Voting Units and Class B Limited Partnership Unitholders		**553,782**	452,746	455,139
		$ 1,385,072	$ 1,147,230	$ 1,153,305
Commitments and contingencies	21			
Subsequent events	22			

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands of CAD dollars)

(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2016**	2015	**2016**	2015
Property revenue	12	**$ 98,757**	$ 89,611	**$ 294,732**	$ 277,019
Property operating expenses		**27,732**	26,892	**85,911**	84,403
Net property income		**71,025**	62,719	**208,821**	192,616
Gain (loss) on disposal of investment properties		**1,225**	—	**27,729**	(2)
Impairment of investment properties	3	**—**	—	**—**	(5,275)
Depreciation of investment properties	3	**(17,712)**	(15,001)	**(49,069)**	(45,042)
Amortization of intangible assets	3	**(2,073)**	(1,185)	**(4,379)**	(4,300)
Amortization of deferred leasing costs	3	**(148)**	(154)	**(449)**	(445)
General and administrative expenses		**(3,546)**	(3,923)	**(12,075)**	(10,860)
Finance costs - operations	15	**(25,342)**	(24,306)	**(74,500)**	(74,011)
Operating income before taxes		**23,429**	18,150	**96,078**	52,681
Taxes - current	10	**(3)**	(621)	**(26)**	(2,897)
Taxes - deferred	10	**(300)**	400	**(2,400)**	2,000
Operating income attributable to Unitholders		**23,126**	17,929	**93,652**	51,784
Finance costs - other					
Distributions to Unitholders		**(32,890)**	(29,153)	**(92,750)**	(87,340)
Change in fair value of financial instruments	11	**789**	(3,112)	**358**	(3,012)
		(32,101)	(32,265)	**(92,392)**	(90,352)
Increase (decrease) in net assets attributable to Unitholders		**(8,975)**	(14,336)	**1,260**	(38,568)
Other comprehensive income					
Items that will be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**607**	627	**1,837**	1,897
Comprehensive income (loss)		**$ (8,368)**	$ (13,709)	**$ 3,097**	$ (36,671)

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Changes in Net Assets Attributable to Unitholders

(In thousands of CAD dollars)

(Unaudited)

	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 16)					
Balance, January 1, 2016	**$ 1,473,885**	**$ (315,750)**	**$ (10,905)**	**$ 1,147,230**	**$ 694,484**	**$ 452,746**
Adjustments related to EUPP	**50**	**32**	**—**	**82**	**82**	**—**
Statements of comprehensive income (loss)	**—**	**1,260**	**1,837**	**3,097**	**1,659**	**1,438**
Units issued under Distribution Reinvestment Plan ("DRIP")	**15,552**	**—**	**—**	**15,552**	**9,094**	**6,458**
Unit issue proceeds, net of costs of $5,889	**219,111**	**—**	**—**	**219,111**	**125,971**	**93,140**
Balance, September 30, 2016	**$ 1,708,598**	**$ (314,458)**	**$ (9,068)**	**$ 1,385,072**	**$ 831,290**	**$ 553,782**

	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 16)					
Balance, January 1, 2015	$ 1,462,101	$ (265,010)	$ (13,777)	$ 1,183,314	$ 716,025	$ 467,289
Adjustments related to EUPP	57	37	—	94	94	—
Conversion of debentures	205	—	—	205	205	—
Statements of comprehensive income (loss)	—	(38,568)	1,897	(36,671)	(21,881)	(14,790)
Units issued under DRIP	6,363	—	—	6,363	3,723	2,640
Balance, September 30, 2015	$ 1,468,726	$ (303,541)	$ (11,880)	$ 1,153,305	$ 698,166	$ 455,139

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Cash Flows

(In thousands of CAD dollars)

(Unaudited)

	Note	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Cash flows provided by (used in)					
Operating Activities					
Increase (decrease) in net assets attributable to Unitholders		**$ (8,975)**	$ (14,336)	**$ 1,260**	$ (38,568)
Items not affecting operating cash	17	**25,035**	22,160	**47,308**	65,468
Change in other non-cash operating items	17	**22,366**	11,126	**2,113**	(3,644)
Cash provided by (used in) operating activities		**38,426**	18,950	**50,681**	23,256
Financing Activities					
Issue of investment property debt		**30,000**	—	**69,670**	5,484
Deferred financing charges - investment property debt		**(600)**	(28)	**(1,868)**	(140)
Advance (repayment) of investment property debt		**(26,767)**	(3,619)	**124,860**	(67,798)
Issue of senior unsecured notes		**—**	—	**—**	125,000
Deferred financing charges - senior unsecured notes		**—**	(3)	**—**	(988)
Redemption of convertible debentures		**—**	—	**—**	(44,795)
REIT Units and Class B LP Units issued		**—**	—	**225,000**	—
REIT Units and Class B LP Units issue costs		**—**	—	**(5,889)**	—
Repayment of EUPP loans receivable		**16**	18	**50**	57
Collection of (increase in) long-term receivables		**(5,739)**	(83)	**(5,964)**	(207)
Cash provided by (used in) financing activities		**(3,090)**	(3,715)	**405,859**	16,613
Investing Activities					
Acquisition of investment properties and intangible assets		**(34,202)**	(8,565)	**(529,824)**	(18,443)
Additions to investment properties		**(7,880)**	(3,539)	**(19,107)**	(16,540)
Proceeds on disposal of investment properties		**11,291**	—	**161,180**	2,770
Additions to tenant incentives		**(4,293)**	(2,613)	**(69,178)**	(7,575)
Additions to deferred leasing costs		**(252)**	(518)	**(668)**	(692)
Cash provided by (used in) investing activities		**(35,336)**	(15,235)	**(457,597)**	(40,480)
Net change in cash and cash equivalents		**—**	—	**(1,057)**	(611)
Cash and cash equivalents, beginning of period		**—**	—	**1,057**	611
Cash and cash equivalents, end of period		**$ —**	$ —	**$ —**	$ —

See accompanying notes to the interim condensed 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 interim condensed consolidated financial statements for the nine months ended September 30, 2016 and September 30, 2015 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 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on November 8, 2016.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not contain all of the information required by IAS 1, Presentation of Financial Statements. Therefore, they should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015.

(b) Basis of presentation

The interim condensed consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The interim condensed 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 Increase (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 September 30, 2016. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of September 30, 2016.

All intercompany transactions, balances, income and expenses are eliminated in preparing the interim condensed 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) Significant accounting policies

The Company describes its significant accounting policies in its audited consolidated financial statements for the year ended December 31, 2015.

New standards adopted

There has been no change in the Company’s significant accounting policies since December 31, 2015.

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 interim condensed 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 increase (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

In May 2014, the IASB issued IFRS 15 which 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.

(f) Comparative figures

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

(In thousands of CAD dollars)

3) INVESTMENT PROPERTIES

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	**$ 976,002**	**$ 2,500,700**	**$ 98,136**	**$ 6,780**	**$ 3,581,618**
Acquisitions	**245,697**	**290,506**	**17,430**	**—**	**553,633**
Additions	**765**	**18,146**	**—**	**1,014**	**19,925**
Disposition	**(8,652)**	**(4,955)**	**(129)**	**(18)**	**(13,754)**
Transfer to investment properties held for sale (Note 6)	**(164)**	**(468)**	**(26)**	**—**	**(658)**
Balance, September 30, 2016	**1,213,648**	**2,803,929**	**115,411**	**7,776**	**4,140,764**
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2016	**—**	**322,625**	**52,529**	**3,578**	**378,732**
Depreciation and amortization	**—**	**49,069**	**4,379**	**449**	**53,897**
Disposition		**(3,824)**	**(39)**	**(13)**	**(3,876)**
Transfer to investment properties held for sale (Note 6)	**—**	**(69)**	**(10)**	**—**	**(79)**
Balance, September 30, 2016	**—**	**367,801**	**56,859**	**4,014**	**428,674**
Net carrying value, September 30, 2016	**$ 1,213,648**	**$ 2,436,128**	**$ 58,552**	**$ 3,762**	**$ 3,712,090**

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2015	$ 977,895	$ 2,479,018	$ 99,019	$ 5,540	$ 3,561,472
Acquisitions	20,503	74,229	3,457	—	98,189
Additions	3,537	23,155	—	1,118	27,810
Disposition	(1,453)	(706)	—	—	(2,159)
Transfer to investment properties held for sale (Note 6)	(31,619)	(103,315)	(4,432)	(332)	(139,698)
Transfer from investment properties held for sale (Note 6)	7,139	28,319	92	454	36,004
Balance, December 31, 2015	976,002	2,500,700	98,136	6,780	3,581,618
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2015	—	263,391	50,913	2,965	317,269
Depreciation and amortization	—	60,498	5,480	598	66,576
Disposition	—	(23)	—	—	(23)
Impairment	—	12,575	—	—	12,575
Transfer to investment properties held for sale (Note 6)	—	(18,424)	(3,956)	(217)	(22,597)
Transfer from investment properties held for sale (Note 6)	—	4,608	92	232	4,932
Balance, December 31, 2015	—	322,625	52,529	3,578	378,732
Net carrying value, December 31, 2015	$ 976,002	$ 2,178,075	$ 45,607	$ 3,202	$ 3,202,886

(In thousands of CAD dollars)

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2015	$ 977,895	$ 2,479,018	$ 99,019	$ 5,540	$ 3,561,472
Acquisitions	9,193	25,986	1,499	—	36,678
Additions	3,272	13,902	—	908	18,082
Disposition	(1,160)	(706)	—	—	(1,866)
Transfer from investment properties held for sale (Note 6)	7,139	28,319	92	454	36,004
Balance, September 30, 2015	996,339	2,546,519	100,610	6,902	3,650,370
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2015	—	263,391	50,913	2,965	317,269
Depreciation and amortization	—	45,042	4,300	445	49,787
Disposition	—	(23)	—	—	(23)
Impairment	—	5,275	—	—	5,275
Transfer from investment properties held for sale (Note 6)	—	4,608	92	232	4,932
Balance, September 30, 2015	—	318,293	55,305	3,642	377,240
Net carrying value, September 30, 2015	$ 996,339	$ 2,228,226	$ 45,305	$ 3,260	$ 3,273,130

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $833,348 at September 30, 2016 (September 30, 2015 - $659,368). 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 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.

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

	Fair Value	Carrying Value
September 30, 2016	**$ 4,732,000**	**$ 3,898,652**
December 31, 2015	$ 4,143,000	$ 3,434,051
September 30, 2015	$ 4,042,000	$ 3,382,632

Carrying value consists of the net carrying value of:

	Note	September 30, 2016	December 31, 2015	September 30, 2015
Investment properties	3	**$ 3,712,090**	$ 3,202,886	$ 3,273,130
Accrued straight-line rent receivable	4	**56,051**	50,050	47,249
Tenant incentives	4	**130,511**	61,667	62,253
Investment properties held for sale	6	**—**	119,448	—
Total carrying value		**$ 3,898,652**	$ 3,434,051	$ 3,382,632

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.

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:

(In thousands of CAD dollars)

		Impact of a 0.25% Change in Capitalization Rate			
	Weighted Average Capitalization Rate		**Increase in Rate**		**Decrease in Rate**
September 30, 2016	**5.92%**	**$**	**(190,000)**	**$**	**207,000**
December 31, 2015	6.15%	$	(163,000)	$	177,000
September 30, 2015	6.16%	$	(159,000)	$	173,000

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.

2016

Transaction Date		Properties Acquired (Disposed)	Approximate Square Footage		Initial Acquisition (Disposition) Price		Assumed Mortgages
February 5, 2016	Third party	1	21,000	$	5,500	$	—
March 10, 2016	Third party	(10)	(791,000)		(143,400)		—
April 8, 2016	Third party	1	58,000		15,700		—
April 15, 2016	Third party	(1)	(8,000)		(793)		—
April 28, 2016	Third party	(1)	(47,000)		(7,500)		—
May 3, 2016	Third party	2	117,000		46,200		8,041
May 16, 2016	Third party	9	94,000		32,272		—
June 1, 2016	Third party	1	37,000		7,000		3,751
June 9, 2016	Third party	1	84,000		29,000		12,017
June 23, 2016	Third party	1	54,000		14,150		—
June 29, 2016	Empire (1)	22	2,090,000		348,386		—
July 15, 2016	Empire (1)	(1)	(21,000)		(9,057)		—
July 29, 2016	Empire (1)	1	62,000		26,400		—
August 15, 2016	Third party	(1)	(48,000)		(2,300)		—
			1,702,000	**$**	**361,558**	**$**	**23,809**

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

On July 8, 2016, Crombie acquired a 50% interest in a development property with a third party for an initial acquisition price of $5,250 which is not included in the above schedule.

The disposition on July 15, 2016 and the acquisitions on July 29, 2016 and June 29, 2016 were transacted with Empire Company Limited or its subsidiaries ("Empire"), a related party. The June 29, 2016 acquisition included 19 retail properties and a 50% interest in three distribution centres. In addition to the 22 properties included in the above schedule were two parcels of development land adjacent to existing Crombie properties, with an initial acquisition price of $9,975.

The remaining acquisitions and dispositions were transacted with third parties. The acquisition on June 23, 2016 is a vacant building currently being held for redevelopment.

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

(In thousands of CAD dollars)

2015

Transaction Date		Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 2, 2015	Third party	—	51,000	$ 12,650	$ 5,479
April 1, 2015	Empire (1)	—	7,500	2,333	—
August 18, 2015	Third party	1	50,000	20,500	12,077
			108,500	$ 35,483	$ 17,556

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

The acquisition of a retail property on August 18, 2015 and an addition to an existing retail property on February 2, 2015 were transacted with third parties. The acquisition of an addition to an existing retail property on April 1, 2015 was transacted with Empire, a related party. 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.

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

	Three months ended September 30,		**Nine months ended September 30,**		Year ended
Investment property acquired, net:	**2016**	2015	**2016**	2015	December 31, 2015
Land	**$ 18,210**	$ 2,868	**$ 245,697**	$ 9,193	$ 20,503
Buildings	**15,186**	18,017	**290,506**	25,986	74,229
Intangibles	**806**	735	**17,430**	1,499	3,457
Fair value debt adjustment on assumed mortgages	**—**	(978)	**(1,072)**	(679)	(679)
Net purchase price	**34,202**	20,642	**552,561**	35,999	97,510
Assumed mortgages	**—**	(12,077)	**(23,809)**	(17,556)	(17,556)
	$ 34,202	$ 8,565	**$ 528,752**	$ 18,443	$ 79,954

(In thousands of CAD dollars)

4) OTHER ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Trade receivables	**$ 10,212**	$ 10,624	$ 11,950
Provision for doubtful accounts	**(163)**	(60)	(75)
Net trade receivables	**10,049**	10,564	11,875
Marketable securities	**2,363**	1,965	2,078
Prepaid expenses and deposits	**16,385**	10,548	15,862
Restricted cash	**75**	75	54
Accrued straight-line rent receivable	**56,051**	50,050	47,249
Tenant incentives	**130,511**	61,667	62,253
	$ 215,434	$ 134,869	$ 139,371

Tenant Incentives	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2016	**$ 107,122**	**$ 45,455**	**$ 61,667**
Additions	**77,173**	**—**	**77,173**
Amortization	**—**	**8,294**	**(8,294)**
Disposition	**(102)**	**(69)**	**(33)**
Transfer to investment properties held for sale (Note 6)	**(3)**	**(1)**	**(2)**
Balance, September 30, 2016	**$ 184,190**	**$ 53,679**	**$ 130,511**
Balance, January 1, 2015	$ 94,825	$ 35,574	$ 59,251
Additions	8,236	—	8,236
Amortization	—	7,200	(7,200)
Disposition	—	540	(540)
Transfer from investment properties held for sale (Note 6)	4,413	1,907	2,506
Balance, September 30, 2015	$ 107,474	$ 45,221	$ 62,253

On June 29, 2016, Crombie invested $58,823 in the renovation and expansion of 10 existing Sobeys anchored properties. The amount is included in tenant incentive additions and is being amortized over the 20 year amended lease terms.

See Note 19(a) for fair value information.

5) LONG-TERM RECEIVABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Capital expenditure program	**$ 105**	$ 105	$ 105
Interest rate subsidy	**542**	717	802
Amount receivable from related party	**13,643**	13,111	12,931
Amount receivable from third party	**5,607**	—	—
	$ 19,897	$ 13,933	$ 13,838

The amount receivable from a third party pertains to a 50% interest in a development property which was acquired on July 8, 2016.

During March 2014, Crombie advanced $11,856 to a subsidiary of Empire to partially finance their acquisition of development lands. The loan is repayable November 30, 2016 and bears interest at a rate of 6% per annum.

See Note 19(a) for fair value information.

(In thousands of CAD dollars)

6) INVESTMENT PROPERTIES HELD FOR SALE

	Land	Buildings	Intangibles	Deferred Leasing Costs	Tenant Incentives	Total
Opening balance, January 1, 2016	**$ 31,619**	**$ 84,891**	**$ 476**	**$ 115**	**$ 2,347**	**$ 119,448**
Additions	**2**	**—**	**—**	**4**	**(28)**	**(22)**
Assets transferred to held for sale	**164**	**399**	**16**	**—**	**2**	**581**
Derecognition through disposition	**(31,785)**	**(85,290)**	**(492)**	**(119)**	**(2,321)**	**(120,007)**
Net carrying value, September 30, 2016	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

	Land	Buildings	Intangibles	Deferred Leasing Costs	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	476	115	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	$ 476	$ 115	$ 2,347	$ 119,448

	Land	Buildings	Intangibles	Deferred Leasing Costs	Tenant Incentives	Total
Opening balance, January 1, 2015	$ 7,139	$ 23,711	$ —	$ 222	$ 2,506	$ 33,578
Assets transferred from held for sale	(7,139)	(23,711)	—	(222)	(2,506)	(33,578)
Net carrying value, September 30, 2015	$ —	$ —	$ —	$ —	$ —	$ —

On March 10, 2016, Crombie disposed of 10 retail properties to a third party. The remaining property which was classified as held for sale as at December 31, 2015 was disposed of on April 28, 2016. During the first quarter of 2016, Crombie determined that an additional retail property met the classification as held for sale as at March 31, 2016. That property was disposed of on April 15, 2016. As at September 30, 2016, no properties met the criteria for classification as held for sale.

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.

(In thousands of CAD dollars)

7) INVESTMENT PROPERTY DEBT

	Range	**Weighted Average Interest Rate**	**Weighted Average Term to Maturity**	**September 30, 2016**
Fixed rate mortgages	**2.35 - 6.90%**	**4.54%**	**5.98 years**	**$ 1,528,048**
Floating rate revolving credit facility		**2.48%**	**2.75 years**	**241,371**
Unsecured bilateral credit facility		**2.58%**	**1.63 years**	**100,000**
Deferred financing charges				**(10,197)**
				$ 1,859,222

	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	September 30, 2015
Fixed rate mortgages	3.12 - 6.90%	4.76%	7.1 years	$ 1,427,408
Floating rate revolving credit facility		2.39%	2.8 years	163,663
Deferred financing charges				(9,430)
				$ 1,581,641

As at September 30, 2016, debt retirements for the next five years are:

12 Months Ending	**Fixed Rate Principal Payments**	**Fixed Rate Maturities**	**Floating Rate Maturities**	**Total**
September 30, 2017	$ 45,933	$ 50,363	$ —	$ 96,296
September 30, 2018	44,984	64,666	100,000	209,650
September 30, 2019	45,034	13,706	241,371	300,111
September 30, 2020	39,859	282,818	—	322,677
September 30, 2021	37,119	49,045	—	86,164
Thereafter	116,389	734,022	—	850,411
	$ 329,318	$ 1,194,620	$ 341,371	1,865,309
Deferred financing charges				(10,197)
Unamortized fair value debt adjustment				4,110
				$ 1,859,222

Specific investment properties with a carrying value of $2,772,709 as at September 30, 2016 (December 31, 2015 - $2,686,589; September 30, 2015 - $2,543,931) 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.

(In thousands of CAD dollars)

Mortgage Activity

			Weighted Average				
For the nine months ended:	**Type**	**Number of Mortgages**	**Rates**	**Terms in Years**	**Amortization Period in Years**		**Proceeds (Repayments)**
September 30, 2016	New	6	3.07%	4.6	24.8	$	69,670
	Assumed	3	4.86%	3.3	19.5		23,809
	Repayment	10	4.87%	—	—		(49,774)
						$	43,705

			Weighted Average				
For the nine months ended:	**Type**	**Number of Mortgages**	**Rates**	**Terms in Years**	**Amortization Period in Years**		**Proceeds (Repayments)**
September 30, 2015	New	1	3.23%	7.3	25.0	$	5,484
	Assumed	2	4.88%	4.7	25.0		17,556
	Repayment	9	4.99%	—	—		(50,588)
						$	(27,548)

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $400,000 (December 31, 2015 - $300,000; September 30, 2015 - $300,000) and matures June 30, 2019. 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 (September 30, 2016 – borrowing base of $392,879). 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.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000 and matures May 16, 2018. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. 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.

See Note 19(a) for fair value information.

8) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate		**September 30, 2016**		December 31, 2015		September 30, 2015
Series A senior unsecured notes	October 31, 2018	3.986%	**$**	**175,000**	$	175,000	$	175,000
Series B senior unsecured notes	June 1, 2021	3.962%		**100,000**		100,000		100,000
Series C senior unsecured notes	February 10, 2020	2.775%		**125,000**		125,000		125,000
Unamortized Series B issue premium				**253**		294		308
Deferred financing charges				**(1,792)**		(2,214)		(2,355)
			$	**398,461**	$	398,080	$	397,953

See Note 19(a) for fair value information.

(In thousands of CAD dollars)

9) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	September 30, 2016	December 31, 2015	September 30, 2015
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	$ 60,000	$ 60,000	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	74,400	74,400	74,400
Deferred financing charges				(2,420)	(2,882)	(3,037)
				$ 131,980	$ 131,518	$ 131,363

Debenture Conversions	Conversion Price	Nine months ended September 30, 2016	Year ended December 31, 2015	Nine months ended September 30, 2015
Series C	$ 15.30	$ —	$ 205	$ 205
		$ —	$ 205	$ 205
REIT Units Issued		—	13,398	13,398

See Note 19(a) for fair value information.

10) INCOME TAXES

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

	September 30, 2016	December 31, 2015	September 30, 2015
Tax liabilities relating to difference in tax and book value	$ 84,907	$ 85,815	$ 88,043
Tax asset relating to non-capital loss carry-forward	(8,307)	(11,615)	(11,643)
Deferred tax liability	$ 76,600	$ 74,200	$ 76,400

The tax recovery (expense) consists of the following:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Taxes - current				
Taxes - gains on disposal of investment properties	$ —	$ —	$ —	$ (2,076)
Taxes - operating income earned in corporate subsidiaries	(3)	(621)	(26)	(821)
Total current taxes	$ (3)	$ (621)	$ (26)	$ (2,897)
Taxes - deferred				
Provision for income taxes at the expected rate	$ (7,122)	$ (5,435)	$ (29,155)	$ (15,765)
Tax effect of income attribution to Crombie's Unitholders	6,822	5,835	26,755	15,689
	(300)	400	(2,400)	(76)
Taxes - gains on disposal of investment properties	—	—	—	2,076
Total deferred taxes	$ (300)	$ 400	$ (2,400)	$ 2,000

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

(In thousands of CAD dollars)

11) TRADE AND OTHER PAYABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Tenant incentives and capital expenditures	**$ 23,916**	$ 16,648	$ 16,835
Property operating costs	**28,942**	23,858	26,947
Prepaid rents	**5,341**	4,782	4,141
Finance costs on investment property debt, notes and debentures	**10,176**	10,163	10,139
Distributions payable	**10,973**	9,755	9,724
Unit based compensation plans	**3,188**	1,947	1,601
Fair value of embedded derivatives in convertible debentures	**149**	—	3,142
Deferred revenue	**4,806**	4,827	4,858
	$ 87,491	$ 71,980	$ 77,387

Change in fair value of financial instruments:

	Three months ended September 30,		**Nine months ended September 30,**	
	2016	2015	**2016**	2015
Deferred Unit ("DU") Plan	**$ 83**	$ —	**$ (66)**	$ —
Embedded derivatives in convertible debentures	**433**	(3,142)	**(149)**	(3,142)
Marketable securities	**273**	30	**573**	130
Total change in fair value of financial instruments	**$ 789**	$ (3,112)	**$ 358**	$ (3,012)

12) PROPERTY REVENUE

	Three months ended September 30,		**Nine months ended September 30,**	
	2016	2015	**2016**	2015
Rental revenue contractually due from tenants	**$ 98,194**	$ 89,291	**$ 282,141**	$ 270,470
Contingent rental revenue	**305**	310	**1,406**	1,241
Straight-line rent recognition	**3,592**	2,453	**9,036**	8,341
Tenant incentive amortization	**(3,433)**	(2,443)	**(8,294)**	(7,200)
Lease terminations	**99**	—	**10,443**	4,167
	$ 98,757	$ 89,611	**$ 294,732**	$ 277,019

During the three months ended June 30, 2016, Crombie recorded a net settlement of $10,344 related to three leases vacated by Target Canada in 2015. The amount received was recorded as lease termination income in the second quarter. The amount, if any, of additional settlement will be recognized as revenue when the amount is determinable and there is certainty of receipt.

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

	Three months ended September 30,				**Nine months ended September 30,**			
	2016		2015		**2016**		2015	
	Revenue	**Percentage**	Revenue	Percentage	**Revenue**	**Percentage**	Revenue	Percentage
Sobeys Inc.	**$ 42,835**	**43.4%**	$ 37,712	42.1%	**$ 125,581**	**42.6%**	$ 122,422	44.2%

(In thousands of CAD dollars)

13) 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 September 30, 2016, is as follows:

	Remaining	Year Ending December 31,					
	2016	2017	2018	2019	2020	Thereafter	Total
Future minimum rental income	$ 70,376	$ 272,809	$ 262,456	$ 252,018	$ 240,589	$ 2,630,889	$ 3,729,137

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 nine to 73 years including renewal options:

	Remaining	Year Ending December 31,					
	2016	2017	2018	2019	2020	Thereafter	Total
Future minimum lease payments	$ 367	$ 1,522	$ 1,549	$ 1,550	$ 1,552	$ 64,353	$ 70,893

14) EMPLOYEE BENEFIT EXPENSE

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Wages and salaries	**$ 4,936**	$ 4,900	**$ 18,703**	$ 17,646
Post-employment benefits	**202**	162	**584**	504
	$ 5,138	$ 5,062	**$ 19,287**	$ 18,150

15) FINANCE COSTS – OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Fixed rate mortgages	**$ 17,828**	$ 17,685	**$ 53,918**	$ 53,903
Floating rate term, revolving and demand facilities	**1,866**	975	**3,151**	2,672
Senior unsecured notes	**3,762**	3,761	**11,190**	10,782
Convertible debentures	**1,886**	1,885	**5,628**	6,654
Subscription receipts payment	**—**	—	**613**	—
Finance costs - operations	**25,342**	24,306	**74,500**	74,011
Amortization of fair value debt adjustment and accretion income	**428**	310	**955**	1,072
Change in accrued finance costs	**(137)**	(106)	**(13)**	(1,248)
Amortization of effective swap agreements	**(607)**	(627)	**(1,837)**	(1,897)
Amortization of issue premium on senior unsecured notes	**14**	14	**41**	41
Amortization of deferred financing charges	**(837)**	(720)	**(2,433)**	(2,887)
Finance costs - operations, paid	**$ 24,203**	$ 23,177	**$ 71,213**	$ 69,092

(In thousands of CAD dollars)

16) 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, 2016	**77,857,608**	**$**	**877,581**	**53,658,302**	**$**	**596,304**	**131,515,910**	**$**	**1,473,885**
Net change in EUPP loans receivable	**—**		**50**	**—**		**—**	**—**		**50**
Units issued under DRIP	**657,573**		**9,094**	**466,326**		**6,458**	**1,123,899**		**15,552**
Units issued (proceeds are net of issue costs)	**8,952,400**		**125,971**	**6,353,741**		**93,140**	**15,306,141**		**219,111**
Balance, September 30, 2016	**87,467,581**	**$**	**1,012,696**	**60,478,369**	**$**	**695,902**	**147,945,950**	**$**	**1,708,598**

	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	—		57	—		—	—		57
Units issued under DRIP	296,223		3,723	210,071		2,640	506,294		6,363
Conversion of debentures	13,398		205	—		—	13,398		205
Balance, September 30, 2015	77,613,700	$	874,563	53,485,337	$	594,163	131,099,037	$	1,468,726

Crombie REIT Units

On May 31, 2016, Crombie closed a public offering, on a bought deal basis, of 8,952,400 Subscription Receipts, at a price of $14.70 per Subscription Receipt, for gross proceeds of $131,600. On June 29, 2016, in conjunction with the closing of property acquisitions from Empire, each of the 8,952,400 outstanding Subscription Receipts were automatically exchanged for one Crombie REIT Unit.

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

On June 29, 2016, concurrently with the REIT Units issued on exchange for Subscription Receipts, subsidiaries of Empire received 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross proceeds of $93,400 which formed part of the consideration for property acquisitions completed on that same date.

(In thousands of CAD dollars)

17) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Items not affecting operating cash:				
Straight-line rent recognition	**$ (3,592)**	$ (2,453)	**$ (9,036)**	$ (8,341)
Amortization of tenant incentives	**3,433**	2,443	**8,294**	7,200
Loss (gain) on disposal of investment properties	**(1,225)**	—	**(27,729)**	2
Impairment of investment properties	**—**	—	**—**	5,275
Depreciation of investment properties	**17,712**	15,001	**49,069**	45,042
Amortization of intangible assets	**2,073**	1,185	**4,379**	4,300
Amortization of deferred leasing costs	**148**	154	**449**	445
Unit based compensation	**8**	16	**32**	37
Amortization of effective swap agreements	**607**	627	**1,837**	1,897
Amortization of deferred financing charges	**837**	720	**2,433**	2,887
Amortization of issue premium on senior unsecured notes	**(14)**	(14)	**(40)**	(41)
Non-cash distributions to Unitholders in the form of DRIP Units	**5,534**	2,586	**15,552**	6,363
Income taxes paid	**—**	(1,438)	**—**	(3,507)
Taxes - deferred	**300**	(400)	**2,400**	(2,000)
Income tax expense	**3**	621	**26**	2,897
Change in fair value of financial instruments	**(789)**	3,112	**(358)**	3,012
	$ 25,035	$ 22,160	**$ 47,308**	$ 65,468

b) Change in other non-cash operating items

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Cash provided by (used in):				
Trade receivables	**$ 18,421**	$ 6,777	**$ 515**	$ (3,909)
Prepaid expenses and deposits and other assets	**6,146**	7,287	**(5,837)**	(2,163)
Payables and other liabilities	**(2,201)**	(2,938)	**7,435**	2,428
	$ 22,366	$ 11,126	**$ 2,113**	$ (3,644)

(In thousands of CAD dollars)

18) RELATED PARTY TRANSACTIONS

As at September 30, 2016, Empire, through its wholly-owned subsidiary ECL Developments Limited ("ECLD"), holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Crombie's revenue (expense) transactions with related parties are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Property revenue				
Property revenue	**$ 43,805**	$ 38,590	**$ 128,907**	$ 122,422
Head lease income	**$ 78**	$ 101	**$ 283**	$ 566
Lease termination income	**$ —**	$ —	**$ —**	$ 3,999
Property operating expenses	**$ (18)**	$ 29	**$ (45)**	$ 204
General and administrative expenses				
Property management services recovered	**$ 174**	$ 320	**$ 744**	$ 638
Other general and administrative expenses	**$ (102)**	$ (30)	**$ (202)**	$ (284)
Finance costs - operations				
Interest on convertible debentures	**$ (303)**	$ (302)	**$ (901)**	$ (897)
Interest rate subsidy	**$ 59**	$ 114	**$ 212**	$ 383
Interest income	**$ 178**	$ 179	**$ 533**	$ 532
Finance costs - distributions to Unitholders	**$ (13,647)**	$ (12,096)	**$ (38,484)**	$ (36,239)

Crombie provides property management, leasing services and environmental management to specific properties owned by certain subsidiaries of Empire on a fee for service basis pursuant to a Management Agreement effective January 1, 2016. Revenue generated from the Management Agreement is being recognized as a reduction of general and administrative expenses. This Agreement replaces the previous cost sharing arrangement covered by a Management Cost Sharing Agreement.

In addition to the above:

- On July 29, 2016, Crombie acquired a retail property in British Columbia from Empire including approximately 62,000 square feet of gross leaseable area for $26,400 before closing and transaction costs.
- On July 15, 2016, Crombie disposed of a retail property in British Columbia to Empire including approximately 21,000 square feet of gross leaseable area for $9,057 before closing and transaction costs.
- On June 29, 2016, Crombie completed the acquisition of a portfolio of properties and the investment in the renovation and expansion of 10 existing Sobeys anchored properties. The transaction total was approximately $418 million before closing and transaction costs. As partial consideration, Crombie issued to Empire 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross consideration of $93,400.
- During the nine months ended September 30, 2016, Crombie issued 466,326 (September 30, 2015 - 210,071) Class B LP Units to ECLD under the DRIP (Note 16).
- 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.

(In thousands of CAD dollars)

- 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 non-cash consideration. 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 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.

Key management personnel compensation

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Salary, bonus and other short-term employee benefits	**$ 798**	$ 641	**$ 2,368**	$ 2,025
Other long-term benefits	**30**	23	**86**	78
	$ 828	$ 664	**$ 2,454**	$ 2,103

19) 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 September 30, 2016:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 2,363	$ 2,363
Total financial assets measured at fair value	$ —	$ —	$ 2,363	$ 2,363
Financial liabilities				
Unit based compensation plans	$ 1,139	$ —	$ —	$ 1,139
Embedded derivatives in convertible debentures	—	149	—	149
Total financial liabilities measured at fair value	$ 1,139	$ 149	$ —	$ 1,288

There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2016.

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:

(In thousands of CAD dollars)

	September 30, 2016		December 31, 2015		September 30, 2015	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables	**$ 19,930**	**$ 19,897**	$ 13,968	$ 13,933	$ 13,869	$ 13,838
Total other financial assets	**$ 19,930**	**$ 19,897**	$ 13,968	$ 13,933	$ 13,869	$ 13,838
Financial liabilities						
Investment property debt	**$ 1,997,962**	**$ 1,869,419**	$ 1,782,776	$ 1,651,079	$ 1,723,612	$ 1,591,071
Senior unsecured notes	**407,335**	**400,000**	405,348	400,000	403,065	400,000
Convertible debentures	**141,488**	**134,400**	138,360	134,400	139,332	134,400
Total other financial liabilities	**$ 2,546,785**	**$ 2,403,819**	$ 2,326,484	$ 2,185,479	$ 2,266,009	$ 2,125,471

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. There has been no significant change in Crombie's risk management during the nine months ended September 30, 2016. 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 4).

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.

In measuring tenant concentration, Crombie considers both the annual minimum rent and total property revenue of major tenants.

- Upon completion of the June 29, 2016 property transactions, Crombie's largest tenant, Sobeys, now represents 53.3% of annual minimum rent; an increase from 49.9% at December 31, 2015.
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. For the three months ended September 30, 2016, Sobeys represents 43.4% of total property revenue.

There have been no significant changes to Crombie's credit risk since December 31, 2015.

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.

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 recent years' rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

(In thousands of CAD dollars)

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	**Decrease in rate**	**Increase in rate**
Three months ended September 30, 2016	**$ 437**	**$ (437)**
Three months ended September 30, 2015	$ 185	$ (185)
Nine months ended September 30, 2016	**$ 757**	**$ (757)**
Nine months ended September 30, 2015	$ 463	$ (463)

There have been no significant changes to Crombie's interest rate risk since December 31, 2015.

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.

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

	Twelve months ending September 30,						
	Contractual Cash Flows[(1)]	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Fixed rate mortgages[(2)]	$ 1,877,325	$ 162,831	$ 171,179	$ 116,327	$ 368,619	$ 124,205	$ 934,164
Senior unsecured notes	444,681	14,407	14,407	183,012	130,214	102,641	—
Convertible debentures	160,977	6,906	6,906	66,906	3,906	76,353	—
	2,482,983	184,144	192,492	366,245	502,739	303,199	934,164
Floating rate debt	362,026	8,566	107,599	245,861	—	—	—
Total	$ 2,845,009	$ 192,710	$ 300,091	$ 612,106	$ 502,739	$ 303,199	$ 934,164

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

There have been no significant changes to Crombie's liquidity risk since December 31, 2015.

20) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, at reasonable levels, 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:

	September 30, 2016	December 31, 2015	September 30, 2015
Investment property debt	**$ 1,859,222**	$ 1,641,203	$ 1,581,641
Senior unsecured notes	**398,461**	398,080	397,953
Convertible debentures	**131,980**	131,518	131,363
Crombie REIT Unitholders	**831,290**	694,484	698,166
SVU and Class B LP Unitholders	**553,782**	452,746	455,139
	$ 3,774,735	$ 3,318,031	$ 3,264,262

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).

(In thousands of CAD dollars)

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:

	September 30, 2016	December 31, 2015	September 30, 2015
Fixed rate mortgages	**$ 1,528,048**	$ 1,521,079	$ 1,427,408
Senior unsecured notes	**400,000**	400,000	400,000
Convertible debentures	**134,400**	134,400	134,400
Revolving credit facility	**241,371**	130,000	163,663
Bilateral credit facility	**100,000**	—	—
Total debt outstanding	**2,403,819**	2,185,479	2,125,471
Less: Applicable fair value debt adjustment	**(1,509)**	(1,721)	(1,820)
Debt	**$ 2,402,310**	$ 2,183,758	$ 2,123,651
Investment properties, cost	**$ 4,140,764**	$ 3,581,618	$ 3,650,370
Below-market lease component, cost (1)	**88,106**	72,634	71,967
Long-term receivables	**19,897**	13,933	13,838
Other assets, cost (see below)	**269,113**	180,324	184,592
Cash and cash equivalents	**—**	1,057	—
Deferred financing charges	**14,409**	14,972	14,822
Investment properties held for sale, cost	**—**	144,323	—
Interest rate subsidy	**(1,509)**	(1,721)	(1,820)
Fair value adjustment to deferred taxes	**(34,299)**	(34,645)	(34,645)
Gross book value	**$ 4,496,481**	$ 3,972,495	$ 3,899,124
Debt to gross book value	**53.4%**	55.0%	54.5%

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

Other assets are calculated as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Other assets per Note 4	**$ 215,434**	$ 134,869	$ 139,371
Add back (deduct):			
Tenant incentive accumulated amortization	**53,679**	45,455	45,221
Other assets, cost	**$ 269,113**	$ 180,324	$ 184,592

As at September 30, 2016, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

21) 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.

(In thousands of CAD dollars)

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 September 30, 2016, Crombie has a total of $2,027 in outstanding letters of credit related to:

	September 30,	
	2016	2015
Construction work being performed on investment properties	**$ 2,027**	$ 1,425
Total outstanding letters of credit	**$ 2,027**	$ 1,425

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 nine to 73 years including renewal options. For the three and nine months ended September 30, 2016, Crombie paid $357 and $1,067 respectively in land lease payments to third party landlords (three and nine months ended September 30, 2015 - $335 and $1,064 respectively). Crombie's commitments under the land leases are disclosed in Note 13.

As at September 30, 2016, Crombie had signed construction contracts totalling $42,661 of which $23,594 has been paid.

22) SUBSEQUENT EVENTS

(a) On October 18, 2016, Crombie declared distributions of 7.417 cents per Unit for the period from October 1, 2016 to and including, October 31, 2016. The distributions will be paid on November 15, 2016, to Unitholders of record as of October 31, 2016.

(b) Subsequent to September 30, 2016, Crombie waived all conditions on two retail property acquisitions in Toronto, Ontario from third parties. The properties, totalling 29,500 square feet, are being acquired for $35,850, excluding closing and transaction costs.

23) 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.