

CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
June 30, 2017

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

	Note	June 30, 2017	December 31, 2016	June 30, 2016
Assets				
Non-current assets				
Investment properties	3	\$ 3,730,956	\$ 3,716,720	\$ 3,697,799
Investment in joint ventures	4	2,940	815	—
Other assets	5	207,657	197,351	183,048
		<u>3,941,553</u>	<u>3,914,886</u>	<u>3,880,847</u>
Current assets				
Other assets	5	46,530	48,432	66,837
		<u>46,530</u>	<u>48,432</u>	<u>66,837</u>
Total Assets		<u>3,988,083</u>	<u>3,963,318</u>	<u>3,947,684</u>
Liabilities				
Non-current liabilities				
Investment property debt	6	1,683,602	1,765,824	1,760,577
Senior unsecured notes	7	474,827	398,588	398,334
Convertible debentures	8	72,974	132,134	131,826
Deferred taxes	9	—	75,400	76,300
Employee future benefits obligation		8,243	8,110	8,144
Trade and other payables	10	8,522	8,493	8,638
		<u>2,248,168</u>	<u>2,388,549</u>	<u>2,383,819</u>
Current liabilities				
Investment property debt	6	130,226	99,653	95,470
Convertible debentures	8	60,000	—	—
Employee future benefits obligation		282	282	246
Trade and other payables	10	92,092	84,688	80,268
		<u>282,600</u>	<u>184,623</u>	<u>175,984</u>
Total liabilities excluding net assets attributable to Unitholders		<u>2,530,768</u>	<u>2,573,172</u>	<u>2,559,803</u>
Net assets attributable to Unitholders		<u>\$ 1,457,315</u>	<u>\$ 1,390,146</u>	<u>\$ 1,387,881</u>
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		\$ 873,700	\$ 834,203	\$ 833,039
Special Voting Units and Class B Limited Partnership Unitholders		583,615	555,943	554,842
		<u>\$ 1,457,315</u>	<u>\$ 1,390,146</u>	<u>\$ 1,387,881</u>
Commitments and contingencies	20			
Subsequent events	21			

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 June 30,		Six months ended June 30,	
	Note	2017	2016	2017	2016
Property revenue	11	\$ 101,591	\$ 101,031	\$ 203,722	\$ 195,975
Property operating expenses		29,793	27,538	61,188	58,179
Net property income		71,798	73,493	142,534	137,796
Gain on disposal of investment properties		—	244	—	26,504
Depreciation of investment properties	3	(18,183)	(16,218)	(35,954)	(31,357)
Amortization of intangible assets	3	(1,518)	(1,146)	(3,369)	(2,306)
Amortization of deferred leasing costs	3	(125)	(150)	(299)	(301)
General and administrative expenses	13	(5,160)	(4,122)	(10,156)	(8,529)
Finance costs - operations	14	(26,892)	(24,793)	(52,852)	(49,158)
Income from equity accounted investments	4	27	—	27	—
Operating income before taxes		19,947	27,308	39,931	72,649
Taxes - current	9	(4)	—	(4)	(23)
Taxes - deferred	9	76,400	(100)	75,400	(2,100)
Operating income attributable to Unitholders		96,343	27,208	115,327	70,526
Finance costs - other					
Distributions to Unitholders		(33,248)	(30,538)	(66,363)	(59,860)
Change in fair value of financial instruments	10	1	(397)	102	(431)
		(33,247)	(30,935)	(66,261)	(60,291)
Increase (decrease) in net assets attributable to Unitholders		63,096	(3,727)	49,066	10,235
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		591	612	1,188	1,230
Net change in derivatives designated as cash flow hedges		1,569	—	581	—
Other comprehensive income		2,160	612	1,769	1,230
Comprehensive income (loss)		\$ 65,256	\$ (3,115)	\$ 50,835	\$ 11,465

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 (Note 15)	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2017	\$ 1,714,724	\$ (316,003)	\$ (8,575)	\$ 1,390,146	\$ 834,203	\$ 555,943
Adjustments related to EUPP	44	18	—	62	62	—
Statements of comprehensive income (loss)	—	49,066	1,769	50,835	29,919	20,916
Units issued under Distribution Reinvestment Plan ("DRIP")	16,272	—	—	16,272	9,516	6,756
Balance, June 30, 2017	\$ 1,731,040	\$ (266,919)	\$ (6,806)	\$ 1,457,315	\$ 873,700	\$ 583,615

	REIT Units, Special Voting Units and Class B LP Units (Note 15)	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2016	\$ 1,473,885	\$ (315,750)	\$ (10,905)	\$ 1,147,230	\$ 694,484	\$ 452,746
Adjustments related to EUPP	34	23	—	57	57	—
Statements of comprehensive income (loss)	—	10,235	1,230	11,465	6,669	4,796
Units issued under DRIP	10,018	—	—	10,018	5,858	4,160
Unit issue proceeds, net of costs of \$5,889	219,111	—	—	219,111	125,971	93,140
Balance, June 30, 2016	\$ 1,703,048	\$ (305,492)	\$ (9,675)	\$ 1,387,881	\$ 833,039	\$ 554,842

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 June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Cash flows provided by (used in)					
Operating Activities					
Increase (decrease) in net assets attributable to Unitholders		\$ 63,096	\$ (3,727)	\$ 49,066	\$ 10,235
Items not affecting operating cash	16	(46,964)	24,074	(16,346)	22,273
Change in other non-cash operating items	16	(16,657)	(12,901)	(1,267)	(20,253)
Cash provided by (used in) operating activities		<u>(525)</u>	<u>7,446</u>	<u>31,453</u>	<u>12,255</u>
Financing Activities					
Issue of mortgages		80,000	23,572	192,783	40,742
Deferred financing charges - investment property debt		(822)	(865)	(2,130)	(1,268)
Repayment of mortgages		(35,137)	(38,460)	(65,306)	(66,785)
Advance (repayment) of floating rate credit facilities		(9,708)	338,634	(178,316)	217,340
Issue of senior unsecured notes		—	—	76,413	—
Deferred financing charges - senior unsecured notes		(59)	—	(347)	—
REIT Units and Class B LP Units issued		—	225,000	—	225,000
REIT Units and Class B LP Units issue costs		—	(5,889)	—	(5,889)
Repayment of EUPP loans receivable		28	34	44	34
Collection of (advances on) long-term receivables		(500)	(119)	(469)	(225)
Cash provided by (used in) financing activities		<u>33,802</u>	<u>541,907</u>	<u>22,672</u>	<u>408,949</u>
Investing Activities					
Acquisition of investment properties and intangible assets		(17,490)	(490,064)	(25,824)	(495,622)
Additions to investment properties		(8,751)	(4,291)	(15,992)	(11,227)
Proceeds on disposal of investment properties		—	8,239	—	149,889
Acquisition of interest in joint ventures		(1,701)	—	(1,701)	—
Additions to fixtures and computer equipment		(1,231)	—	(1,596)	—
Proceeds on disposal of marketable securities		1,220	—	1,220	—
Additions to tenant incentives		(4,935)	(62,986)	(9,611)	(64,885)
Additions to deferred leasing costs		(389)	(251)	(621)	(416)
Cash provided by (used in) investing activities		<u>(33,277)</u>	<u>(549,353)</u>	<u>(54,125)</u>	<u>(422,261)</u>
Net change in cash and cash equivalents		—	—	—	(1,057)
Cash and cash equivalents, beginning of period		—	—	—	1,057
Cash and cash equivalents, end of period		\$ —	\$ —	\$ —	\$ —

See accompanying notes to the interim condensed consolidated financial statements.

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

(In thousands of CAD dollars)

June 30, 2017

(Unaudited)

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 three and six months ended June 30, 2017 and June 30, 2016 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 August 9, 2017.

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, 2016.

(b) Basis of presentation

These 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

(i) Subsidiaries

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at June 30, 2017. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of June 30, 2017.

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.

(ii) Joint arrangements

Joint arrangements are business arrangements whereby two or more parties have joint control. Joint control is based on the contractual sharing of control over the decisions related to the relevant activities. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual arrangements related to the rights and obligations of the parties to the arrangement.

Joint operations

A joint operation is an arrangement wherein the parties to the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. For joint operations, Crombie recognizes its proportionate share of the assets, liabilities, revenues and expenses of the joint operation in the relevant categories of Crombie's financial statements.

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

(In thousands of CAD dollars)

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Joint ventures

A joint venture is an entity over which Crombie shares joint control with other parties and where the joint venture parties have rights to the net assets of the joint venture. Joint control exists where there is a contractual agreement for shared control and wherein decisions about the significant relevant activities of the arrangement require unanimous consent of the parties sharing control.

Investment in joint ventures is accounted for using the equity method. Under the equity method, the investment is initially recorded at cost with subsequent adjustments for Crombie's share of the results of operations and any change in net assets. Crombie's joint venture entities have the same reporting period as Crombie and adjustments, if any, are made to bring the accounting policies of joint venture entities in line with the policies of Crombie.

(e) Investment properties

(i) Income properties

Income properties are properties which are held to earn rental income. Income properties include land, buildings and intangible assets. Income properties are carried at cost less accumulated depreciation and amortization and are reviewed for impairment as described in the Company's audited consolidated financial statements for the year ended December 31, 2016.

(ii) Properties under development

Properties under development include properties that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties. The cost of a development property that is an asset acquisition comprises the amount of cash, or the fair value of other consideration, paid to acquire the property, including transaction costs. Subsequent to the acquisition, the cost of a development property includes costs that are directly attributable to these assets, including development costs, property taxes and borrowing costs on both specific and general debt. Direct and indirect borrowing costs, development costs and property taxes are capitalized when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and all necessary occupancy and related permits have been received, whether or not the space is leased. Capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest capitalized is calculated using Crombie's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowing is associated with specific developments, the amount capitalized is the gross interest incurred on such borrowing less any investment income arising on temporary investment of such borrowing.

(f) Significant accounting policies

The Company describes its significant accounting policies in its audited consolidated financial statements for the year ended December 31, 2016.

New standards adopted

Effective January 1, 2017, Crombie implemented the disclosure amendments to IAS 7 Statement of Cash Flows. The amendments provide disclosure of changes in liabilities arising from financing activities.

Future changes in accounting standards

Refer to Crombie's annual consolidated financial statements for the year ended December 31, 2016, for future accounting pronouncement details.

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

(In thousands of CAD dollars)

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(Unaudited)

3) INVESTMENT PROPERTIES

	June 30, 2017	December 31, 2016	June 30, 2016
Income properties	\$ 3,664,293	\$ 3,683,278	\$ 3,670,725
Properties under development	66,663	33,442	27,074
	\$ 3,730,956	\$ 3,716,720	\$ 3,697,799

Income properties

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2017	\$ 1,189,999	\$ 2,820,193	\$ 114,549	\$ 7,800	\$ 4,132,541
Acquisitions	—	7,859	475	—	8,334
Additions	45	11,763	—	495	12,303
Balance, June 30, 2017	1,190,044	2,839,815	115,024	8,295	4,153,178
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2017	2,357	385,731	57,098	4,077	449,263
Depreciation and amortization	—	35,954	3,369	299	39,622
Balance, June 30, 2017	2,357	421,685	60,467	4,376	488,885
Net carrying value, June 30, 2017	\$ 1,187,687	\$ 2,418,130	\$ 54,557	\$ 3,919	\$ 3,664,293

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	\$ 973,378	\$ 2,500,700	\$ 98,136	\$ 6,780	\$ 3,578,994
Acquisitions	229,662	312,684	18,285	—	560,631
Additions	626	30,849	—	1,185	32,660
Dispositions	(13,503)	(23,572)	(1,846)	(165)	(39,086)
Transfer to investment properties held for sale	(164)	(468)	(26)	—	(658)
Balance, December 31, 2016	1,189,999	2,820,193	114,549	7,800	4,132,541
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2016	—	322,625	52,529	3,578	378,732
Depreciation and amortization	—	66,552	6,170	610	73,332
Dispositions	—	(7,020)	(1,591)	(111)	(8,722)
Impairment	2,357	3,643	—	—	6,000
Transfer to investment properties held for sale	—	(69)	(10)	—	(79)
Balance, December 31, 2016	2,357	385,731	57,098	4,077	449,263
Net carrying value, December 31, 2016	\$ 1,187,642	\$ 2,434,462	\$ 57,451	\$ 3,723	\$ 3,683,278

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	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	\$ 973,378	\$ 2,500,700	\$ 98,136	\$ 6,780	\$ 3,578,994
Acquisitions	207,303	271,054	16,624	—	494,981
Additions	339	9,014	—	672	10,025
Transfer to investment properties held for sale	(164)	(468)	(26)	—	(658)
Balance, June 30, 2016	<u>1,180,856</u>	<u>2,780,300</u>	<u>114,734</u>	<u>7,452</u>	<u>4,083,342</u>
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2016	—	322,625	52,529	3,578	378,732
Depreciation and amortization	—	31,357	2,306	301	33,964
Transfer to investment properties held for sale	—	(69)	(10)	—	(79)
Balance June 30, 2016	<u>—</u>	<u>353,913</u>	<u>54,825</u>	<u>3,879</u>	<u>412,617</u>
Net carrying value, June 30, 2016	<u>\$ 1,180,856</u>	<u>\$ 2,426,387</u>	<u>\$ 59,909</u>	<u>\$ 3,573</u>	<u>\$ 3,670,725</u>

Properties under development

	June 30, 2017	December 31, 2016	June 30, 2016
Balance, beginning of year	\$ 33,442	\$ 2,624	\$ 2,624
Acquisitions	31,252	30,134	24,450
Additions	1,969	684	—
Balance, end of period	<u>\$ 66,663</u>	<u>\$ 33,442</u>	<u>\$ 27,074</u>

On May 4, 2017 Crombie acquired a development property in Langford, British Columbia, from a subsidiary of Empire Company Limited ("Empire"), a related party.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by \$886,564 at June 30, 2017 (June 30, 2016 - \$816,698). 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.

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

	Fair Value	Carrying Value
June 30, 2017	\$ 4,817,000	\$ 3,930,436
December 31, 2016	\$ 4,752,000	\$ 3,907,967
June 30, 2016	\$ 4,697,000	\$ 3,880,302

Carrying value consists of the net carrying value of:

	Note	June 30, 2017	December 31, 2016	June 30, 2016
Income properties	3	\$ 3,664,293	\$ 3,683,278	\$ 3,670,725
Properties under development	3	66,663	33,442	27,074
Accrued straight-line rent receivable	5	66,008	59,225	52,612
Tenant incentives	5	133,472	132,022	129,891
Total carrying value		<u>\$ 3,930,436</u>	<u>\$ 3,907,967</u>	<u>\$ 3,880,302</u>

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:

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	Impact of a 0.25% Change in Capitalization Rate		
	Weighted Average Capitalization Rate	Increase in Rate	Decrease in Rate
June 30, 2017	5.85%	\$ (192,000)	\$ 210,000
December 31, 2016	5.88%	\$ (191,000)	\$ 208,000
June 30, 2016	5.94%	\$ (188,000)	\$ 205,000

Income 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.

2017

Transaction Date	Vendor/ Purchaser	Properties Acquired	Approximate Square Footage	Initial Acquisition Price	Assumed Mortgages
March 16, 2017	Empire	1	50,000	\$ 8,320	\$ —
			50,000	\$ 8,320	\$ —

The acquisition of a retail property on March 16, 2017 was transacted with Empire.

2016

Transaction Date	Vendor/ Purchaser	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 29, 2016	Empire	22	2,090,000	348,386	—
			1,655,000	\$ 332,365	\$ 23,809

The acquisition on June 29, 2016 was transacted with Empire, a related party. This acquisition included 19 retail properties and a 50% interest in three distribution centres.

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

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

	Three months ended June 30,		Six months ended June 30,		Year ended December 31, 2016
	2017	2016	2017	2016	
Income property acquired, net:					
Land	\$ —	\$ 205,535	\$ —	\$ 207,303	\$ 259,796
Buildings	—	267,504	7,859	271,054	312,684
Intangibles	—	16,384	475	16,624	18,285
Fair value debt adjustment on assumed mortgages	—	(1,072)	—	(1,072)	(1,072)
Net purchase price	—	488,351	8,334	493,909	589,693
Assumed mortgages	—	(23,809)	—	(23,809)	(39,902)
	\$ —	\$ 464,542	\$ 8,334	\$ 470,100	\$ 549,791

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Notes to the Interim Condensed Consolidated Financial Statements

(In thousands of CAD dollars)

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(Unaudited)

4) INVESTMENT IN JOINT VENTURES

The following represents Crombie's interest in its equity accounted investments:

	June 30, 2017	December 31, 2016	June 30, 2016
1600 Davie Limited Partnership	50.0%	50.0%	50.0%
140 CPN Holdings Ltd.	50.0%	—	—

140 CPN Holdings Ltd. was incorporated March 3, 2017 and acquired a retail property in Hamilton, Ontario on April 7, 2017. Crombie's share of the operating results are reported as Income from equity accounted investments on the Statement of Comprehensive Income.

1600 Davie Limited Partnership was created on January 19, 2016 and is engaged in the development of a mixed use (retail and residential) property located at Davie Street, Vancouver, BC.

The following table represents 100% of the financial results of the equity accounted entities:

	June 30, 2017	December 31, 2016	June 30, 2016
Non-current assets	\$ 9,438	\$ 1,849	\$ —
Current assets	613	573	—
Non-current liabilities	3,847	—	—
Current liabilities	324	793	—
Net assets	\$ 5,880	\$ 1,629	\$ —
Crombie's investment in joint ventures	\$ 2,940	\$ 815	\$ —

	June 30, 2017	December 31, 2016	June 30, 2016
Revenue	\$ 104	\$ —	\$ —
Operating Expenses	(22)	—	—
General and administrative expenses	(6)	—	—
Finance costs - operations	(22)	—	—
Net income	\$ 54	\$ —	\$ —
Crombie's income from equity accounted investments	\$ 27	\$ —	\$ —

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(Unaudited)

5) OTHER ASSETS

	June 30, 2017			December 31, 2016			June 30, 2016		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	\$ 16,837	\$ —	\$ 16,837	\$ 11,625	\$ —	\$ 11,625	\$ 28,546	\$ —	\$ 28,546
Provision for doubtful accounts	(172)	—	(172)	(127)	—	(127)	(76)	—	(76)
Net trade receivables	16,665	—	16,665	11,498	—	11,498	28,470	—	28,470
Marketable securities	1,235	—	1,235	2,290	—	2,290	2,148	—	2,148
Prepaid expenses and deposits	28,460	—	28,460	12,104	—	12,104	22,431	—	22,431
Fixtures and computer equipment	—	1,596	1,596	—	—	—	—	—	—
Restricted cash	75	—	75	8,675	—	8,675	175	—	175
Accrued straight-line rent receivable	—	66,008	66,008	—	59,225	59,225	—	52,612	52,612
Tenant incentives	—	133,472	133,472	—	132,022	132,022	—	129,891	129,891
Capital expenditure program	—	105	105	—	105	105	—	105	105
Interest rate subsidy	95	345	440	103	392	495	149	440	589
Amount receivable from related party	—	—	—	13,762	—	13,762	13,464	—	13,464
Amount receivable from third parties	—	6,131	6,131	—	5,607	5,607	—	—	—
	\$ 46,530	\$ 207,657	\$ 254,187	\$ 48,432	\$ 197,351	\$ 245,783	\$ 66,837	\$ 183,048	\$ 249,885

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2017	\$ 187,162	\$ 55,140	\$ 132,022
Additions	7,952	—	7,952
Amortization	—	6,502	(6,502)
Balance, June 30, 2017	\$ 195,114	\$ 61,642	\$ 133,472
Balance, January 1, 2016	\$ 107,122	\$ 45,455	\$ 61,667
Additions	73,087	—	73,087
Amortization	—	4,861	(4,861)
Transfer to investment properties held for sale	(3)	(1)	(2)
Balance, June 30, 2016	\$ 180,206	\$ 50,315	\$ 129,891

See Note 18(a) for fair value information.

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6) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2017
Fixed rate mortgages	2.35 - 6.90%	4.34%	5.8 years	\$ 1,783,294
Floating rate revolving credit facility			2.0 years	12,058
Unsecured bilateral credit facility			1.9 years	30,000
Deferred financing charges				(11,524)
				\$ 1,813,828

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2016
Fixed rate mortgages	2.35 - 6.90%	4.46%	5.9 years	\$ 1,655,817
Floating rate revolving credit facility			2.5 years	120,374
Unsecured bilateral credit facility			1.4 years	100,000
Deferred financing charges				(10,714)
				\$ 1,865,477

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2016
Fixed rate mortgages	2.35 - 6.90%	4.57%	6.3 years	\$ 1,518,846
Floating rate revolving credit facility			3.0 years	247,340
Unsecured bilateral credit facility			1.9 years	100,000
Deferred financing charges				(10,139)
				\$ 1,856,047

As at June 30, 2017, debt retirements for the next five years are:

<u>12 Months Ending</u>	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
June 30, 2018	\$ 53,954	\$ 76,272	\$ —	\$ 130,226
June 30, 2019	53,631	13,706	42,058	109,395
June 30, 2020	50,989	282,818	—	333,807
June 30, 2021	46,477	63,173	—	109,650
June 30, 2022	43,296	206,411	—	249,707
Thereafter	118,517	771,092	—	889,609
	\$ 366,864	\$ 1,413,472	\$ 42,058	1,822,394
Deferred financing charges				(11,524)
Unamortized fair value debt adjustment				2,958
				\$ 1,813,828

Specific investment properties with a carrying value of \$3,131,989 as at June 30, 2017 (December 31, 2016 - \$2,974,237; June 30, 2016 - \$2,634,188) 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, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

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Mortgage Activity

For the six months ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
June 30, 2017	New	6	3.43%	8.1	25.0	\$ 192,783
	Repaid	7	4.98%	—	—	(38,806)
						<u>\$ 153,977</u>

For the six months ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
June 30, 2016	New	5	3.12%	5.6	24.7	\$ 39,670
	Assumed	3	4.86%	3.3	19.5	23,809
	Repaid	8	5.17%	—	—	(41,024)
						<u>\$ 22,455</u>

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of \$400,000 (December 31, 2016 - \$400,000; June 30, 2016 - \$400,000) and matures June 30, 2019. Subsequent to quarter end the term was extended to June 30, 2021. 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 (June 30, 2017 – borrowing base of \$400,000). Borrowings under the revolving credit facility can be by way of Prime Rate Advance or Bankers Acceptance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change 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, 2019. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Prime Rate Advance or Bankers Acceptance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS.

See Note 18(a) for fair value information.

7) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	June 30, 2017	December 31, 2016	June 30, 2016
Series A	October 31, 2018	3.986%	\$ 175,000	\$ 175,000	\$ 175,000
Series B	June 1, 2021	3.962%	175,000	100,000	100,000
Series C	February 10, 2020	2.775%	125,000	125,000	125,000
Unamortized Series B issue premium			1,518	240	267
Deferred financing charges			(1,691)	(1,652)	(1,933)
			<u>\$ 474,827</u>	<u>\$ 398,588</u>	<u>\$ 398,334</u>

On March 3, 2017, Crombie issued an additional \$75,000 aggregate principal amount of 3.962% Series B Notes (senior unsecured) (the "Additional Notes") maturing June 1, 2021. The Additional Notes were priced with an effective yield to maturity of 3.48% and sold at a price of \$1,018.84 per \$1,000 principal amount plus accrued interest.

See Note 18(a) for fair value information.

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8) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	June 30, 2017	December 31, 2016	June 30, 2016
Series D (CRR.DB.D)	\$ 20.10	July 4, 2017	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				(1,426)	(2,266)	(2,574)
				\$ 132,974	\$ 132,134	\$ 131,826

On July 4, 2017, Crombie redeemed the 5.00% Series D Convertible Unsecured Subordinated Debentures maturing on September 30, 2019 (the "Debentures") in accordance with the terms of the supplemental trust indenture. Upon redemption, Crombie paid the holders of Debentures \$1,013.01 per \$1,000 principal amount of Debentures, representing the principal amount plus accrued and unpaid interest.

See Note 18(a) for fair value information.

9) INCOME TAXES

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

	June 30, 2017	December 31, 2016	June 30, 2016
Tax liabilities relating to difference in tax and book value	\$ —	\$ 82,486	\$ 84,791
Tax asset relating to non-capital loss carry-forward	—	(7,086)	(8,491)
Deferred tax liability	\$ —	\$ 75,400	\$ 76,300

The tax recovery (expense) consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Taxes - current				
Taxes - operating income earned in corporate subsidiaries	(4)	—	(4)	(23)
Total current taxes	\$ (4)	\$ —	\$ (4)	\$ (23)
Taxes - deferred				
Provision for income taxes at the expected rate	\$ —	\$ (8,402)	\$ (6,067)	\$ (22,033)
Tax effect of income attribution to Crombie's Unitholders	—	8,302	5,067	19,933
Impact of tax reorganization	76,400	—	76,400	—
Total deferred taxes	\$ 76,400	\$ (100)	\$ 75,400	\$ (2,100)

On June 30, 2017, Crombie completed a tax reorganization, as approved by unitholders, resulting in, amongst other structural changes, the winding up of its most significant, wholly-owned corporate subsidiary. Through the tax reorganization, all property within the corporate entity was transferred to a limited partnership resulting in the elimination of Crombie's obligation for deferred income taxes related to this corporate subsidiary. The deferred tax liability of \$76,400 as at March 31, 2017 has been reduced to \$NIL and the decrease has been recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the three months ended June 30, 2017. Professional fees of \$1,059 associated with the tax reorganization have been recorded as general and administrative expenses for the six months ended June 30, 2017 (\$494 for the three months ended June 30, 2017).

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

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10) TRADE AND OTHER PAYABLES

	June 30, 2017			December 31, 2016			June 30, 2016		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	\$ 26,554	\$ —	\$ 26,554	\$ 28,894	\$ —	\$ 28,894	\$ 22,346	\$ —	\$ 22,346
Property operating costs	34,652	—	34,652	29,457	—	29,457	31,241	—	31,241
Prepaid rents	8,090	—	8,090	4,827	—	4,827	5,536	—	5,536
Finance costs on investment property debt, notes and debentures	10,720	—	10,720	10,385	—	10,385	10,039	—	10,039
Distributions payable	11,097	—	11,097	11,007	—	11,007	10,945	—	10,945
Unit based compensation plans	1,318	3,908	5,226	—	3,846	3,846	—	3,376	3,376
Fair value of interest rate swap agreements	(581)	—	(581)	—	—	—	—	—	—
Fair value of embedded derivatives in convertible debentures	—	—	—	—	—	—	—	582	582
Deferred revenue	242	4,614	4,856	118	4,647	4,765	161	4,680	4,841
	\$ 92,092	\$ 8,522	\$ 100,614	\$ 84,688	\$ 8,493	\$ 93,181	\$ 80,268	\$ 8,638	\$ 88,906

Change in fair value of financial instruments:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Deferred Unit ("DU") Plan	\$ (10)	\$ (99)	\$ (47)	\$ (149)
Embedded derivatives in convertible debentures	—	(582)	—	(582)
Marketable securities	11	284	149	300
Total change in fair value of financial instruments	\$ 1	\$ (397)	\$ 102	\$ (431)

11) PROPERTY REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Rental revenue contractually due from tenants	\$ 100,736	\$ 89,998	\$ 202,322	\$ 183,947
Contingent rental revenue	414	378	870	1,101
Straight-line rent recognition	3,389	2,720	6,783	5,444
Tenant incentive amortization	(2,960)	(2,409)	(6,502)	(4,861)
Lease terminations	12	10,344	249	10,344
	\$ 101,591	\$ 101,031	\$ 203,722	\$ 195,975

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

	Three months ended June 30,				Six months ended June 30,			
	2017		2016		2017		2016	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	\$ 56,218	55.3%	\$ 46,263	45.8%	\$ 103,946	51.0%	\$ 82,713	42.2%

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12) 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 June 30, 2017, is as follows:

	Remaining	Year Ending December 31,					Thereafter	Total
	2017	2018	2019	2020	2021			
Future minimum rental income	\$ 139,770	\$ 271,282	\$ 261,011	\$ 250,069	\$ 238,501	\$ 2,216,649	\$ 3,377,282	

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 eight to 73 years including renewal options:

	Remaining	Year Ending December 31,					Thereafter	Total
	2017	2018	2019	2020	2021			
Future minimum lease payments	\$ 1,098	\$ 1,932	\$ 1,946	\$ 2,008	\$ 2,027	\$ 143,147	\$ 152,158	

13) CORPORATE EXPENSES

(a) General and administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Salaries and benefits	\$ 2,870	\$ 2,608	\$ 5,577	\$ 5,504
Professional and public company costs	1,379	829	2,804	1,708
Occupancy and other	911	685	1,775	1,317
	\$ 5,160	\$ 4,122	\$ 10,156	\$ 8,529

(b) Employee benefit expense

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Wages and salaries	\$ 5,652	\$ 5,302	\$ 14,146	\$ 13,767
Post-employment benefits	185	177	391	382
	\$ 5,837	\$ 5,479	\$ 14,537	\$ 14,149

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14) FINANCE COSTS – OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Fixed rate mortgages	\$ 19,967	\$ 17,903	\$ 39,359	\$ 36,090
Floating rate term, revolving and demand facilities	81	678	910	1,285
Senior unsecured notes	4,437	3,723	8,310	7,428
Convertible debentures	2,407	1,876	4,273	3,742
Subscription receipts payment	—	613	—	613
Finance costs - operations	26,892	24,793	52,852	49,158
Amortization of fair value debt adjustment and accretion income	379	251	786	527
Change in accrued finance costs	768	149	(335)	124
Amortization of effective swap agreements	(591)	(612)	(1,188)	(1,230)
Capitalized interest ⁽¹⁾	471	—	767	—
Amortization of issue premium on senior unsecured notes	96	14	135	27
Amortization of deferred financing charges	(1,521)	(768)	(2,468)	(1,596)
Finance costs - operations, paid	\$ 26,494	\$ 23,827	\$ 50,549	\$ 47,010

⁽¹⁾ Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.70% (June 30, 2016 - n/a).

15) 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, 2017	87,737,709	\$ 1,016,285	60,669,944	\$ 698,439	148,407,653	\$ 1,714,724
Net change in EUPP loans receivable	—	44	—	—	—	44
Units issued under DRIP	705,979	9,516	500,680	6,756	1,206,659	16,272
Balance, June 30, 2017	88,443,688	\$ 1,025,845	61,170,624	\$ 705,195	149,614,312	\$ 1,731,040

	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	—	34	—	—	—	34
Units issued under DRIP	437,911	5,858	310,542	4,160	748,453	10,018
Units issued (proceeds are net of issue costs)	8,952,400	125,971	6,353,741	93,140	15,306,141	219,111
Balance, June 30, 2016	87,247,919	\$ 1,009,444	60,322,585	\$ 693,604	147,570,504	\$ 1,703,048

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16) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Items not affecting operating cash:				
Straight-line rent recognition	\$ (3,389)	\$ (2,720)	\$ (6,783)	(5,444)
Amortization of tenant incentives	2,960	2,409	6,502	4,861
Gain on disposal of investment properties	—	(244)	—	(26,504)
Depreciation of investment properties	18,183	16,218	35,954	31,357
Amortization of intangible assets	1,518	1,146	3,369	2,306
Amortization of deferred leasing costs	125	150	299	301
Unit based compensation	8	11	18	24
Amortization of effective swap agreements	591	612	1,188	1,230
Amortization of deferred financing charges	1,521	768	2,468	1,596
Amortization of issue premium on senior unsecured notes	(96)	(14)	(135)	(26)
Non-cash distributions to Unitholders in the form of DRIP Units	8,012	5,241	16,272	10,018
Taxes - deferred	(76,400)	100	(75,400)	2,100
Income tax expense	4	—	4	23
Change in fair value of financial instruments	(1)	397	(102)	431
	\$ (46,964)	\$ 24,074	\$ (16,346)	\$ 22,273

b) Change in other non-cash operating items

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cash provided by (used in):				
Trade receivables	\$ (8,112)	\$ (16,064)	\$ (5,167)	(17,906)
Prepaid expenses and deposits and other assets	(17,077)	(8,817)	(6,985)	(11,983)
Payables and other liabilities	8,532	11,980	10,885	9,636
	\$ (16,657)	\$ (12,901)	\$ (1,267)	\$ (20,253)

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c) Reconciliation between the opening and closing balances for liabilities from financing activities

	Mortgages		Floating rate credit facilities		Senior unsecured notes			Convertible debentures	
	Face value	Deferred financing costs	Face value	Deferred financing costs	Face value	Premium on debt issue	Deferred financing costs	Face value	Deferred financing costs
Balance, beginning of period	\$ 1,655,817	\$ 9,859	\$ 220,374	\$ 855	\$ 400,000	\$ 240	\$ 1,652	\$ 134,400	\$ 2,266
Issue of mortgages	192,783	—	—	—	—	—	—	—	—
Repayment of mortgages	(65,306)	—	—	—	—	—	—	—	—
Repayment of floating credit facilities	—	—	(178,316)	—	—	—	—	—	—
Issue of senior unsecured notes	—	—	—	—	75,000	1,413	—	—	—
Additions to deferred financing costs	—	2,074	—	56	—	—	347	—	—
Total financing cash flow activities	1,783,294	11,933	42,058	911	475,000	1,653	1,999	134,400	2,266
Amortization of issue premium	—	—	—	—	—	(135)	—	—	—
Amortization of deferred financing charges	—	(1,077)	—	(243)	—	—	(308)	—	(840)
Total financing non-cash activities	—	(1,077)	—	(243)	—	(135)	(308)	—	(840)
Balance, end of period	\$ 1,783,294	\$ 10,856	\$ 42,058	\$ 668	\$ 475,000	\$ 1,518	\$ 1,691	\$ 134,400	\$ 1,426

17) RELATED PARTY TRANSACTIONS

As at June 30, 2017, Empire, through its wholly-owned subsidiary 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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Property revenue				
Property revenue	\$ 57,665	\$ 47,726	\$ 106,530	\$ 85,069
Head lease income	\$ 188	\$ 83	\$ 362	\$ 205
Lease termination income	\$ 12	\$ —	\$ 41	\$ —
Property operating expenses	\$ (7)	\$ (20)	\$ (13)	\$ (27)
General and administrative expenses				
Property management services recovered	\$ 169	\$ 279	\$ 319	\$ 570
Other general and administrative expenses	\$ (72)	\$ (50)	\$ (137)	\$ (100)
Finance costs - operations				
Interest on convertible debentures	\$ (299)	\$ (299)	\$ (595)	\$ (598)
Interest rate subsidy	\$ 80	\$ 69	\$ 179	\$ 153
Interest income	\$ —	\$ 178	\$ —	\$ 355
Finance costs - distributions to Unitholders	\$ (13,795)	\$ (12,671)	\$ (27,535)	\$ (24,837)

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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. Revenue generated from the Management Agreement is being recognized in general and administrative expenses.

In addition to the above:

- On May 4, 2017, Crombie acquired a development property in British Columbia for \$31,136 before closing and transaction costs and settled the long-term receivable previously advanced to a subsidiary of Empire as part of the transaction.
- On March 16, 2017, Crombie acquired a retail property in Alberta and assumed the related land lease from Empire including approximately 50,000 square feet of gross leaseable area for \$8,320 before closing and transaction costs.
- During the six months ended June 30, 2017, Crombie issued 500,680 (June 30, 2016 - 310,542) Class B LP Units to ECLD under the DRIP (Note 15).

18) 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 June 30, 2017:

Financial assets	Level	June 30, 2017	December 31, 2016	June 30, 2016
Marketable securities	1	\$ 1,235	\$ —	\$ —
Marketable securities	3	—	2,290	2,148
Total financial assets measured at fair value		<u>\$ 1,235</u>	<u>\$ 2,290</u>	<u>2,148</u>

During the first quarter of 2017, Crombie transferred marketable securities with a fair value of \$2,290 from Level 3 into Level 1. The transfer related to reduced price volatility and increased trading volume of the marketable securities held. There were no other transfers during the six months ended June 30, 2017.

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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:

	June 30, 2017		December 31, 2016		June 30, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables ⁽¹⁾	\$ 6,701	\$ 6,676	\$ 19,999	\$ 19,969	\$ 14,200	\$ 14,158
Total other financial assets	\$ 6,701	\$ 6,676	\$ 19,999	\$ 19,969	\$ 14,200	\$ 14,158
Financial liabilities						
Investment property debt	\$ 1,890,062	\$ 1,825,352	\$ 1,959,091	\$ 1,876,191	\$ 2,016,614	\$ 1,866,186
Senior unsecured notes	477,643	475,000	402,361	400,000	409,790	400,000
Convertible debentures	137,436	134,400	139,147	134,400	139,844	134,400
Total other financial liabilities	\$ 2,505,141	\$ 2,434,752	\$ 2,500,599	\$ 2,410,591	\$ 2,566,248	\$ 2,400,586

⁽¹⁾ Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from third parties.

The fair value of convertible debentures is a Level 1 measurement and the long-term receivables, investment property debt and senior unsecured notes are Level 2.

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 six months ended June 30, 2017. 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.

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

- Crombie's largest tenant, Sobeys, represents 53.0% of annual minimum rent; excluding Sobeys, no other tenant accounts for more than 5.0% of Crombie's minimum rent.
- 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 June 30, 2017, Sobeys represents 51.0% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 9.6% of Crombie's total property revenue.
- Over the next five years, no more than 4.5% of the gross leaseable area of Crombie will expire in any one year.

There have been no significant changes to Crombie's credit risk since December 31, 2016.

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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.

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:

	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 June 30, 2017	\$ 21	\$ (21)
Three months ended June 30, 2016	\$ 198	\$ (198)
Six months ended June 30, 2017	\$ 128	\$ (128)
Six months ended June 30, 2016	\$ 320	\$ (320)

There have been no significant changes to Crombie's interest rate risk since December 31, 2016.

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 June 30,						
Contractual Cash Flows⁽¹⁾	2018	2019	2020	2021	2022	Thereafter	
Fixed rate mortgages ⁽²⁾	\$ 2,161,299	\$ 204,508	\$ 136,625	\$ 394,597	\$ 158,526	\$ 292,911	\$ 974,132
Senior unsecured notes	520,514	17,379	187,728	134,053	181,354	—	—
Convertible debentures	149,073	63,931	3,906	3,906	77,330	—	—
	2,830,886	285,818	328,259	532,556	417,210	292,911	974,132
Floating rate debt	44,187	1,115	43,072	—	—	—	—
Total	\$ 2,875,073	\$ 286,933	\$ 371,331	\$ 532,556	\$ 417,210	\$ 292,911	\$ 974,132

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

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

There have been no significant changes to Crombie's liquidity risk since December 31, 2016.

19) 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:

	June 30, 2017	December 31, 2016	June 30, 2016
Investment property debt	\$ 1,813,828	\$ 1,865,477	\$ 1,856,047
Senior unsecured notes	474,827	398,588	398,334
Convertible debentures	132,974	132,134	131,826
Crombie REIT Unitholders	873,700	834,203	833,039
SVU and Class B LP Unitholders	583,615	555,943	554,842
	\$ 3,878,944	\$ 3,786,345	\$ 3,774,088

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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:

	June 30, 2017	December 31, 2016	June 30, 2016
Fixed rate mortgages	\$ 1,783,294	\$ 1,655,817	\$ 1,518,846
Senior unsecured notes	475,000	400,000	400,000
Convertible debentures	134,400	134,400	134,400
Revolving credit facility	12,058	120,374	247,340
Bilateral credit facility	30,000	100,000	100,000
Total debt outstanding	2,434,752	2,410,591	2,400,586
Less: Applicable fair value debt adjustment	(1,273)	(1,452)	(1,567)
Debt	\$ 2,433,479	\$ 2,409,139	\$ 2,399,019
Income properties, cost	\$ 4,153,178	\$ 4,132,541	\$ 4,083,342
Properties under development, cost	66,663	33,442	27,074
Below-market lease component, cost ⁽¹⁾	85,950	85,946	87,827
Investment in joint ventures	2,940	815	—
Other assets, cost (see below)	315,829	300,923	300,200
Deferred financing charges	14,641	14,631	14,646
Interest rate subsidy	(1,273)	(1,452)	(1,567)
Fair value adjustment to deferred taxes	—	(34,120)	(34,299)
Gross book value	\$ 4,637,928	\$ 4,532,726	\$ 4,477,223
Debt to gross book value	52.5%	53.1%	53.6%

⁽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:

	June 30, 2017	December 31, 2016	June 30, 2016
Other assets per Note 5	\$ 254,187	\$ 245,783	\$ 249,885
Add:			
Tenant incentive accumulated amortization	61,642	55,140	50,315
Other assets, cost	\$ 315,829	\$ 300,923	\$ 300,200

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;

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- 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 June 30, 2017, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

20) 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 obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at June 30, 2017, Crombie has a total of \$5,327 in outstanding letters of credit related to:

	June 30,	
	2017	2016
Construction work being performed on investment properties	\$ 2,327	\$ 1,691
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	3,000	—
Total outstanding letters of credit	\$ 5,327	\$ 1,691

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 eight to 73 years including renewal options. For the three and six months ended June 30, 2017, Crombie paid \$476 and \$778 respectively in land lease payments to third party landlords (three and six months ended June 30, 2016 - \$355 and \$710). Crombie's commitments under the land leases are disclosed in Note 12.

As at June 30, 2017, Crombie had signed construction contracts totalling \$72,998 of which \$47,171 has been paid.

21) SUBSEQUENT EVENTS

- (a) On July 4, 2017, Crombie redeemed the \$60,000, 5.00% Series D Convertible Unsecured Subordinated Debentures.
- (b) On July 6, 2017, Crombie acquired a 100% occupied, 61,000 square foot grocery anchored retail plaza located at 1215-1255 McCowan Road, Toronto, Ontario. The property was acquired from a third party vendor for a purchase price of \$42,000, excluding closing and transaction costs. The site includes 4.5 acres of land and has potential for high density redevelopment.
- (c) On July 19, 2017, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2017 to and including, July 31, 2017. The distributions will be paid on August 15, 2017, to Unitholders of record as of July 31, 2017.

22) 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.