CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
March 31, 2018

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

	Note	**March 31, 2018**	December 31, 2017	March 31, 2017
Assets				
Non-current assets				
Investment properties	3	**$ 3,792,854**	$ 3,826,961	$ 3,711,438
Investment in joint ventures	4	**2,711**	2,602	1,339
Other assets	5	**231,199**	225,908	203,867
		4,026,764	4,055,471	3,916,644
Current assets				
Other assets	5	**22,865**	31,383	35,647
Total Assets		**4,049,629**	4,086,854	3,952,291
Liabilities				
Non-current liabilities				
Fixed rate mortgages	6	**1,632,895**	1,632,431	1,611,692
Credit facilities	6	**61,161**	53,168	51,766
Senior unsecured notes	7	**449,308**	449,320	474,820
Convertible debentures	8	**73,259**	73,164	132,288
Deferred taxes	9	**—**	—	76,400
Employee future benefits obligation		**8,915**	8,849	8,177
Trade and other payables	10	**9,377**	9,558	8,008
		2,234,915	2,226,490	2,363,151
Current liabilities				
Fixed rate mortgages	6	**74,875**	118,665	115,364
Senior unsecured notes	7	**175,000**	175,000	—
Employee future benefits obligation		**282**	282	282
Trade and other payables	10	**108,963**	109,162	89,483
		359,120	403,109	205,129
Total liabilities excluding net assets attributable to Unitholders		**2,594,035**	2,629,599	2,568,280
Net assets attributable to Unitholders		**$ 1,455,594**	$ 1,457,255	$ 1,384,011
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		**$ 872,341**	$ 873,478	$ 830,483
Special Voting Units and Class B Limited Partnership Unitholders		**583,253**	583,777	553,528
		$ 1,455,594	$ 1,457,255	$ 1,384,011
Commitments and contingencies	20			
Subsequent events	21			

See accompanying notes to the interim condensed consolidated financial statements.

(in thousands of CAD dollars)

		Three months ended	
	Note	**March 31, 2018**	March 31, 2017
Property revenue	11	**$ 105,705**	$ 102,131
Property operating expenses		**32,904**	31,395
Net property income		**72,801**	70,736
Gain on disposal of investment properties	3	**11,841**	—
Depreciation of investment properties	3	**(26,208)**	(17,771)
Amortization of intangible assets	3	**(1,627)**	(1,851)
Amortization of deferred leasing costs	3	**(187)**	(174)
Depreciation of fixtures and computer equipment	5	**(10)**	—
General and administrative expenses	13	**(4,491)**	(4,996)
Finance costs - operations	14	**(26,709)**	(25,960)
Income from equity accounted investments	4	**35**	—
Operating income before taxes		**25,445**	19,984
Taxes - deferred	9	**—**	(1,000)
Operating income attributable to Unitholders		**25,445**	18,984
Finance costs - other			
Distributions to Unitholders		**(33,606)**	(33,115)
Change in fair value of financial instruments	13	**295**	101
		(33,311)	(33,014)
Increase (decrease) in net assets attributable to Unitholders		**(7,866)**	(14,030)
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		**575**	597
Net change in derivatives designated as cash flow hedges		**624**	(988)
Other comprehensive income		**1,199**	(391)
Comprehensive income		**$ (6,667)**	$ (14,421)

See accompanying notes to the interim condensed consolidated financial statements.

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

	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 15)					
Balance, January 1, 2018	**$ 1,746,139**	**$ (285,388)**	**$ (3,496)**	**$ 1,457,255**	**$ 873,478**	**$ 583,777**
Adjustments related to EUPP	**15**	**7**	**—**	**22**	**22**	**—**
Statements of comprehensive income (loss)	**—**	**(7,866)**	**1,199**	**(6,667)**	**(4,073)**	**(2,594)**
Units issued under Distribution Reinvestment Plan ("DRIP")	**4,984**	**—**	**—**	**4,984**	**2,914**	**2,070**
Balance, March 31, 2018	**$ 1,751,138**	**$ (293,247)**	**$ (2,297)**	**$ 1,455,594**	**$ 872,341**	**$ 583,253**

(In thousands of CAD dollars)	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 15)					
Balance, January 1, 2017	$ 1,714,724	$ (316,003)	$ (8,575)	$ 1,390,146	$ 834,203	$ 555,943
Adjustments related to EUPP	16	10	—	26	26	—
Statements of comprehensive income (loss)	—	(14,030)	(391)	(14,421)	(8,577)	(5,844)
Units issued under DRIP	8,260	—	—	8,260	4,831	3,429
Balance, March 31, 2017	$ 1,723,000	$ (330,023)	$ (8,966)	$ 1,384,011	$ 830,483	$ 553,528

See accompanying notes to the interim condensed consolidated financial statements.

(In thousands of CAD dollars)

	Note	Three months ended March 31, 2018	Three months ended March 31, 2017
Cash flows provided by (used in)			
Operating Activities			
Increase (decrease) in net assets attributable to Unitholders		**$ (7,866)**	$ (14,030)
Items not affecting operating cash	16	**23,184**	30,618
Change in other non-cash operating items	16	**10,494**	15,390
Cash provided by (used in) operating activities		**25,812**	31,978
Financing Activities			
Issue of mortgages		**—**	112,783
Deferred financing charges - investment property debt		**(135)**	(1,308)
Repayment of mortgages		**(43,790)**	(29,769)
Advance (repayment) of floating rate credit facilities		**7,993**	(168,608)
Issue of senior unsecured notes		**—**	76,413
Deferred financing charges - senior unsecured notes		**(118)**	(288)
Redemption of convertible debentures		**—**	—
Amortization of fair value debt adjustment		**(145)**	(300)
Recognition of interest rate subsidy		**(76)**	(100)
Repayment of EUPP loans receivable		**15**	16
Collection of (advances on) long-term receivables		**23**	31
Cash provided by (used in) financing activities		**(36,233)**	(11,130)
Investing Activities			
Acquisition of investment properties and intangible assets		**—**	(8,334)
Additions to investment properties		**(23,002)**	(7,241)
Proceeds on disposal of investment properties		**41,225**	—
Acquisition of interest in joint ventures		**(109)**	—
Additions to fixtures and computer equipment		**(964)**	(365)
Proceeds on disposal of marketable securities		**1,252**	—
Additions to tenant incentives		**(7,715)**	(4,676)
Additions to deferred leasing costs		**(266)**	(232)
Cash provided by (used in) investing activities		**10,421**	(20,848)
Net change in cash and cash equivalents		**—**	—
Cash and cash equivalents, beginning of period		**—**	—
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 three months ended March 31, 2018 and March 31, 2017 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 three months ended March 31, 2018 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on May 9, 2018.

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, 2017.

(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 either recognized as an Increase (decrease) in net assets attributable to Unitholders ("FVTPL" classification) or fair value through other comprehensive income ("FVOCI" classification).

(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 March 31, 2018. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of March 31, 2018.

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.

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) Application of new IFRS

(i) **IFRS 9 - Financial Instruments**

IFRS 9 Financial Instruments: Classification and Measurement(“IFRS 9”) issued on July 24, 2014, is the International Accounting Standard Board’s (IASB’s) replacement of IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). The Standard includes requirements for classification and measurement of financial instruments, impairment, derecognition and general hedge accounting, and introduces a forward-looking expected loss impairment model. Crombie adopted the standard on January 1, 2018. The adoption of this standard has not had a material impact on Crombie’s financial statements.

Financial assets are classified and measured based on the business model used for management of them and the contractual cash flow characteristics of each financial asset. The classification categories for financial assets under IAS 39 are replaced in IFRS 9 with categories that reflect measurement; amortized cost, FVOCI and FVTPL. The IFRS 9 requirements for the classification and measurement of financial liabilities are substantially unchanged from IAS 39. IFRS 9 requires that when a financial liability measured at amortized cost is modified or exchanged, and such a modification or exchange does not result in derecognition, the adjustment to the amortized cost will be recognized in operating income at that time.

The following table summarizes the classification and measurement changes for each class of Crombie’s financial assets and financial liabilities upon adoption at January 1, 2018:

	IAS 39		IFRS 9	
Financial Asset/Liability	Category	Measurement	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Trade receivables	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Restricted cash	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Long-term receivables	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Marketable securities	FVTPL	Fair value	FVTPL	Fair value
Derivative financial assets and liabilities	FVTPL	Fair value	FVTPL	Fair value
Accounts payable and other liabilities (excluding convertible debentures embedded derivatives and interest rate swaps)	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Investment property debt	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Convertible debentures (excluding embedded derivatives)	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Senior unsecured notes	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost

Crombie has adopted the new general hedge accounting model in IFRS 9. The adoption of IFRS 9 did not result in any changes in the eligibility of existing hedge relationships, the accounting for derivative financial instruments designated as effective hedging instruments or the line items in which they are included in the statement of financial position. In accordance with the transitional provisions of IFRS 9, changes to hedge accounting policies have been applied prospectively.

At each reporting date, Crombie assesses whether there is objective evidence that a financial asset carried at amortized cost is impaired. If such evidence exists, Crombie recognizes an impairment loss, as the difference between the carrying value of the instrument and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate or a discount rate based on the risk associated with the financial asset being tested. The carrying amount of the asset is reduced by this amount through a charge to the statement of comprehensive income.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

(ii) **IFRS 15 - Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers”, 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. The new standard excludes contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. Crombie adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2017. The implementation of IFRS 15 did not have a significant impact on the timing or amount of revenue recognized by Crombie in any year. The presentation of Crombie’s property revenue disclosed in Note 11 has been modified to disclose amounts from revenue from contracts with customers separately from operating lease revenue.

(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 not planning to early adopt this standard and expects to complete the assessment of the impact of IFRS 16 on Crombie's consolidated financial statements in time for reporting for the period ending September 30, 2018.

(In thousands of CAD dollars)

3) INVESTMENT PROPERTIES

	March 31, 2018	December 31, 2017	March 31, 2017
Income properties	**$ 3,715,631**	$ 3,751,262	$ 3,677,532
Properties under development	**77,223**	75,699	33,906
	$ 3,792,854	$ 3,826,961	$ 3,711,438

Income properties

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2018	**$ 1,208,424**	**$ 2,942,538**	**$ 120,650**	**$ 8,821**	**$ 4,280,433**
Additions	**218**	**13,987**	**—**	**750**	**14,955**
Dispositions	**(7,237)**	**(25,400)**	**(2,131)**	**(35)**	**(34,803)**
Balance, March 31, 2018	**1,201,405**	**2,931,125**	**118,519**	**9,536**	**4,260,585**
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2018	**2,357**	**458,973**	**63,056**	**4,785**	**529,171**
Depreciation and amortization	**—**	**26,208**	**1,627**	**187**	**28,022**
Dispositions	**—**	**(10,187)**	**(2,032)**	**(20)**	**(12,239)**
Balance, March 31, 2018	**2,357**	**474,994**	**62,651**	**4,952**	**544,954**
Net carrying value, March 31, 2018	**$ 1,199,048**	**$ 2,456,131**	**$ 55,868**	**$ 4,584**	**$ 3,715,631**

During the three months ended March 31, 2018, Crombie commenced redevelopment of two properties which included partial demolition of the existing structures. As a result, accelerated depreciation of $8,444 related to the buildings was recognized.

	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	20,981	93,298	6,832	—	121,111
Additions	1,966	39,219	—	1,021	42,206
Dispositions	(4,522)	(10,172)	(731)	—	(15,425)
Balance, December 31, 2017	1,208,424	2,942,538	120,650	8,821	4,280,433
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2017	2,357	385,731	57,098	4,077	449,263
Depreciation and amortization	—	74,845	6,654	708	82,207
Dispositions	—	(1,603)	(696)	—	(2,299)
Balance, December 31, 2017	2,357	458,973	63,056	4,785	529,171
Net carrying value, December 31, 2017	$ 1,206,067	$ 2,483,565	$ 57,594	$ 4,036	$ 3,751,262

(In thousands of CAD dollars)

	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	50	5,307	—	359	$ 5,716
Balance, March 31, 2017	1,190,049	2,833,359	115,024	8,159	4,146,591
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2017	2,357	385,731	57,098	4,077	449,263
Depreciation and amortization	—	17,771	1,851	174	19,796
Balance, March 31, 2017	2,357	403,502	58,949	4,251	469,059
Net carrying value, March 31, 2017	$ 1,187,692	$ 2,429,857	$ 56,075	$ 3,908	$ 3,677,532

Properties under development

	Land	**Buildings**	**Deferred Leasing Costs**	**Total**
Opening balance, January 1, 2018	**$ 68,725**	**$ 6,858**	**$ 116**	**$ 75,699**
Acquisitions	**—**	**—**	**—**	**—**
Additions	**678**	**6,512**	**114**	**7,304**
Dispositions	**(5,780)**	**—**	**—**	**(5,780)**
Balance, March 31, 2018	**$ 63,623**	**$ 13,370**	**$ 230**	**$ 77,223**

On March 6th, 2018 Crombie disposed of 1.47 hectares of residential lands adjacent to a commercial development project in Langford, British Columbia. The transaction was completed with a third party.

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2017	$ 33,442	$ —	$ —	$ 33,442
Acquisitions	31,252	—	—	31,252
Additions	4,031	6,858	116	11,005
Balance, December 31, 2017	$ 68,725	$ 6,858	$ 116	$ 75,699

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

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2017	$ 33,442	$ —	$ —	$ 33,442
Additions	464	—	—	464
Balance, March 31, 2017	$ 33,906	$ —	$ —	$ 33,906

(In thousands of CAD dollars)

Fair value

Crombie's total fair value of investment properties exceeds carrying value by $929,551 at March 31, 2018 (March 31, 2017 - $858,141). 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
March 31, 2018	**$**	**4,943,000**	**$**	**4,013,449**
December 31, 2017	$	4,944,000	$	4,043,196
March 31, 2017	$	4,767,000	$	3,908,859

Carrying value consists of the net carrying value of:

	Note		March 31, 2018		December 31, 2017		March 31, 2017
Income properties	3	**$**	**3,715,631**	$	3,751,262	$	3,677,532
Properties under development	3		**77,223**		75,699		33,906
Accrued straight-line rent receivable	5		**75,246**		72,743		62,619
Tenant incentives	5		**145,349**		143,492		134,802
Total carrying value		**$**	**4,013,449**	$	4,043,196	$	3,908,859

Crombie has utilized the following weighted average capitalization rates on its income properties. Related to the growth in properties under development, Crombie now reports the weighted average capitalization rate excluding the value of properties under development with the comparative rates adjusted to reflect this change. Crombie has determined that an increase (decrease) in this applied capitalization rate of 0.25% would result in an increase (decrease) in the fair value of the investment properties as follows:

		Impact of a 0.25% Change in Capitalization Rate			
	Weighted Average Capitalization Rate		Increase in Rate		Decrease in Rate
March 31, 2018	**5.92%**	**$**	**(198,000)**	**$**	**216,000**
December 31, 2017	5.93%	$	(198,000)	$	217,000
March 31, 2017	5.96%	$	(191,000)	$	209,000

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.

2018

Transaction Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage		Initial Acquisition (Disposition) Price		Assumed Mortgages
February 5, 2018	Third party	(1)	(92,000)	$	(15,000)	$	—
February 20, 2018	Third party	(1)	(103,000)		(20,627)		—
			(195,000)	**$**	**(35,627)**	**$**	**—**

The dispositions on February 5, 2018 and February 20, 2018 were completed with third parties. The properties disposed had a total fair value of $26,215 at December 31, 2017.

(In thousands of CAD dollars)

2017

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

The acquisition on March 16, 2017 was transacted with Empire, a related party.

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		Year ended
Income property acquired, net:	**March 31, 2018**	March 31, 2017	December 31, 2017
Land	**$ —**	$ —	$ 20,981
Buildings	**—**	7,859	93,298
Intangibles	**—**	475	6,832
Fair value debt adjustment on assumed mortgages	**—**	—	(436)
Net purchase price	**—**	8,334	120,675
Assumed mortgages	**—**	—	(18,397)
	$ —	$ 8,334	$ 102,278

	Three months ended March 31,	
Investment property disposed:	**2018**	2017
Gross proceeds	**$ 41,352**	$ —
Selling costs	**(127)**	—
	41,225	—
Carrying values derecognized		
Land	**(13,017)**	—
Buildings	**(15,213)**	—
Intangibles	**(99)**	—
Deferred leasing costs	**(15)**	—
Tenant Incentives	**(616)**	—
Accrued straight-line rent	**(381)**	—
Provisions	**(43)**	—
Gain on disposal	**$ 11,841**	$ —

4) INVESTMENT IN JOINT VENTURES

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

	March 31, 2018	December 31, 2017	March 31, 2017
1600 Davie Limited Partnership	**50.0%**	50.0%	50.0%
140 CPN Limited	**50.0%**	50.0%	—

(In thousands of CAD dollars)

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

	March 31, 2018	December 31, 2017	March 31, 2017
Non-current assets	**$ 22,294**	$ 18,743	$ 2,672
Current assets	**17,765**	16,782	354
Non-current liabilities	**32,219**	26,982	—
Current liabilities	**2,418**	3,339	348
Net assets	**$ 5,422**	$ 5,204	$ 2,678
Crombie's investment in joint ventures	**$ 2,711**	$ 2,602	$ 1,339

	Three months ended March 31,	
	2018	2017
Revenue	**$ 142**	$ —
Property operating expenses	**(66)**	—
General and administrative expenses	**12**	—
Depreciation of investment properties	**(14)**	—
Finance costs - operations	**(4)**	—
Net income	**$ 70**	$ —
Crombie's income from equity accounted investments	**$ 35**	$ —

5) OTHER ASSETS

	March 31, 2018			December 31, 2017			March 31, 2017		
	Current	**Non-current**	**Total**	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	**$ 8,964**	**$ —**	**$ 8,964**	$ 8,741	$ —	$ 8,741	$ 8,705	$ —	$ 8,705
Provision for doubtful accounts	**(191)**	**—**	**(191)**	(194)	—	(194)	(152)	—	(152)
Net trade receivables	**8,773**	**—**	**8,773**	8,547	—	8,547	8,553	—	8,553
Marketable securities	**—**	**—**	**—**	1,285	—	1,285	2,428	—	2,428
Prepaid expenses and deposits	**10,094**	**—**	**10,094**	18,177	—	18,177	10,734	—	10,734
Fixtures and computer equipment [(1)]	**—**	**4,094**	**4,094**	—	3,140	3,140	—	365	365
Restricted cash	**75**	**—**	**75**	75	—	75	75	—	75
Accrued straight-line rent receivable	**—**	**75,246**	**75,246**	—	72,743	72,743	—	62,619	62,619
Tenant incentives	**—**	**145,349**	**145,349**	—	143,492	143,492	—	134,802	134,802
Capital expenditure program	**—**	**105**	**105**	—	105	105	—	105	105
Interest rate subsidy	**95**	**274**	**369**	95	297	392	95	369	464
Fair value of interest rate swap agreements	**3,828**	**—**	**3,828**	3,204	—	3,204	—	—	—
Amount receivable from related party	**—**	**—**	**—**	—	—	—	13,762	—	13,762
Amount receivable from third parties	**—**	**6,131**	**6,131**	—	6,131	6,131	—	5,607	5,607
	$ 22,865	**$ 231,199**	**$ 254,064**	$ 31,383	$ 225,908	$ 257,291	$ 35,647	$ 203,867	$ 239,514

(1) For the three months ended March 31, 2018, depreciation of fixtures and computer equipment was $10 (December 31, 2017 - nil; March 31, 2017 - nil).

(In thousands of CAD dollars)

Tenant Incentives		**Cost**		**Accumulated Amortization**		**Net Carrying Value**
Balance, January 1, 2018	**$**	**211,394**	**$**	**67,902**	**$**	**143,492**
Additions		**6,095**		**—**		**6,095**
Amortization		**—**		**3,622**		**(3,622)**
Disposition		**(1,324)**		**(708)**		**(616)**
Balance, March 31, 2018	**$**	**216,165**	**$**	**70,816**	**$**	**145,349**
Balance, January 1, 2017	$	187,162	$	55,140	$	132,022
Additions		6,322		—		6,322
Amortization		—		3,542		(3,542)
Balance, March 31, 2017	$	193,484	$	58,682	$	134,802

See Note 18(a) for fair value information.

6) INVESTMENT PROPERTY DEBT

	Range	**Weighted Average Interest Rate**	**Weighted Average Term to Maturity**		**March 31, 2018**		December 31, 2017		March 31, 2017
Fixed rate mortgages	**2.35 - 6.90%**	**4.31%**	**5.3 years**	**$**	**1,718,804**	$	1,762,815	$	1,738,431
Floating rate revolving credit facility			**3.3 years**		**11,161**		8,168		31,766
Unsecured bilateral credit facility			**1.1 years**		**50,000**		45,000		20,000
Deferred financing charges					**(11,034)**		(11,719)		(11,375)
				$	**1,768,931**	$	1,804,264	$	1,778,822
Mortgages									
Non-current				**$**	**1,632,895**	$	1,632,431	$	1,611,692
Current					**74,875**		118,665		115,364
Credit facilities									
Non-current					**61,161**		53,168		51,766
Current					**—**		—		—
				$	**1,768,931**	$	1,804,264	$	1,778,822

As at March 31, 2018, mortgage retirements on a calendar year basis are:

	Weighted average interest rates on maturing mortgages		**Principal payments**		**Maturities**		**Total**
Remainder of 2018	4.65%	$	40,144	$	34,731	$	74,875
December 31, 2019	4.47%		54,579		126,978		181,557
December 31, 2020	4.95%		47,994		225,241		273,235
December 31, 2021	3.91%		46,382		89,182		135,564
December 31, 2022	3.94%		39,883		200,884		240,767
Thereafter	4.25%		107,044		703,152		810,196
		$	336,026	$	1,380,168		1,716,194
Deferred financing charges							(11,034)
Unamortized fair value debt adjustment							2,610
						$	**1,707,770**

(In thousands of CAD dollars)

Specific investment properties with a carrying value of $3,088,244 as at March 31, 2018 (December 31, 2017 - $3,145,224; March 31, 2017 - $3,083,476) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

Mortgage Activity

			Weighted Average			
For the three months ended:	**Type**	**Number of Mortgages**	**Rates**	**Terms in Years**	**Amortization Period in Years**	**Proceeds (Repayments)**
March 31, 2018	Repaid	6	5.38%	—	—	$ (29,910)
						$ (29,910)

			Weighted Average			
For the three months ended:	Type	Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
March 31, 2017	New	5	3.40%	6.9	25.0	$ 112,783
	Repaid	3	4.64%	—		(17,085)
						$ 95,698

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $400,000 (December 31, 2017 - $400,000; March 31, 2017 - $400,000) and matures 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 (March 31, 2018 – borrowing base of $393,150). Borrowings under the revolving credit facility can be by way of Bankers Acceptance or Prime Rate Advance 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 Bankers Acceptance or Prime Rate Advance 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	**March 31, 2018**	December 31, 2017	March 31, 2017
Series A	October 31, 2018	3.986%	**$ 175,000**	$ 175,000	$ 175,000
Series B	June 1, 2021	3.962%	**175,000**	175,000	175,000
Series C	February 10, 2020	2.775%	**125,000**	125,000	125,000
Series D	November 21, 2022	4.066%	**150,000**	150,000	—
Unamortized Series B issue premium			**1,228**	1,323	1,614
Deferred financing charges			**(1,920)**	(2,003)	(1,794)
			$ 624,308	$ 624,320	$ 474,820

(In thousands of CAD dollars)

12 Months Ending	Series A	Series B	Series C	Series D	Total
March 31, 2019	$ 175,000	$ —	$ —	$ —	$ 175,000
March 31, 2020	—	—	—	—	—
March 31, 2021	—	—	125,000	—	125,000
March 31, 2022	—	175,000	—	—	175,000
March 31, 2023	—	—	—	150,000	150,000
	$ 175,000	$ 175,000	$ 125,000	$ 150,000	625,000
Unamortized Series B issue premium					1,228
Deferred financing charges					(1,920)
					$ 624,308

In December 2017, Crombie entered into a $175,000 delayed draw unsecured non-revolving credit facility with two Canadian Schedule 1 financial institutions. The facility is dedicated to the refinancing of the $175,000 of Series A Unsecured Notes maturing October 31, 2018 and has an outside maturity date of October 31, 2020.

See Note 18(a) for fair value information.

8) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	March 31, 2018	December 31, 2017	March 31, 2017
Series D	$ 20.10	July 4, 2017	5.00%	**$ —**	$ —	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	**74,400**	74,400	74,400
Deferred financing charges				**(1,141)**	(1,236)	(2,112)
				$ 73,259	$ 73,164	$ 132,288

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:

	March 31, 2018	December 31, 2017	March 31, 2017
Tax liabilities relating to difference in tax and book value	**$ —**	$ —	$ 82,724
Tax asset relating to non-capital loss carry-forward	**—**	—	(6,324)
Deferred tax liability	**$ —**	$ —	$ 76,400

The tax recovery (expense) consists of the following:

	Three months ended March 31,	
	2018	2017
Taxes - deferred		
Provision for income taxes at the expected rate	**$ —**	$ (6,067)
Tax effect of income attribution to Crombie's Unitholders	**—**	5,067
Total deferred taxes	**$ —**	$ (1,000)

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.

(In thousands of CAD dollars)

10) TRADE AND OTHER PAYABLES

	March 31, 2018			December 31, 2017			March 31, 2017		
	Current	**Non-current**	**Total**	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	**$ 36,889**	**$ —**	**$ 36,889**	$ 40,317	$ —	$ 40,317	$ 29,402	$ —	$ 29,402
Property operating costs	**36,106**	**—**	**36,106**	38,300	—	38,300	28,382	—	28,382
Prepaid rents	**7,446**	**—**	**7,446**	7,205	—	7,205	6,715	—	6,715
Finance costs on investment property debt, notes and debentures	**15,576**	**—**	**15,576**	10,629	—	10,629	11,488	—	11,488
Distributions payable	**11,211**	**—**	**11,211**	11,182	—	11,182	11,054	—	11,054
Unit based compensation plans	**1,545**	**4,814**	**6,359**	1,351	4,978	6,329	1,212	3,378	4,590
Fair value of embedded derivatives in convertible debentures	**—**	**—**	**—**	—	—	—	988	—	988
Deferred revenue	**190**	**4,563**	**4,753**	178	4,580	4,758	242	4,630	4,872
	$ 108,963	**$ 9,377**	**$ 118,340**	$ 109,162	$ 9,558	$ 118,720	$ 89,483	$ 8,008	$ 97,491

11) PROPERTY REVENUE

	Three months ended March 31,	
	2018	2017
Operating lease revenue		
Rental revenue contractually due from tenants [(1)]	**$ 91,912**	$ 88,517
Contingent rental revenue	**452**	456
Straight-line rent recognition	**2,886**	3,394
Tenant incentive amortization	**(3,622)**	(3,542)
Lease termination income	**175**	237
Revenue from Contracts with Customers		
Common area cost recoveries	**12,982**	12,141
Parking revenue	**920**	928
	$ 105,705	$ 102,131

[(1)] Includes reimbursement of Crombie's property tax expense.

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

	Three months ended March 31,			
	2018		2017	
	Revenue	**Percentage**	Revenue	Percentage
Sobeys Inc.	**$ 49,292**	46.6%	$ 47,728	46.3%

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 March 31, 2018, is as follows:

	Remaining	Year Ending December 31,					
	2018	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Future minimum rental income	$ 218,617	$ 279,767	$ 269,299	$ 256,288	$ 243,314	$ 2,065,823	$ 3,333,108

(In thousands of CAD dollars)

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 seven to 72 years including renewal options:

	Remaining	Year Ending December 31,					
	2018	2019	2020	2021	2022	Thereafter	Total
Future minimum lease payments	$ 1,444	$ 1,939	$ 2,001	$ 2,021	$ 2,058	$ 140,857	$ 150,320

13) CORPORATE EXPENSES AND CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) General and administrative expenses

	Three months ended March 31,	
	2018	2017
Salaries and benefits	**$ 2,994**	$ 2,767
Professional and public company costs	**776**	1,365
Occupancy and other	**721**	864
	$ 4,491	$ 4,996

(b) Employee benefit expense

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

	Three months ended March 31,	
	2018	2017
Wages and salaries	**$ 8,725**	$ 8,494
Post-employment benefits	**232**	206
	$ 8,957	$ 8,700

(c) Change in fair value of financial instruments

	Three months ended March 31,	
	2018	2017
Deferred Unit ("DU") Plan	**$ 295**	$ (37)
Marketable securities	**—**	138
Total change in fair value of financial instruments	**$ 295**	$ 101

(In thousands of CAD dollars)

14) FINANCE COSTS – OPERATIONS

	Three months ended March 31,	
	2018	2017
Fixed rate mortgages	**$ 19,933**	$ 19,392
Floating rate term, revolving and demand facilities	**735**	1,125
Capitalized interest	**(904)**	(296)
Senior unsecured notes	**5,880**	3,873
Convertible debentures	**1,065**	1,866
Finance costs - operations, expense	**26,709**	25,960
Amortization of fair value debt adjustment and accretion income	**229**	407
Change in accrued finance costs	**(4,947)**	(1,103)
Amortization of effective swap agreements	**(575)**	(597)
Capitalized interest (1)	**904**	296
Amortization of issue premium on senior unsecured notes	**95**	39
Amortization of deferred financing charges	**(1,116)**	(947)
Finance costs - operations, paid	**$ 21,299**	$ 24,055

(1) For the three months ended March 31, 2018, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.45% (March 31, 2017 - 3.58%).

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, 2018	**89,115,328**	**$ 1,034,683**	**61,646,953**	**$ 711,456**	**150,762,281**	**$ 1,746,139**
Net change in EUPP loans receivable	**—**	**15**	**—**	**—**	**—**	**15**
Units issued under DRIP	**229,207**	**2,914**	**162,554**	**2,070**	**391,761**	**4,984**
Balance, March 31, 2018	**89,344,535**	**$ 1,037,612**	**61,809,507**	**$ 713,526**	**151,154,042**	**$ 1,751,138**

	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	—	16	—	—	—	16
Units issued under DRIP	368,977	4,831	261,679	3,429	630,656	8,260
Balance, March 31, 2017	88,106,686	$ 1,021,132	60,931,623	$ 701,868	149,038,309	$ 1,723,000

(In thousands of CAD dollars)

16) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended March 31, 2018	2017
Items not affecting operating cash:		
Straight-line rent recognition	$ (2,886)	$ (3,394)
Amortization of tenant incentives	3,622	3,542
Gain on disposal of investment properties	(11,841)	—
Depreciation of investment properties	26,208	17,771
Amortization of intangible assets	1,627	1,851
Amortization of deferred leasing costs	187	174
Depreciation of fixtures and computer equipment	10	—
Unit based compensation	7	10
Amortization of effective swap agreements	575	597
Amortization of deferred financing charges	1,116	947
Amortization of issue premium on senior unsecured notes	(95)	(39)
Income from equity accounted investments	(35)	—
Non-cash distributions to Unitholders in the form of DRIP Units	4,984	8,260
Taxes - deferred	—	1,000
Change in fair value of financial instruments	(295)	(101)
	$ 23,184	$ 30,618

b) Change in other non-cash operating items

	Three months ended March 31, 2018	2017
Cash provided by (used in):		
Trade receivables	$ (226)	$ 2,945
Prepaid expenses and deposits and other assets	8,107	10,092
Payables and other liabilities	2,613	2,353
	$ 10,494	$ 15,390

(In thousands of CAD dollars)

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, January 1, 2018	$ 1,762,815	$ 10,288	$ 53,168	$ 1,431	$ 625,000	$ 1,323	$ 2,003	$ 74,400	$ 1,236
Issue of mortgages	—	—	—	—	—	—	—	—	—
Repayment of mortgages	(43,790)	—	—	—	—	—	—	—	—
Issue of floating credit facilities	—	—	7,993	—	—	—	—	—	—
Issue of senior unsecured notes	—	—	—	—	—	—	—	—	—
Redemption of convertible debentures	—	—	—	—	—	—	—		—
Additions to deferred financing costs	—	135	—	—	—	—	118	—	—
Total financing cash flow activities	1,719,025	10,423	61,161	1,431	625,000	1,323	2,121	74,400	1,236
Amortization of issue premium	—	—	—	—	—	(95)	—	—	—
Amortization of deferred financing charges	—	(678)	—	(142)	—	—	(201)	—	(95)
Amortization of fair value debt adjustment	(145)	—	—	—	—	—	—	—	—
Recognition of interest rate subsidy	(76)	—	—	—	—	—	—	—	—
Total financing non-cash activities	(221)	(678)	—	(142)	—	(95)	(201)	—	(95)
Balance, March 31, 2018	$ 1,718,804	$ 9,745	$ 61,161	$ 1,289	$ 625,000	$ 1,228	$ 1,920	$ 74,400	$ 1,141

	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, January 1, 2017	$ 1,655,817	$ 9,859	$ 220,374	$ 855	$ 400,000	$ 240	$ 1,652	$ 134,400	$ 2,266
Issue of mortgages	112,783	—	—	—	—	—	—	—	—
Repayment of mortgages	(29,769)	—	—	—	—	—	—	—	—
Repayment of floating credit facilities	—	—	(168,608)	—	—	—	—	—	—
Issue of senior unsecured notes	—	—	—	—	75,000	1,413	—	—	—
Additions to deferred financing costs	—	1,281	—	27	—	—	288	—	—
Total financing cash flow activities	1,738,831	11,140	51,766	882	475,000	1,653	1,940	134,400	2,266
Amortization of issue premium	—	—	—	—	—	(39)	—	—	—
Amortization of deferred financing charges	—	(526)	—	(121)	—	—	(146)	—	(154)
Amortization of fair value debt adjustment	(300)	—	—	—	—	—	—	—	—
Recognition of interest rate subsidy	(100)	—	—	—	—	—	—	—	—
Total financing non-cash activities	(400)	(526)	—	(121)	—	(39)	(146)	—	(154)
Balance, March 31, 2017	$ 1,738,431	$ 10,614	$ 51,766	$ 761	$ 475,000	$ 1,614	$ 1,794	$ 134,400	$ 2,112

(In thousands of CAD dollars)

17) RELATED PARTY TRANSACTIONS

As at March 31, 2018, 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 March 31,	
	2018	2017
Property revenue		
Property revenue	**$ 50,564**	$ 48,865
Head lease income	**$ 179**	$ 174
Lease termination income	**$ —**	$ 29
Property operating expenses	**$ (5)**	$ (6)
General and administrative expenses		
Property management services recovered	**$ 157**	$ 149
Other general and administrative expenses	**$ (58)**	$ (65)
Finance costs - operations		
Interest on convertible debentures	**$ —**	$ (295)
Interest rate subsidy	**$ 76**	$ 99
Finance costs - distributions to Unitholders	**$ (13,944)**	$ (13,740)

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:

During the three months ended March 31, 2018, Crombie issued 162,554 (March 31, 2017 - 261,679) 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.

(In thousands of CAD dollars)

The following table provides information on financial assets and liabilities measured at fair value as at March 31, 2018:

Financial assets	Level	**March 31, 2018**	December 31, 2017	March 31, 2017
Marketable securities	**1**	**$ —**	$ 1,285	$ 2,428
Total financial assets measured at fair value		**$ —**	$ 1,285	$ 2,428

There were no transfers between levels of the fair value hierarchy during the period ended March 31, 2018. During the three months ended March 31, 2018, Crombie sold the marketable securities.

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:

	March 31, 2018		December 31, 2017		March 31, 2017	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables[(1)]	**$ 6,614**	**$ 6,605**	$ 6,642	$ 6,628	$ 19,970	$ 19,938
Total other financial assets	**$ 6,614**	**$ 6,605**	$ 6,642	$ 6,628	$ 19,970	$ 19,938
Financial liabilities						
Investment property debt	**$ 1,830,557**	**$ 1,779,965**	$ 1,846,029	$ 1,815,983	$ 1,876,212	$ 1,790,197
Senior unsecured notes	**627,062**	**625,000**	627,120	625,000	480,563	475,000
Convertible debentures	**76,446**	**74,400**	76,818	74,400	140,820	134,400
Total other financial liabilities	**$ 2,534,065**	**$ 2,479,365**	$ 2,549,967	$ 2,515,383	$ 2,497,595	$ 2,399,597

(1) Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from related party and 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 three months ended March 31, 2018. 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 thousands of CAD dollars)

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

- Crombie's largest tenant, Sobeys, represents 53.9% of annual minimum rent; excluding Sobeys, no other tenant accounts for more than 5.2% 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 March 31, 2018, Sobeys represents 46.6% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 4.6% of Crombie's total property revenue.
- Over the next five years, no more than 4.8% 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, 2017.

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 and unsecured bilateral credit facility	Decrease in rate	Increase in rate
Three months ended March 31, 2018	**$ 46**	**$ (46)**
Three months ended March 31, 2017	$ 107	$ (107)

There have been no significant changes to Crombie’s interest rate risk since December 31, 2017.

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 March 31,					
	Contractual Cash Flows(1)	2019	2020	2021	2022	2023	Thereafter
Fixed rate mortgages(2)	$ 2,046,853	$ 161,258	$ 401,406	$ 174,882	$ 267,778	$ 228,761	$ 812,768
Senior unsecured notes	687,520	197,315	141,019	13,033	182,255	153,898	—
Convertible debentures	86,118	3,906	3,906	78,306	—	—	—
	2,820,491	362,479	546,331	266,221	450,033	382,659	812,768
Floating rate credit facilities	64,208	2,027	50,569	361	11,251	—	—
Total	$ 2,884,699	$ 364,506	$ 596,900	$ 266,582	$ 461,284	$ 382,659	$ 812,768

(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, 2017.

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.

(In thousands of CAD dollars)

Crombie's capital structure consists of the following:

	March 31, 2018	December 31, 2017	March 31, 2017
Fixed rate mortgages	**$ 1,707,770**	$ 1,751,096	$ 1,727,056
Credit facilities	**61,161**	53,168	51,766
Senior unsecured notes	**624,308**	624,320	474,820
Convertible debentures	**73,259**	73,164	132,288
Crombie REIT Unitholders	**872,341**	873,478	830,483
SVU and Class B LP Unitholders	**583,253**	583,777	553,528
	$ 3,922,092	$ 3,959,003	$ 3,769,941

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:

	March 31, 2018	December 31, 2017	March 31, 2017
Fixed rate mortgages	**$ 1,718,804**	$ 1,762,815	$ 1,738,431
Senior unsecured notes	**625,000**	625,000	475,000
Convertible debentures	**74,400**	74,400	134,400
Revolving credit facility	**11,161**	8,168	31,766
Bilateral credit facility	**50,000**	45,000	20,000
Total debt outstanding	**2,479,365**	2,515,383	2,399,597
Less: Applicable fair value debt adjustment	**(1,040)**	(1,117)	(1,352)
Debt	**$ 2,478,325**	$ 2,514,266	$ 2,398,245
Income properties, cost	**$ 4,260,585**	$ 4,280,433	$ 4,146,591
Properties under development, cost	**77,223**	75,699	33,906
Below-market lease component, cost [(1)]	**86,124**	86,885	85,950
Investment in joint ventures	**2,711**	2,602	1,339
Other assets, cost (see below)	**324,880**	325,193	298,196
Deferred financing charges	**14,095**	14,958	15,281
Interest rate subsidy	**(1,040)**	(1,117)	(1,352)
Fair value adjustment to deferred taxes	**—**	—	(34,120)
Gross book value	**$ 4,764,578**	$ 4,784,653	$ 4,545,791
Debt to gross book value - cost basis	**52.0%**	52.5%	52.8%

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

(In thousands of CAD dollars)

Other assets are calculated as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Other assets per Note 5	**$ 254,064**	$ 257,291	$ 239,514
Add:			
Tenant incentive accumulated amortization	**70,816**	67,902	58,682
Other assets, cost	**$ 324,880**	$ 325,193	$ 298,196

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized net operating income for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized net operating income on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;
- access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and,
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at March 31, 2018, 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 in excess of existing accruals 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 March 31, 2018, Crombie has a total of $8,719 in outstanding letters of credit related to:

	March 31, 2018	March 31, 2017
Construction work being performed on investment properties	**$ 3,879**	$ 2,027
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	**4,840**	3,000
Total outstanding letters of credit	**$ 8,719**	$ 5,027

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 seven to 72 years including renewal options. For the three months ended March 31, 2018, Crombie paid $469 in land lease payments to third party landlords (three months ended March 31, 2017 - $302). Crombie's commitments under the land leases are disclosed in Note 12.

As at March 31, 2018, Crombie had signed construction contracts totalling $125,483 of which $74,894 has been paid.

21) SUBSEQUENT EVENTS

(a) On April 6, 2018, Crombie acquired nine retail properties and two additions to existing retail properties from Sobeys, a related party. The properties, totalling 421,000 square feet, were acquired for $88,110, excluding closing and transaction costs.

(b) On April 11, 2018, Crombie announced that it had entered into two joint venture partnerships with an affiliate of Place Dorée and Groupe Canvar ("PrinceDev"). As a result of the partnerships, Crombie became 50% partner in the new Le Duke mixed use development at 297 Rue Duke in Montreal, Quebec and PrinceDev became a 50% partner in Crombie's Oakville, Ontario Bronte Village mixed use development.

(c) On April 19, 2018, Crombie declared distributions of 7.417 cents per Unit for the period from April 1, 2018 to and including, April 30, 2018. The distributions will be paid on May 15, 2018, to Unitholders of record as of April 30, 2018.

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.