CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
June 30, 2019

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

	Note	June 30, 2019	December 31, 2018
Assets			
Non-current assets			
Investment properties	3	$ 3,429,304	$ 3,759,643
Investment in joint ventures	4	41,913	39,485
Other assets	5	241,437	248,818
		3,712,654	4,047,946
Current assets			
Other assets	5	33,347	23,128
Investment properties held for sale	6	169,209	—
		202,556	23,128
Total Assets		3,915,210	4,071,074
Liabilities			
Non-current liabilities			
Fixed rate mortgages	7	1,287,541	1,421,062
Credit facilities	7	86,555	178,843
Senior unsecured notes	8	573,873	698,716
Lease liabilities		28,766	—
Employee future benefits obligation		8,956	8,824
Trade and other payables		14,629	11,488
		2,000,320	2,318,933
Current liabilities			
Fixed rate mortgages	7	208,653	180,522
Senior unsecured notes	8	125,000	—
Employee future benefits obligation		296	296
Trade and other payables		122,590	128,483
		456,539	309,301
Total liabilities excluding net assets attributable to Unitholders		2,456,859	2,628,234
Net assets attributable to Unitholders		$ 1,458,351	$ 1,442,840
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		$ 873,348	$ 864,779
Special Voting Units and Class B Limited Partnership Unitholders		585,003	578,061
		$ 1,458,351	$ 1,442,840
Commitments, contingencies and guarantees	18		
Subsequent events	19		

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands of CAD dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2019**	2018	**2019**	2018
Property revenue	9	**$ 99,332**	$ 104,143	**$ 204,572**	$ 209,848
Property operating expenses		**28,222**	29,925	**60,588**	62,829
Net property income		**71,110**	74,218	**143,984**	147,019
Gain on disposal of investment properties	3	**16,661**	33,502	**43,290**	45,343
Impairment of investment properties		**—**	(8,000)	**—**	(8,000)
Depreciation and amortization	3,5	**(18,140)**	(19,719)	**(38,058)**	(47,751)
General and administrative expenses	11	**(5,970)**	(4,626)	**(11,754)**	(9,117)
Finance costs - operations	12	**(24,335)**	(26,381)	**(50,002)**	(53,090)
Income from equity accounted investments	4	**123**	39	**217**	74
Operating income attributable to Unitholders		**39,449**	49,033	**87,677**	74,478
Finance costs - other					
Distributions to Unitholders		**(33,744)**	(33,688)	**(67,480)**	(67,294)
Change in fair value of financial instruments	11	**(332)**	(50)	**(1,003)**	245
		(34,076)	(33,738)	**(68,483)**	(67,049)
Increase in net assets attributable to Unitholders		**5,373**	15,295	**19,194**	7,429
Other comprehensive income					
Items that will be subsequently reclassified to Increase in net assets attributable to Unitholders:					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**544**	568	**1,095**	1,143
Net change in derivatives designated as cash flow hedges		**(1,516)**	294	**(3,837)**	918
Other comprehensive (loss) income		**(972)**	862	**(2,742)**	2,061
Comprehensive income		**$ 4,401**	$ 16,157	**$ 16,452**	$ 9,490

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 (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 13)					
Balance, January 1, 2019, as previously reported	$ 1,756,458	$ (312,287)	$ (1,331)	$ 1,442,840	$ 864,779	$ 578,061
Adjustments related to adoption of IFRS 16 [1]	—	(2,505)	—	(2,505)	(1,501)	(1,004)
Adjustments related to EUPP	338	6	—	344	344	—
Statements of comprehensive income (loss)	—	19,194	(2,742)	16,452	9,016	7,436
Units issued under Distribution Reinvestment Plan ("DRIP")	1,220	—	—	1,220	710	510
Balance, June 30, 2019	$ 1,758,016	$ (295,592)	$ (4,073)	$ 1,458,351	$ 873,348	$ 585,003

(1) See IFRS 16 transition note (note 2(e))

	REIT Units, Special Voting Units and Class B LP Units	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 13)					
Balance, January 1, 2018	$ 1,746,139	$ (285,388)	$ (3,496)	$ 1,457,255	$ 873,478	$ 583,777
Adjustments related to EUPP	30	11	—	41	41	—
Statements of comprehensive income	—	7,429	2,061	9,490	5,335	4,155
Units issued under DRIP	8,613	—	—	8,613	5,036	3,577
Units Issued under unit based compensation plan	158	—	—	158	158	—
Balance, June 30, 2018	$ 1,754,940	$ (277,948)	$ (1,435)	$ 1,475,557	$ 884,048	$ 591,509

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flows provided by (used in)					
Operating Activities					
Increase in net assets attributable to Unitholders		$ 5,373	$ 15,295	$ 19,194	$ 7,429
Items not affecting operating cash	14	3,785	(610)	174	22,574
Change in other non-cash operating items		(27,361)	(22,963)	(16,586)	(12,469)
Cash (used in) provided by operating activities		(18,203)	(8,278)	2,782	17,534
Financing Activities					
Issue of mortgages		—	—	25,288	—
Financing - other		(763)	(295)	(1,410)	(769)
Repayment of mortgages		(26,624)	(47,927)	(57,721)	(91,717)
Advance (repayment) of floating rate credit facilities		(68,279)	71,261	(99,135)	79,254
Advance (repayment) of joint operation credit facilities		6,848	—	6,848	—
Collection of EUPP loans receivable		155	15	338	30
Payments of lease liabilities		(161)	—	(324)	—
Collection of (advances on) long-term receivables		(273)	(111)	(1,472)	(88)
Cash (used in) provided by financing activities		(89,097)	22,943	(127,588)	(13,290)
Investing Activities					
Acquisition of investment properties and intangible assets		—	(104,795)	(32,439)	(104,795)
Additions to investment properties		(21,080)	(17,109)	(38,963)	(40,377)
Proceeds on disposal of investment properties	3	139,718	110,752	213,499	151,977
Acquisition of interest in joint ventures		—	(4)	—	(113)
Distributions from (contributions to) joint ventures		17	—	(2,216)	—
Additions to other assets		(11,355)	(3,509)	(15,075)	(12,188)
Proceeds on disposal of marketable securities		—	—	—	1,252
Cash provided by (used in) investing activities		107,300	(14,665)	124,806	(4,244)
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 and six months ended June 30, 2019 and June 30, 2018 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 and six months ended June 30, 2019 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on August 7, 2019.

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, 2018.

(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) Leases

Crombie adopted IFRS 16 "Leases" on January 1, 2019. Refer to note 2(e) for impact of the adoption.

Crombie as lessor

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

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

Crombie as lessee

Crombie leases include land, office, equipment and vehicle leases. Crombie assesses whether a contract is or contains a lease at the inception of the contract.

Leases are recognized as a right of use asset with a corresponding liability at the date at which the leased asset is available for use by Crombie, except for short-term leases of 12 months or less or low value leases which are expensed in the consolidated income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease; or if not determinable, the lessee's incremental borrowing rate, specific to the term of the lease. Lease payments can include fixed payments; variable payments based on an index or a rate known at the commencement date; and extension option payments or purchase options, if Crombie is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related right of use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

(In thousands of CAD dollars)

At inception of the lease, the right of use asset is measured at cost, comprising initial lease liability, initial direct costs and any future restoration or refurbishment costs, less any incentives granted by the lessors. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term of the underlying asset on a straight-line basis. The right of use asset is subject to testing for impairment if there is an indicator for impairment.

Right of use assets are included in Investment Property and Other Assets and the lease liability is presented separately.

Prior to adoption of IFRS 16, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were recognized in income on a straight-line basis over the period of the lease.

(e) Application of new IFRS

(i) IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. A lessee is required to recognize a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. Lessor accounting remains largely unchanged with the distinction between operating and finance leases retained and no adjustments were required, except for where Crombie has sub-leases. Under IFRS 16, Crombie reassessed the classifications of a sub-lease contract previously classified as operating leases under IAS 17. Certain land sub-leases were reassessed as finance leases under IFRS 16 and accordingly, a finance lease receivable of $8,801 was recognized on January 1, 2019, included in other assets.

Crombie adopted the standard on January 1, 2019 using the modified retrospective approach, and accordingly, has not restated comparatives for the 2018 reporting period. The reclassifications and the adjustments arising from the new standard are recognized in the opening consolidated balance sheet on January 1, 2019.

Crombie elected to retain the previous determination of whether a contract is a lease for existing contracts. On initial application, Crombie used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous;
- Accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- Exclusion of low-value asset leases;
- Exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of IFRS 16, Crombie recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, consisting primarily of land and vehicle leases. These liabilities were measured at the present value of the remaining lease payments, discounted using Crombie's incremental borrowing rate as of January 1, 2019.

The following table presents the reconciliation of lease liabilities as of January 1, 2019:

Minimum lease payments under operating leases as of December 31, 2018	$	150,550
Effect from discounting at the incremental borrowing rate as of January 1, 2019		(120,810)
Lease liabilities recognized at January 1, 2019	$	29,740

The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.28%.

The associated right of use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial acquisition.

(In thousands of CAD dollars)

The recognized right of use assets as of January 1, 2019 relate to the following:

Land	$	16,812
Office		232
Fleet		1,390
Total right of use assets	$	18,434

The change in accounting policy affected the following items on the consolidated balance sheet on January 1, 2019:

		December 31, 2018 as reported		Impact of IFRS 16 adoption		January 1, 2019
Investment properties	$	3,759,643	$	16,812	$	3,776,455
Other assets	$	271,946	$	10,422	$	282,368
Lease liabilities	$	—	$	29,740	$	29,740
Net assets attributable to Unitholders represented by:						
Crombie REIT unitholders	$	864,779	$	(1,501)	$	863,278
Special Voting Units and Class B Limited Partnership Unitholders	$	578,061	$	(1,004)	$	577,057

3) INVESTMENT PROPERTIES

		June 30, 2019		December 31, 2018
Income properties	$	3,344,765	$	3,693,464
Properties under development		84,539		66,179
	$	3,429,304	$	3,759,643

Income properties

June 30, 2019		Land		Buildings		Intangibles		Deferred Leasing Costs		Total
Cost										
Opening balance, January 1, 2019	$	1,176,745	$	2,968,216	$	121,181	$	7,010	$	4,273,152
Impact of adoption of IFRS 16 (note 2(e))		16,812		—		—		—		16,812
Additions		2,479		28,151		—		718		31,348
Dispositions		(57,089)		(185,248)		(7,847)		(34)		(250,218)
Transfer to investment properties held for sale (note 6)		(54,693)		(124,993)		(4,159)		—		(183,845)
Reclassification from properties under development		5,943		12,851		—		122		18,916
Balance, June 30, 2019		1,090,197		2,698,977		109,175		7,816		3,906,165
Accumulated depreciation and amortization and impairment										
Opening balance, January 1, 2019		2,357		509,304		65,777		2,250		579,688
Depreciation and amortization		158		33,906		3,027		397		37,488
Dispositions		(4)		(30,421)		(3,309)		(9)		(33,743)
Transfer to investment properties held for sale (note 6)		—		(20,412)		(1,621)		—		(22,033)
Balance, June 30, 2019		2,511		492,377		63,874		2,638		561,400
Net carrying value, June 30, 2019	$	1,087,686	$	2,206,600	$	45,301	$	5,178	$	3,344,765

Included in land are right of use assets of $16,567 net of accumulated depreciation of $158 for land held under lease.

(In thousands of CAD dollars)

Properties under development

		Land		Buildings		Deferred Leasing Costs		Total
Opening balance, January 1, 2019	$	49,967	$	16,095	$	117	$	66,179
Acquisitions[1]		32,439		—		—		32,439
Additions		1,785		6,705		20		8,510
Dispositions		(3,673)		—		—		(3,673)
Reclassification to income producing properties		(5,943)		(12,851)		(122)		(18,916)
Balance, June 30, 2019	$	74,575	$	9,949	$	15	$	84,539

(1) During the quarter ended March 31, 2019, Crombie acquired a 20.25 acre site located in Pointe-Claire, Quebec for total costs of $32,439.

Fair value

Crombie's total fair value of investment properties exceeds carrying value by $793,721 at June 30, 2019 (December 31, 2018 - $797,088). 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, 2019	$	4,592,000	$	3,798,279
December 31, 2018	$	4,776,000	$	3,978,912

Carrying value consists of the net carrying value of:

	Note		June 30, 2019		December 31, 2018
Income properties	3	$	3,344,765	$	3,693,464
Properties under development	3		84,539		66,179
Accrued straight-line rent receivable	5		81,798		81,689
Tenant incentives	5		117,968		137,580
Investment properties held for sale	6		169,209		—
Total carrying value		$	3,798,279	$	3,978,912

As at June 30, 2019, all properties have been subjected to external, independent appraisal over the past four years.

Crombie has utilized the following weighted average capitalization rates on its income properties. Related to the growth in properties under development, Crombie 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
June 30, 2019	6.08%	$	(177,000)	$	193,000
December 31, 2018	6.10%	$	(186,000)	$	203,000

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.

(In thousands of CAD dollars)

June 30, 2019

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price
January 29, 2019	Third Party	(1)	(114,000)	$ (35,180)
February 5, 2019 (1)	Third Party	(7)	(148,000)	(41,614)
February 8, 2019	Third Party	(1)	(50,000)	(19,925)
February 14, 2019	Third Party	(1)	(19,000)	(9,675)
April 24, 2019 (2)	Third Party	(26)	(785,000)	(161,589)
April 29, 2019	Third Party	(1)	(39,000)	(21,500)
			(1,155,000)	**$ (289,483)**

(1) Disposal of 50% interest in seven retail properties to a third party

(2) Disposal of an 89% interest in 26 retail properties to a third party

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

	Three months ended June 30,		Six months ended June 30,	
Investment property disposed:	**2019**	2018	**2019**	2018
Gross proceeds	**$ 186,364**	$ 153,013	**$ 293,579**	$ 194,365
Selling costs	**(5,089)**	(3,290)	**(6,250)**	(3,417)
	181,275	149,723	**287,329**	190,948
Carrying values derecognized				
Land	**(39,300)**	(36,636)	**(60,758)**	(49,653)
Buildings	**(99,885)**	(72,413)	**(154,827)**	(87,626)
Intangibles	**(3,354)**	(1,395)	**(4,538)**	(1,494)
Deferred leasing costs	**(9)**	(215)	**(25)**	(230)
Tenant Incentives	**(17,434)**	(4,178)	**(17,938)**	(4,794)
Accrued straight-line rent	**(4,206)**	(1,228)	**(5,405)**	(1,609)
Provisions	**(426)**	(156)	**(548)**	(199)
Gain on disposal	**$ 16,661**	$ 33,502	**$ 43,290**	$ 45,343

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Proceeds	**$ 181,275**	$ 149,723	**$ 287,329**	$ 190,948
Mortgages assumed by buyer	**(41,557)**	(38,971)	**(73,830)**	(38,971)
Cash proceeds	**$ 139,718**	$ 110,752	**$ 213,499**	$ 151,977

(In thousands of CAD dollars)

4) INVESTMENT IN JOINT VENTURES

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

	June 30, 2019	December 31, 2018
1600 Davie Limited Partnership	50.0%	50.0%
140 CPN Limited	50.0%	50.0%
Bronte Village Limited Partnership	50.0%	50.0%
The Duke Limited Partnership	50.0%	50.0%

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

	June 30, 2019	December 31, 2018
Non-current assets	$ 201,932	$ 112,581
Current assets	28,695	30,043
Non-current liabilities	(140,677)	(68,166)
Current liabilities	(21,670)	(10,125)
Net assets	$ 68,280	$ 64,333
Crombie's investment in joint ventures	$ 41,913	$ 39,485

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue	$ 386	$ 190	$ 728	$ 332
Property operating expenses	(88)	(53)	(188)	(119)
General and administrative expenses	—	(32)	(2)	(20)
Depreciation of investment properties	(41)	(16)	(82)	(30)
Finance costs - operations	(11)	(12)	(23)	(16)
Net income	$ 246	$ 77	$ 433	$ 147
Crombie's income from equity accounted investments	$ 123	$ 39	$ 217	$ 74

(In thousands of CAD dollars)

5) OTHER ASSETS

	June 30, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Net trade receivables	$ 6,430	$ —	$ 6,430	$ 8,337	$ —	$ 8,337
Prepaid expenses and deposits	27,488	—	27,488	11,857	—	11,857
Fair value of interest rate swap agreements	(997)	—	(997)	2,840	—	2,840
Other fixed assets [(1)] [(2)]	—	10,097	10,097	—	7,761	7,761
Finance lease receivable	332	8,314	8,646	—	—	—
Accrued straight-line rent receivable	—	81,798	81,798	—	81,689	81,689
Tenant incentives	—	117,968	117,968	—	137,580	137,580
Capital expenditure program	—	105	105	—	105	105
Interest rate subsidy	94	156	250	94	203	297
Amounts receivable from related parties	—	22,999	22,999	—	21,480	21,480
	$ 33,347	$ 241,437	$ 274,784	$ 23,128	$ 248,818	$ 271,946

(1) For the six months ended June 30, 2019, depreciation of other fixed assets was $570 (December 31, 2018 - $42).
(2) Other fixed assets includes right of use assets of $1,470 (December 31, 2018 - $nil) net of accumulated depreciation of $282 relating to office and vehicle leases.

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2019	$ 204,250	$ 66,670	$ 137,580
Additions	12,749	—	12,749
Amortization	—	7,026	(7,026)
Disposition	(19,915)	(1,977)	(17,938)
Transfer to investment properties held for sale	(8,644)	(1,247)	(7,397)
Balance, June 30, 2019	$ 188,440	$ 70,472	$ 117,968

See Note 16(a) for fair value information.

6) INVESTMENT PROPERTIES HELD FOR SALE

	Land	Buildings	Intangibles	Tenant Incentives	Total
Assets transferred to held for sale	$ 54,693	$ 104,581	$ 2,538	$ 7,397	$ 169,209
Net carrying value, June 30, 2019	$ 54,693	$ 104,581	$ 2,538	$ 7,397	$ 169,209

Crombie has determined that 17 of its investment properties meet the criteria for classification as held for sale as at June 30, 2019 based on the current status of the sales process. Included in the above is 89% of the carrying value of 16 properties that Crombie has agreed to sell to a third party.

Prior to the classification as held for sale, the properties were assessed for impairment, which, at that time, is the amount by which the carrying amount exceeds its recoverable amount, if any. No depreciation or amortization will be recorded while the properties are classified as held for sale. Crombie expects to complete the sale of the properties during the next 12 months.

(In thousands of CAD dollars)

7) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2019	December 31, 2018
Fixed rate mortgages	2.35 - 6.90%	4.28%	4.2 years	$ 1,504,095	$ 1,610,640
Floating rate revolving credit facility			3.0 years	55,707	108,843
Joint operation credit facility			4.8 years	6,848	—
Unsecured bilateral credit facility			1.9 years	24,000	70,000
Deferred financing charges				(7,901)	(9,056)
				$ 1,582,749	$ 1,780,427
Mortgages					
Non-current				$ 1,287,541	$ 1,421,062
Current				208,653	180,522
Credit facilities					
Non-current				86,555	178,843
Current				—	—
				$ 1,582,749	$ 1,780,427

Specific investment properties with a carrying value of $2,875,249 as at June 30, 2019 (December 31, 2018 - $3,002,822) 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. Debt associated with the investment properties held for sale and that which will be assumed by the purchaser as part of the sale of the investment properties has been presented as current as the amounts owing will be settled or transferred within the next twelve months.

Mortgage Activity

			Weighted Average			
For the six months ended:	Type	Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
June 30, 2019	New	6	3.61%	5.0	25.0	$ 25,288
	Repaid	10	4.52%			(60,456)
	Disposition [1]	11	4.35%			(44,531)
						$ (79,699)

[1] Represents disposition of interests in mortgages related to partial dispositions of a portfolio of properties.

Joint Operation Credit Facilities

In conjunction with the 89% sale of a portfolio of assets in Q2 2019, Crombie and its co-owner entered into a credit agreement with a Canadian Chartered Bank for a $62,250 term loan facility and a $5,050 revolving credit facility. Both facilities are secured and have a term of five years maturing on April 25, 2024. Borrowings under both facilities 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. Concurrent with entering into these facilities, Crombie and its co-owner entered into a fixed for floating interest rate swap effectively fixing the interest rate on both facilities at 3.58%. At the end of Q2 2019, the term loan was fully drawn. As an 11% co-owner, Crombie's portion of this facility is $6,848 for the term loan.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility agreement was renewed for an additional year in the second quarter of 2019. The unsecured bilateral credit facility has a maximum principal amount of $100,000 and matures May 14, 2021. 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 16(a) for fair value information.

(In thousands of CAD dollars)

8) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	June 30, 2019	December 31, 2018
Series B	June 1, 2021	3.962%	$ 250,000	$ 250,000
Series C	February 10, 2020	2.775%	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	150,000
Series E	January 31, 2025	4.800%	175,000	175,000
Unamortized Series B issue premium			850	1,068
Deferred financing charges			(1,977)	(2,352)
			$ 698,873	$ 698,716

See Note 16(a) for fair value information.

9) PROPERTY REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Operating lease revenue				
Rental revenue contractually due from tenants [(1)]	$ 86,525	$ 89,402	$ 175,842	$ 180,766
Other operating lease revenue	165	515	204	406
Revenue from contracts with customers				
Common area cost recoveries	11,302	12,777	25,831	25,759
Parking revenue	1,340	1,449	2,695	2,917
	$ 99,332	$ 104,143	$ 204,572	$ 209,848

[(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 June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
Sobeys Inc. (including all subsidiaries of Empire)	$ 57,235	57.6%	$ 59,425	57.1%	$ 109,465	53.5%	$ 109,989	52.4%

10) 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, 2019, is as follows:

	Remaining	Year Ending December 31,					
	2019	2020	2021	2022	2023	Thereafter	Total
Future minimum rental income	$ 133,534	$ 260,175	$ 248,143	$ 236,944	$ 225,431	$ 1,785,873	$ 2,890,100

(In thousands of CAD dollars)

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

(a) General and administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 3,952**	$ 3,044	**$ 8,025**	$ 6,038
Professional and public company costs	**883**	883	**1,733**	1,659
Occupancy and other	**1,135**	699	**1,996**	1,420
	$ 5,970	$ 4,626	**$ 11,754**	$ 9,117

(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,	
	2019	2018	**2019**	2018
Wages and salaries	**$ 6,631**	$ 6,039	**$ 16,899**	$ 14,764
Post-employment benefits	**222**	206	**464**	438
	$ 6,853	$ 6,245	**$ 17,363**	$ 15,202

(c) Change in fair value of financial instruments

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Deferred Unit ("DU") Plan	**$ (332)**	$ (50)	**$ (1,003)**	$ 245

(In thousands of CAD dollars)

12) FINANCE COSTS - OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Fixed rate mortgages	**$ 17,071**	$ 18,708	**$ 34,996**	$ 38,641
Floating rate term, revolving and demand facilities	**1,106**	1,547	**2,451**	2,282
Capitalized interest	**(1,178)**	(963)	**(2,195)**	(1,867)
Senior unsecured notes	**7,077**	6,021	**14,027**	11,901
Convertible debentures	**—**	1,068	**—**	2,133
Interest income on finance lease receivable	**(202)**	—	**(202)**	—
Interest on lease liability	**461**	—	**925**	—
Finance costs - operations, expense	**24,335**	26,381	**50,002**	53,090
Amortization of fair value debt adjustment and accretion income	**132**	205	**292**	434
Change in accrued finance costs	**233**	5,495	**4,658**	548
Amortization of effective swap agreements	**(544)**	(568)	**(1,095)**	(1,143)
Capitalized interest (1)	**1,178**	963	**2,195**	1,867
Amortization of issue premium on senior unsecured notes	**110**	96	**219**	191
Amortization of deferred financing charges	**(913)**	(1,093)	**(1,825)**	(2,209)
Finance costs - operations, paid	**$ 24,531**	$ 31,479	**$ 54,446**	$ 52,778

(1) For the three months ended June 30 2019, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.65% (June 30, 2018 - 3.59%).

13) 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, 2019	**89,597,604**	**$ 1,040,804**	**61,980,011**	**$ 715,654**	**151,577,615**	**$ 1,756,458**
Net change in EUPP loans receivable	**—**	**338**	**—**	**—**	**—**	**338**
Units issued under DRIP	**51,221**	**710**	**36,321**	**510**	**87,542**	**1,220**
Balance, June 30, 2019	**89,648,825**	**$ 1,041,852**	**62,016,332**	**$ 716,164**	**151,665,157**	**$ 1,758,016**

	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	—	30	—	—	—	30
Units issued under DRIP	402,858	5,036	285,697	3,577	688,555	8,613
Units issued under unit based compensation plan	12,627	158	—	—	12,627	158
Balance, June 30, 2018	89,530,813	$ 1,039,907	61,932,650	$ 715,033	151,463,463	$ 1,754,940

(In thousands of CAD dollars)

14) SUPPLEMENTARY CASH FLOW INFORMATION

Items not affecting operating cash

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Items not affecting operating cash:				
Straight-line rent recognition	**$ (2,992)**	$ (2,504)	**$ (5,525)**	$ (5,390)
Amortization of tenant incentives	**3,411**	2,468	**7,026**	6,090
Gain on disposal of investment properties	**(16,661)**	(33,502)	**(43,290)**	(45,343)
Impairment of investment properties	**—**	8,000	**—**	8,000
Depreciation and amortization	**18,140**	19,719	**38,058**	47,751
Unit-based compensation	**1**	4	**6**	11
Amortization of effective swap agreements, financing charges and other	**1,348**	1,565	**2,702**	3,161
Income from equity accounted investments	**(123)**	(39)	**(217)**	(74)
Non-cash distributions to Unitholders in the form of DRIP Units	**473**	3,629	**1,220**	8,613
Non-cash lease termination income	**(144)**	—	**(809)**	—
Change in fair value of financial instruments	**332**	50	**1,003**	(245)
	$ 3,785	$ (610)	**$ 174**	$ 22,574

15) RELATED PARTY TRANSACTIONS

As at June 30, 2019, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% 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,	
	2019	2018	**2019**	2018
Property revenue				
Property revenue	**$ 57,235**	$ 59,425	**$ 109,465**	$ 109,989
Head lease income	**$ 247**	$ 161	**$ 409**	$ 340
Lease termination income	**$ 34**	$ —	**$ 454**	$ —
Property operating expenses	**$ (20)**	$ (19)	**$ (24)**	$ (24)
General and administrative expenses				
Property management services recovered	**$ 159**	$ 126	**$ 278**	$ 283
Other general and administrative expenses	**$ (69)**	$ (35)	**$ (122)**	$ (93)
Finance costs - operations				
Interest rate subsidy	**$ 70**	$ 76	**$ 142**	$ 152
Finance costs - distributions to Unitholders	**$ (14,000)**	$ (13,977)	**$ (27,997)**	$ (27,921)

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 as a reduction of general and administrative expenses.

(In thousands of CAD dollars)

During the six months ended June 30, 2019, Crombie issued 36,321 (June 30, 2018 - 285,697) Class B LP Units to ECLD under the DRIP (Note 13).

Amounts due from related parties include $15,545 (December 31, 2018 - $14,636) in 6% Subordinated Notes Receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

16) 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.

There were no transfers between levels of the fair value hierarchy during the period ended June 30, 2019.

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, 2019		December 31, 2018	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Long-term receivables[1]	**$ 23,362**	**$ 23,354**	$ 21,885	$ 21,882
Financial liabilities				
Investment property debt	**$ 1,654,687**	**$ 1,590,650**	$ 1,829,772	$ 1,789,483
Senior unsecured notes	**722,898**	**700,000**	702,893	700,000
Total other financial liabilities	**$ 2,377,585**	**$ 2,290,650**	$ 2,532,665	$ 2,489,483

[1]Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from related parties.

The fair value of 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
- Trade and other payables (excluding any 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, 2019. The more significant risks, and the actions taken to manage them, are discussed in our annual report.

(In thousands of CAD dollars)

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]	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Fixed rate mortgages[2]	$ 1,730,612	$ 376,654	$ 152,702	$ 263,506	$ 253,819	$ 350,686	$ 333,245
Senior unsecured notes	788,964	151,812	273,579	14,499	160,774	8,400	179,900
Lease Liabilities	150,193	2,533	2,487	2,269	2,173	2,059	138,672
	2,669,769	530,999	428,768	280,274	416,766	361,145	651,817
Credit facilities	85,778	2,823	26,713	48,945	245	7,052	—
Total	$ 2,755,547	$ 533,822	$ 455,481	$ 329,219	$ 417,011	$ 368,197	$ 651,817

(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, 2018.

17) 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, 2019	December 31, 2018
Fixed rate mortgages	$ 1,496,194	$ 1,601,584
Credit facilities	86,555	178,843
Senior unsecured notes	698,873	698,716
Crombie REIT Unitholders	873,348	864,779
SVU and Class B LP Unitholders	585,003	578,061
Lease liabilities	29,436	—
	$ 3,769,409	$ 3,921,983

At a minimum, Crombie's capital structure is managed to ensure that it complies with the limitations pursuant to Crombie's Declaration of Trust, the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT and existing debt covenants. Some of the restrictions pursuant to Crombie's Declaration of Trust would include, among other items:

- A restriction that Crombie shall not incur indebtedness (other than by the assumption of existing indebtedness) where the indebtedness would exceed 75% of the market value of an individual property; and,
- A restriction that Crombie shall not incur indebtedness of more than 60% of gross book value (65% including any convertible debentures).

(In thousands of CAD dollars)

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

	June 30, 2019	December 31, 2018
Fixed rate mortgages	$ 1,504,095	$ 1,610,640
Senior unsecured notes	700,000	700,000
Revolving credit facility	55,707	108,843
Joint operation credit facility	6,848	—
Bilateral credit facility	24,000	70,000
Lease liabilities	29,436	—
Total debt outstanding	2,320,086	2,489,483
Less: Applicable fair value debt adjustment	(676)	(818)
Debt	$ 2,319,410	$ 2,488,665
Income properties, cost	$ 3,906,165	$ 4,273,152
Properties under development, cost	84,539	66,179
Below-market lease component, cost (1)	61,449	66,319
Investment in joint ventures	41,913	39,485
Other assets, cost	345,868	338,616
Deferred financing charges	9,878	11,408
Investment properties held for sale, cost	192,489	—
Interest rate subsidy	(676)	(818)
Gross book value	$ 4,641,625	$ 4,794,341
Debt to gross book value - cost basis	50.0%	51.9%

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 June 30, 2019, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

18) COMMITMENTS, CONTINGENCIES, and GUARANTEES

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.

(In thousands of CAD dollars)

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at June 30, 2019, Crombie has a total of $5,761 in outstanding letters of credit related to:

	June 30, 2019	December 31, 2018
Construction work being performed on investment properties	**$ 3,921**	$ 3,858
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	**1,840**	4,840
Total outstanding letters of credit	**$ 5,761**	$ 8,698

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

As at June 30, 2019, Crombie had signed construction contracts totalling $161,377 of which $114,536 has been paid.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at June 30, 2019, Crombie has provided guarantees of approximately $75,952 (June 30, 2018 - $38,842) on mortgages in excess of their ownership interest in the properties. Responsibility for ongoing payments of principal and interest on these mortgages remains with the joint owners of the properties. The mortgages have a weighted average term to maturity of 4.8 years.

Under the terms of head leases with certain of Crombie's joint operation partners, Crombie guarantees its joint operation partners their portion of any uncollected rent receivable from the sub-tenant.

19) SUBSEQUENT EVENTS

(a) On July 3, 2019, Crombie disposed of an 89% interest in a retail property totalling 50,000 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $9,750.

(b) On July 4, 2019, Crombie disposed of a 100% interest in a retail property totalling 36,000 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $12,255.

(c) On July 22, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2019 to and including, July 31, 2019. The distributions will be paid on August 15, 2019, to Unitholders of record as of July 31, 2019.

(d) On August 1, 2019, Crombie acquired a 50% interest in a retail property in Toronto from Sobeys, a related party. The property, totalling 15,000 square feet, was acquired for $9,500, excluding closing and transaction costs.

(e) On August 2, 2019, Crombie transferred air rights at its Davie Street property to 1600 Davie Limited Partnership. As agreed upon in the 2016 joint venture arrangement, total gain on the transfer, before closing adjustments and transaction costs, is approximately $14,882 of which Crombie will recognize $7,441.

20) 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.