CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
March 31, 2019

Contents

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

	Note	March 31, 2019	December 31, 2018
Assets			
Non-current assets			
Investment properties	3	**$ 3,728,389**	$ 3,759,643
Investment in joint ventures	4	**41,807**	39,485
Other assets	5	**260,166**	248,818
		4,030,362	4,047,946
Current assets			
Other assets	5	**17,350**	23,128
		17,350	23,128
Total Assets		**4,047,712**	4,071,074
Liabilities			
Non-current liabilities			
Fixed rate mortgages	6	**1,408,497**	1,421,062
Credit facilities	6	**147,986**	178,843
Senior unsecured notes	7	**573,788**	698,716
Lease liabilities		**29,019**	—
Employee future benefits obligation		**8,890**	8,824
Trade and other payables	8	**12,386**	11,488
		2,180,566	2,318,933
Current liabilities			
Fixed rate mortgages	6	**155,698**	180,522
Senior unsecured notes	7	**125,000**	—
Employee future benefits obligation		**296**	296
Trade and other payables	8	**132,831**	128,483
		413,825	309,301
Total liabilities excluding net assets attributable to Unitholders		**2,594,391**	2,628,234
Net assets attributable to Unitholders		**$ 1,453,321**	$ 1,442,840
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		**$ 870,667**	$ 864,779
Special Voting Units and Class B Limited Partnership Unitholders		**582,654**	578,061
		$ 1,453,321	$ 1,442,840
Commitments, contingencies and guarantees	18		
Subsequent events	19		

See accompanying notes to the interim condensed consolidated financial statements.

(in thousands of CAD dollars)

	Note	Three months ended March 31, 2019	Three months ended March 31, 2018
Property revenue	9	**$ 105,240**	$ 105,705
Property operating expenses		**32,366**	32,904
Net property income		**72,874**	72,801
Gain on disposal of investment properties	3	**26,629**	11,841
Depreciation of investment properties	3	**(17,838)**	(26,208)
Amortization of intangible assets	3	**(1,603)**	(1,627)
Amortization of deferred leasing costs	3	**(202)**	(187)
Depreciation of other fixed assets	5	**(275)**	(10)
General and administrative expenses	11	**(5,784)**	(4,491)
Finance costs - operations	12	**(25,667)**	(26,709)
Income from equity accounted investments	4	**94**	35
Operating income attributable to Unitholders		**48,228**	25,445
Finance costs - other			
Distributions to Unitholders		**(33,736)**	(33,606)
Change in fair value of financial instruments	11	**(671)**	295
		(34,407)	(33,311)
Increase (decrease) in net assets attributable to Unitholders		**13,821**	(7,866)
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		**551**	575
Net change in derivatives designated as cash flow hedges		**(2,321)**	624
Other comprehensive income		**(1,770)**	1,199
Comprehensive income (loss)		**$ 12,051**	$ (6,667)

See accompanying notes to the interim condensed consolidated financial statements.

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	**183**	**5**	**—**	**188**	**188**	**—**
Statements of comprehensive income (loss)	**—**	**13,821**	**(1,770)**	**12,051**	**6,766**	**5,285**
Units issued under Distribution Reinvestment Plan ("DRIP")	**747**	**—**	**—**	**747**	**435**	**312**
Balance, March 31, 2019	**$ 1,757,388**	**$ (300,966)**	**$ (3,101)**	**$ 1,453,321**	**$ 870,667**	**$ 582,654**

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

	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	15	7	—	22	22	—
Statements of comprehensive income (loss)	—	(7,866)	1,199	(6,667)	(4,073)	(2,594)
Units issued under 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

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 March 31, 2019	March 31, 2018
Cash flows provided by (used in)			
Operating Activities			
Increase (decrease) in net assets attributable to Unitholders		**$ 13,821**	$ (7,866)
Items not affecting operating cash	14	**(3,611)**	23,184
Change in other non-cash operating items	14	**10,840**	10,494
Cash provided by operating activities		**21,050**	25,812
Financing Activities			
Issue of mortgages		**25,288**	—
Deferred financing charges - investment property debt		**(27)**	(135)
Repayment of mortgages - principal		**(13,647)**	(13,880)
Repayment of mortgages - maturity		**(17,450)**	(29,910)
Advance (repayment) of floating rate credit facilities		**(30,856)**	7,993
Deferred financing charges - senior unsecured notes		**(19)**	(118)
Amortization of fair value debt adjustment		**(83)**	(145)
Disposition of fair value debt adjustment		**(446)**	—
Recognition of interest rate subsidy		**(72)**	(76)
Repayment of EUPP loans receivable		**183**	15
Payments of lease liabilities		**(163)**	—
Collection of (advances on) long-term receivables		**(1,199)**	23
Cash used in financing activities		**(38,491)**	(36,233)
Investing Activities			
Acquisition of investment properties and intangible assets		**(32,439)**	—
Additions to investment properties		**(17,284)**	(23,002)
Proceeds on disposal of investment properties	3	**73,781**	41,225
Acquisition of interest in joint ventures		**—**	(109)
Contributions to Joint Ventures		**(2,233)**	—
Additions to other fixed assets		**(776)**	(964)
Proceeds on disposal of marketable securities		**—**	1,252
Additions to tenant incentives		**(2,944)**	(7,715)
Additions to deferred leasing costs		**(664)**	(266)
Cash provided by investing activities		**17,441**	10,421
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, 2019 and March 31, 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 months ended March 31, 2019 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on May 8, 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) Basis of consolidation

(i) Subsidiaries

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at March 31, 2019. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of March 31, 2019.

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) Leases

Crombie adopted IFRS 16 "Leases" on January 1, 2019. Refer to note 2(f) 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.

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.

(f) 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.

(In thousands of CAD dollars)

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 of 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.

The recognized right of use assets relate to the following:

		March 31, 2019		January 1, 2019
Land	**$**	**16,605**	$	16,812
Office		**207**		232
Fleet		**1,380**		1,390
Total right of use assets	**$**	**18,192**	$	18,434

(In thousands of CAD dollars)

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

	March 31, 2019	December 31, 2018
Income properties	**$ 3,625,710**	$ 3,693,464
Properties under development	**102,679**	66,179
	$ 3,728,389	$ 3,759,643

Income properties

March 31, 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(f))	**16,812**	**—**	**—**	**—**	**16,812**
Additions	**1,297**	**10,895**	**—**	**485**	**12,677**
Dispositions	**(21,458)**	**(64,165)**	**(2,666)**	**(24)**	**(88,313)**
Balance, March 31, 2019	**1,173,396**	**2,914,946**	**118,515**	**7,471**	**4,214,328**
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2019	**2,357**	**509,304**	**65,777**	**2,250**	**579,688**
Depreciation and amortization	**207**	**17,631**	**1,603**	**202**	**19,643**
Dispositions	**—**	**(9,223)**	**(1,482)**	**(8)**	**(10,713)**
Balance, March 31, 2019	**2,564**	**517,712**	**65,898**	**2,444**	**588,618**
Net carrying value, March 31, 2019	**$ 1,170,832**	**$ 2,397,234**	**$ 52,617**	**$ 5,027**	**$ 3,625,710**

Included in land are right of use assets of $16,605 net of accumulated depreciation of $207 for land held under lease.

(In thousands of CAD dollars)

March 31, 2018	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
Acquisitions	33,192	84,167	6,420	—	123,779
Additions	1,361	78,917	—	1,545	81,823
Dispositions	(82,191)	(132,704)	(5,681)	(681)	(221,257)
Write-off fully depreciated assets	—	(24,637)	(208)	(2,876)	(27,721)
Reclassification from properties under development	15,959	19,935	—	201	36,095
Balance, December 31, 2018	1,176,745	2,968,216	121,181	7,010	4,273,152
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2018	2,357	458,973	63,056	4,785	529,171
Depreciation and amortization	—	88,818	6,701	792	96,311
Dispositions	—	(28,850)	(3,772)	(451)	(33,073)
Impairment	—	15,000	—	—	15,000
Write-off fully depreciated assets	—	(24,637)	(208)	(2,876)	(27,721)
Balance, December 31, 2018	2,357	509,304	65,777	2,250	579,688
Net carrying value, December 31, 2018	$ 1,174,388	$ 2,458,912	$ 55,404	$ 4,760	$ 3,693,464

During the year ended December 31, 2018, Crombie recorded impairments totaling $15,000 on three properties. The impairments were the result of the fair value impact of tenant lease expires and departures and slower than expected leasing activity.

Properties under development

	Land	**Buildings**	**Deferred Leasing Costs**	**Total**
Opening balance, January 1, 2019	**$ 49,967**	**$ 16,095**	**$ 117**	**$ 66,179**
Acquisitions	**32,439**	**—**	**—**	**32,439**
Additions	**517**	**3,544**	**—**	**4,061**
Balance, March 31, 2019	**$ 82,923**	**$ 19,639**	**$ 117**	**$ 102,679**

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.

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2018	$ 68,725	$ 6,858	$ 116	$ 75,699
Additions	2,981	29,172	202	32,355
Dispositions	(5,780)	—	—	(5,780)
Reclassification to income producing properties	(15,959)	(19,935)	(201)	(36,095)
Balance, December 31, 2018	$ 49,967	$ 16,095	$ 117	$ 66,179

On March 6, 2018, Crombie disposed of 3.63 acres of residential lands adjacent to a commercial development project in Langford, British Columbia. The transaction was completed with a third party.

During the year ended December 31, 2018, Crombie reclassified completed phases of two development properties to income properties.

(In thousands of CAD dollars)

Fair value

Crombie's total fair value of investment properties exceeds carrying value by $807,855 at March 31, 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
March 31, 2019	**$**	**4,755,000**	**$**	**3,947,145**
December 31, 2018	$	4,776,000	$	3,978,912

Carrying value consists of the net carrying value of:

	Note		March 31, 2019		December 31, 2018
Income properties	3	**$**	**3,625,710**	$	3,693,464
Properties under development	3		**102,679**		66,179
Accrued straight-line rent receivable	5		**83,023**		81,689
Tenant incentives	5		**135,733**		137,580
Total carrying value		**$**	**3,947,145**	$	3,978,912

As at March 31, 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
March 31, 2019	**6.11%**	**$**	**(183,000)**	**$**	**199,000**
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.

March 31, 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	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)
			(331,000)	**$**	**(106,394)**

Dispositions in 2019 include the sale of a 50% interest in seven retail properties to a third party.

The properties disposed of during the period had a total fair value of $105,582 at the end of the quarter preceding the date of disposition resulting in a fair value gain of $812 before closing and transaction costs. The gain on disposal relative to cost was $26,629.

(In thousands of CAD dollars)

March 31, 2018

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price
February 5, 2018	Third party	(1)	(92,000)	$ (15,000)
February 20, 2018	Third party	(1)	(103,000)	(20,627)
March 6, 2018	Third party	—	—	(5,725)
			(195,000)	**$ (41,352)**

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

	Three months ended March 31,	
Investment property disposed:	**2019**	2018
Gross proceeds	**$ 107,215**	$ 41,352
Selling costs	**(1,161)**	(127)
	106,054	41,225
Carrying values derecognized		
Land	**(21,458)**	(13,017)
Buildings	**(54,942)**	(15,213)
Intangibles	**(1,184)**	(99)
Deferred leasing costs	**(16)**	(15)
Tenant Incentives	**(504)**	(616)
Accrued straight-line rent	**(1,199)**	(381)
Development costs	**—**	(43)
Provisions	**(122)**	—
Gain on disposal	**$ 26,629**	$ 11,841

	Three months ended March 31,	
	2019	2018
Proceeds per above	**$ 106,054**	$ 41,225
Mortgages assumed	**(32,273)**	—
Cash proceeds	**$ 73,781**	$ 41,225

4) INVESTMENT IN JOINT VENTURES

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

	March 31, 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%

(In thousands of CAD dollars)

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

	March 31, 2019	December 31, 2018
Non-current assets	$ 171,107	$ 112,581
Current assets	31,940	30,043
Non-current liabilities	(122,555)	(68,166)
Current liabilities	(12,424)	(10,125)
Net assets	$ 68,068	$ 64,333
Crombie's investment in joint ventures	$ 41,807	$ 39,485

	Three months ended March 31, 2019	2018
Revenue	$ 343	$ 142
Property operating expenses	(100)	(66)
General and administrative expenses	(2)	12
Depreciation of investment properties	(41)	(14)
Finance costs - operations	(12)	(4)
Net income	$ 188	$ 70
Crombie's income from equity accounted investments	$ 94	$ 35

5) OTHER ASSETS

	March 31, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	$ 7,507	$ —	$ 7,507	$ 8,682	$ —	$ 8,682
Provision for doubtful accounts	(279)	—	(279)	(345)	—	(345)
Net trade receivables	7,228	—	7,228	8,337	—	8,337
Prepaid expenses and deposits	9,193	—	9,193	11,857	—	11,857
Fair value of interest rate swap agreements	519	—	519	2,840	—	2,840
Fixtures and computer equipment [(1) (2)]	—	9,938	9,938	—	7,761	7,761
Finance lease receivable	316	8,485	8,801	—	—	—
Accrued straight-line rent receivable	—	83,023	83,023	—	81,689	81,689
Tenant incentives	—	135,733	135,733	—	137,580	137,580
Capital expenditure program	—	105	105	—	105	105
Interest rate subsidy	94	180	274	94	203	297
Amounts receivable from related parties	—	22,702	22,702	—	21,480	21,480
	$ 17,350	$ 260,166	$ 277,516	$ 23,128	$ 248,818	$ 271,946

(1) For the three months ended March 31, 2019, depreciation of fixed assets was $275 (December 31, 2018 - $42).
(2) Fixtures and computer equipment includes right of use assets of $1,732 net of accumulated depreciation of $142 relating to office and vehicle leases.

(In thousands of CAD dollars)

Amounts due from related parties include $15,545 in 6% Subordinated Notes Receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

Tenant Incentives		**Cost**		**Accumulated Amortization**		**Net Carrying Value**
Balance, January 1, 2019	**$**	**204,250**	**$**	**66,670**	**$**	**137,580**
Additions		**2,272**		**—**		**2,272**
Amortization		**—**		**3,615**		**(3,615)**
Disposition		**(846)**		**(342)**		**(504)**
Balance, March 31, 2019	**$**	**205,676**	**$**	**69,943**	**$**	**135,733**
Balance, January 1, 2018	$	211,394	$	67,902	$	143,492
Additions		14,723		—		14,723
Amortization		—		12,875		(12,875)
Disposition		(12,739)		(4,979)		(7,760)
Write-off fully depreciated assets		(9,128)		(9,128)		—
Balance, December 31, 2018	$	204,250	$	66,670	$	137,580

See Note 16(a) for fair value information.

6) INVESTMENT PROPERTY DEBT

	Range	**Weighted Average Interest Rate**	**Weighted Average Term to Maturity**		**March 31, 2019**		December 31, 2018
Fixed rate mortgages	**2.35 - 6.90%**	**4.30%**	**4.4 years**	**$**	**1,572,402**	$	1,610,640
Floating rate revolving credit facility			**3.3 years**		**107,986**		108,843
Unsecured bilateral credit facility			**1.1 years**		**40,000**		70,000
Deferred financing charges					**(8,207)**		(9,056)
				$	**1,712,181**	$	1,780,427
Mortgages							
Non-current				**$**	**1,408,497**	$	1,421,062
Current					**155,698**		180,522
Credit facilities							
Non-current					**147,986**		178,843
Current					**—**		—
				$	**1,712,181**	$	1,780,427

As at March 31, 2019, mortgage retirements on a calendar year basis are:

12 Months Ending	**Weighted average interest rates on maturing mortgages**		**Maturities**		**Principal payments**		**Total**
Remainder of 2019	4.46%	$	116,317	$	39,381	$	155,698
December 31, 2020	4.96%		225,241		46,075		271,316
December 31, 2021	3.91%		88,974		44,582		133,556
December 31, 2022	3.89%		170,371		38,878		209,249
December 31, 2023	4.17%		250,491		31,922		282,413
Thereafter	4.25%		430,220		88,661		518,881
		$	1,281,614	$	289,499		1,571,113
Deferred financing charges							(8,207)
Unamortized fair value debt adjustment							1,289
						$	**1,564,195**

(In thousands of CAD dollars)

Specific investment properties with a carrying value of $2,942,198 as at March 31, 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.

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, 2019	New	6	3.61%	5.0	25.0	$ 25,288
	Repaid	7	4.43%	—	—	(46,750)
	Disposition [1]	1	4.41%	—	—	(2,973)
						$ (24,435)

[1] Represents disposition of 50% interest in mortgages related to partial disposition of a portfolio of properties.

			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)

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $400,000 (December 31, 2018 - $400,000) and matures June 30, 2022. 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, 2019 - borrowing base of $400,000). 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, 2020. 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.

7) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	**March 31, 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			**960**	1,068
Deferred financing charges			**(2,172)**	(2,352)
			$ 698,788	$ 698,716

(In thousands of CAD dollars)

12 Months Ending	Series B	Series C	Series D	Series E	Total
March 31, 2020	$ —	$ 125,000	$ —	$ —	$ 125,000
March 31, 2021	—	—	—	—	—
March 31, 2022	250,000	—	—	—	250,000
March 31, 2023	—	—	150,000	—	150,000
March 31, 2024	—	—	—	—	—
Thereafter	—	—	—	175,000	175,000
	$ 250,000	$ 125,000	$ 150,000	$ 175,000	700,000
Unamortized Series B issue premium					960
Deferred financing charges					(2,172)
					$ 698,788

See Note 16(a) for fair value information.

8) TRADE AND OTHER PAYABLES

	March 31, 2019			December 31, 2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Tenant incentives and capital expenditures	**$ 57,085**	**$ —**	**$ 57,085**	$ 60,549	$ —	$ 60,549
Property operating costs	**36,174**	**—**	**36,174**	30,872	—	30,872
Prepaid rents	**6,346**	**—**	**6,346**	8,555	—	8,555
Finance costs on investment property debt, notes and debentures	**12,388**	**—**	**12,388**	9,561	—	9,561
Amounts payable to related party	**6,217**	**—**	**6,217**	6,217	—	6,217
Distributions payable	**11,247**	**—**	**11,247**	11,243	—	11,243
Unit-based compensation plans	**3,301**	**7,383**	**10,684**	1,355	7,056	8,411
Deferred revenue	**73**	**5,003**	**5,076**	131	4,432	4,563
	$ 132,831	**$ 12,386**	**$ 145,217**	$ 128,483	$ 11,488	$ 139,971

9) PROPERTY REVENUE

	Three months ended March 31,	
	2019	2018
Operating lease revenue		
Rental revenue contractually due from tenants [1]	**$ 89,317**	$ 91,364
Contingent rental revenue	**456**	452
Straight-line rent recognition	**2,533**	2,886
Tenant incentive amortization	**(3,615)**	(3,622)
Lease termination income	**665**	175
Revenue from Contracts with Customers		
Common area cost recoveries	**14,529**	12,982
Parking revenue	**1,355**	1,468
	$ 105,240	$ 105,705

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

(In thousands of CAD dollars)

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

	Three months ended March 31,			
	2019		2018	
	Revenue	**Percentage**	Revenue	Percentage
Sobeys Inc. (including all subsidiaries of Empire)	**$ 52,230**	**49.6%**	$ 50,564	47.8%

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 March 31, 2019, is as follows:

	Remaining	Year Ending December 31,					
	2019	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Future minimum rental income	$ 217,608	$ 281,442	$ 269,893	$ 258,298	$ 246,818	$ 1,919,524	$ 3,193,583

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

(a) General and administrative expenses

	Three months ended March 31,	
	2019	2018
Salaries and benefits	**$ 4,073**	$ 2,994
Professional and public company costs	**850**	776
Occupancy and other	**861**	721
	$ 5,784	$ 4,491

(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,	
	2019	2018
Wages and salaries	**$ 10,269**	$ 8,725
Post-employment benefits	**242**	232
	$ 10,511	$ 8,957

(c) Change in fair value of financial instruments

	Three months ended March 31,	
	2019	2018
Deferred Unit ("DU") Plan	**$ (671)**	$ 295

(In thousands of CAD dollars)

12) FINANCE COSTS – OPERATIONS

	Three months ended March 31, 2019	2018
Fixed rate mortgages	**$ 17,925**	$ 19,933
Floating rate term, revolving and demand facilities	**1,345**	735
Capitalized interest	**(1,017)**	(904)
Senior unsecured notes	**6,950**	5,880
Convertible debentures	**—**	1,065
Interest on lease liability	**464**	—
Finance costs - operations, expense	**25,667**	26,709
Amortization of fair value debt adjustment and accretion income	**160**	229
Change in accrued finance costs	**4,425**	(4,947)
Amortization of effective swap agreements	**(551)**	(575)
Capitalized interest [1]	**1,017**	904
Amortization of issue premium on senior unsecured notes	**109**	95
Amortization of deferred financing charges	**(912)**	(1,116)
Finance costs - operations, paid	**$ 29,915**	$ 21,299

[1] For the three months ended March 31, 2019, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.63% (March 31, 2018 - 3.45%).

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	**—**	**183**	**—**	**—**	**—**	**183**
Units issued under DRIP	**32,274**	**435**	**22,886**	**312**	**55,160**	**747**
Balance, March 31, 2019	**89,629,878**	**$ 1,041,422**	**62,002,897**	**$ 715,966**	**151,632,775**	**$ 1,757,388**

	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

(In thousands of CAD dollars)

14) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended March 31, 2019	2018
Items not affecting operating cash:		
Straight-line rent recognition	**$ (2,533)**	$ (2,886)
Amortization of tenant incentives	**3,615**	3,622
Gain on disposal of investment properties	**(26,629)**	(11,841)
Depreciation of investment properties	**17,838**	26,208
Amortization of intangible assets	**1,603**	1,627
Amortization of deferred leasing costs	**202**	187
Depreciation of other fixed assets	**275**	10
Unit-based compensation	**5**	7
Amortization of effective swap agreements	**551**	575
Amortization of deferred financing charges	**912**	1,116
Amortization of issue premium on senior unsecured notes	**(109)**	(95)
Income from equity accounted investments	**(94)**	(35)
Non-cash distributions to Unitholders in the form of DRIP Units	**747**	4,984
Non-cash lease termination income	**(665)**	—
Change in fair value of financial instruments	**671**	(295)
	$ (3,611)	$ 23,184

b) Change in other non-cash operating items

	Three months ended March 31, 2019	2018
Cash provided by (used in):		
Trade receivables	**$ 1,109**	$ (226)
Prepaid expenses and deposits and other assets	**2,584**	8,107
Payables and other liabilities	**7,147**	2,613
	$ 10,840	$ 10,494

(In thousands of CAD dollars)

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

As at March 31, 2019	Mortgages		Floating rate credit facilities		Senior unsecured notes			Lease Liabilities
	Face value	Deferred financing costs	Face value	Deferred financing costs	Face value	Premium on debt issue	Deferred financing costs	Face value
Balance, January 1, 2019	$ 1,610,640	$ 8,271	$ 178,843	$ 785	$ 700,000	$ 1,068	$ 2,352	$ 29,740
Issue of mortgages	25,288	—	—	—	—	—	—	—
Repayment of mortgages	(30,652)	—	—	—	—	—	—	—
Issue of floating credit facilities	—	—	(30,857)	—	—	—	—	—
Repayment of lease liabilities	—	—	—	—	—	—	—	(209)
Issue of senior unsecured notes	—	—	—	—	—	—	—	—
Redemption of senior unsecured notes	—	—	—	—	—	—	—	—
Redemption of convertible debentures	—	—	—	—	—	—	—	—
Additions to deferred financing costs	—	27	—	—	—	—	20	—
Total financing cash flow activities	1,605,276	8,298	147,986	785	700,000	1,068	2,372	29,531
Assumed mortgages	—	—	—	—	—	—	—	—
Assumed by joint operation partner	(32,272)	—	—	—	—	—	—	—
Amortization of issue premium	—	—	—	—	—	(108)	—	—
Amortization of deferred financing charges	—	(580)	—	(131)	—	—	(200)	—
Write-off deferred financing charges	—	(165)	—	—	—	—	—	—
Amortization of fair value debt adjustment	(83)	—	—	—	—	—	—	—
Write-off of fair value debt adjustment	(447)	—	—	—	—	—	—	—
Increase in lease liabilities	—	—	—	—	—	—	—	158
Recognition of interest rate subsidy	(72)	—	—	—	—	—	—	—
Total financing non-cash activities	(32,874)	(745)	—	(131)	—	(108)	(200)	158
Balance, March 31, 2019	$ 1,572,402	$ 7,553	$ 147,986	$ 654	$ 700,000	$ 960	$ 2,172	$ 29,689

(In thousands of CAD dollars)

As at March 31, 2018	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
Repayment of mortgages	(43,790)	—	—	—	—	—	—	—	—
Issue of floating credit facilities	—	—	7,993	—	—	—	—	—	—
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

15) RELATED PARTY TRANSACTIONS

As at March 31, 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 March 31,	
	2019	2018
Property revenue		
Property revenue	**$ 52,230**	$ 50,564
Head lease income	**$ 162**	$ 179
Lease termination income	**$ 420**	$ —
Property operating expenses	**$ (4)**	$ (5)
General and administrative expenses		
Property management services recovered	**$ 119**	$ 157
Other general and administrative expenses	**$ (53)**	$ (58)
Finance costs - operations		
Interest rate subsidy	**$ 72**	$ 76
Finance costs - distributions to Unitholders	**$ (13,997)**	$ (13,944)

(In thousands of CAD dollars)

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, 2019, Crombie issued 22,886 (March 31, 2018 - 162,554) Class B LP Units to ECLD under the DRIP (Note 13).

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 March 31, 2019. During the year ended December 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, 2019		December 31, 2018	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Long-term receivables[(1)]	**$ 23,083**	**$ 23,081**	$ 21,885	$ 21,882
Financial liabilities				
Investment property debt	**$ 1,782,680**	**$ 1,720,388**	$ 1,829,772	$ 1,789,483
Senior unsecured notes	**716,802**	**700,000**	702,893	700,000
Total other financial liabilities	**$ 2,499,482**	**$ 2,420,388**	$ 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
- Restricted cash
- 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 three months ended March 31, 2019. The more significant risks, and the actions taken to manage them, are as follows:

(In thousands of CAD dollars)

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, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants.

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

- Crombie's largest tenant, Sobeys (including other subsidiaries of Empire), represents 57.0% of annual minimum rent; excluding Sobeys, no other tenant accounts for more than 4.2% 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, 2019, Sobeys represents 49.6% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 4.1% of Crombie's total property revenue.
- Over the next five years, leases on no more than 5.1% 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, 2018.

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, 2019	**$ 171**	**$ (171)**
Three months ended March 31, 2018	$ 107	$ (107)

There have been no significant changes to Crombie’s interest rate risk since December 31, 2018.

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.

(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 March 31,				
	Contractual Cash Flows[1]	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Fixed rate mortgages[2]	$ 1,821,841	$ 388,312	$ 180,233	$ 246,020	$ 206,152	$ 458,574	$ 342,550
Senior unsecured notes	795,931	152,679	24,404	266,150	162,298	8,400	182,000
Lease Liabilities	150,867	2,520	2,517	2,321	2,210	2,098	139,201
	2,768,639	543,511	207,154	514,491	370,660	469,072	663,751
Floating rate credit facilities	167,396	5,699	44,412	4,228	113,057	—	—
Total	$ 2,936,035	$ 549,210	$ 251,566	$ 518,719	$ 483,717	$ 469,072	$ 663,751

(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:

	March 31, 2019	December 31, 2018
Fixed rate mortgages	**$ 1,564,195**	$ 1,601,584
Credit facilities	**147,986**	178,843
Senior unsecured notes	**698,788**	698,716
Crombie REIT Unitholders	**870,667**	864,779
SVU and Class B LP Unitholders	**582,654**	578,061
Lease liabilities	**29,689**	—
	$ 3,893,979	$ 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:

	March 31, 2019	December 31, 2018
Fixed rate mortgages	**$ 1,572,402**	$ 1,610,640
Senior unsecured notes	**700,000**	700,000
Revolving credit facility	**107,986**	108,843
Bilateral credit facility	**40,000**	70,000
Lease liabilities	**29,689**	—
Total debt outstanding	**2,450,077**	**2,489,483**
Less: Applicable fair value debt adjustment	**(746)**	(818)
Debt	**$ 2,449,331**	$ 2,488,665
Income properties, cost	**$ 4,214,328**	$ 4,273,152
Properties under development, cost	**102,679**	66,179
Below-market lease component, cost [(1)]	**65,221**	66,319
Investment in joint ventures	**41,807**	39,485
Other assets, cost (see below)	**347,776**	338,616
Cash and cash equivalents	**—**	—
Deferred financing charges	**10,379**	11,408
Interest rate subsidy	**(746)**	(818)
Gross book value	**$ 4,781,444**	$ 4,794,341
Debt to gross book value - cost basis	**51.2%**	51.9%

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

Other assets are calculated as follows:

	March 31, 2019	December 31, 2018
Other assets per Note 5	**$ 277,516**	$ 271,946
Add:		
Tenant incentive accumulated amortization	**69,943**	66,670
Other fixed assets accumulated depreciation	**317**	—
Other assets, cost	**$ 347,776**	$ 338,616

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

(In thousands of CAD dollars)

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.

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, 2019, Crombie has a total of $5,667 in outstanding letters of credit related to:

		March 31, 2019		December 31, 2018
Construction work being performed on investment properties	**$**	**3,827**	$	3,858
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties		**1,840**		4,840
Total outstanding letters of credit	**$**	**5,667**	$	8,698

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

As at March 31, 2019, Crombie had signed construction contracts totalling $156,990 of which $100,131 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 March 31, 2019, Crombie has provided guarantees of approximately $37,941 (March 31, 2018 - $NIL) 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 5.6 years.

19) SUBSEQUENT EVENTS

(a) On April 17, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from April 1, 2019 to and including, April 30, 2019. The distributions will be paid on May 15, 2019, to Unitholders of record as of April 30, 2019.

(b) On April 25, 2019, Crombie disposed of an 89% interest in 26 retail properties totalling 883,200 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $161,600.

(c) On April 29, 2019, Crombie also disposed of a 100% interest in a retail property totalling 39,000 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $21,500.

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.