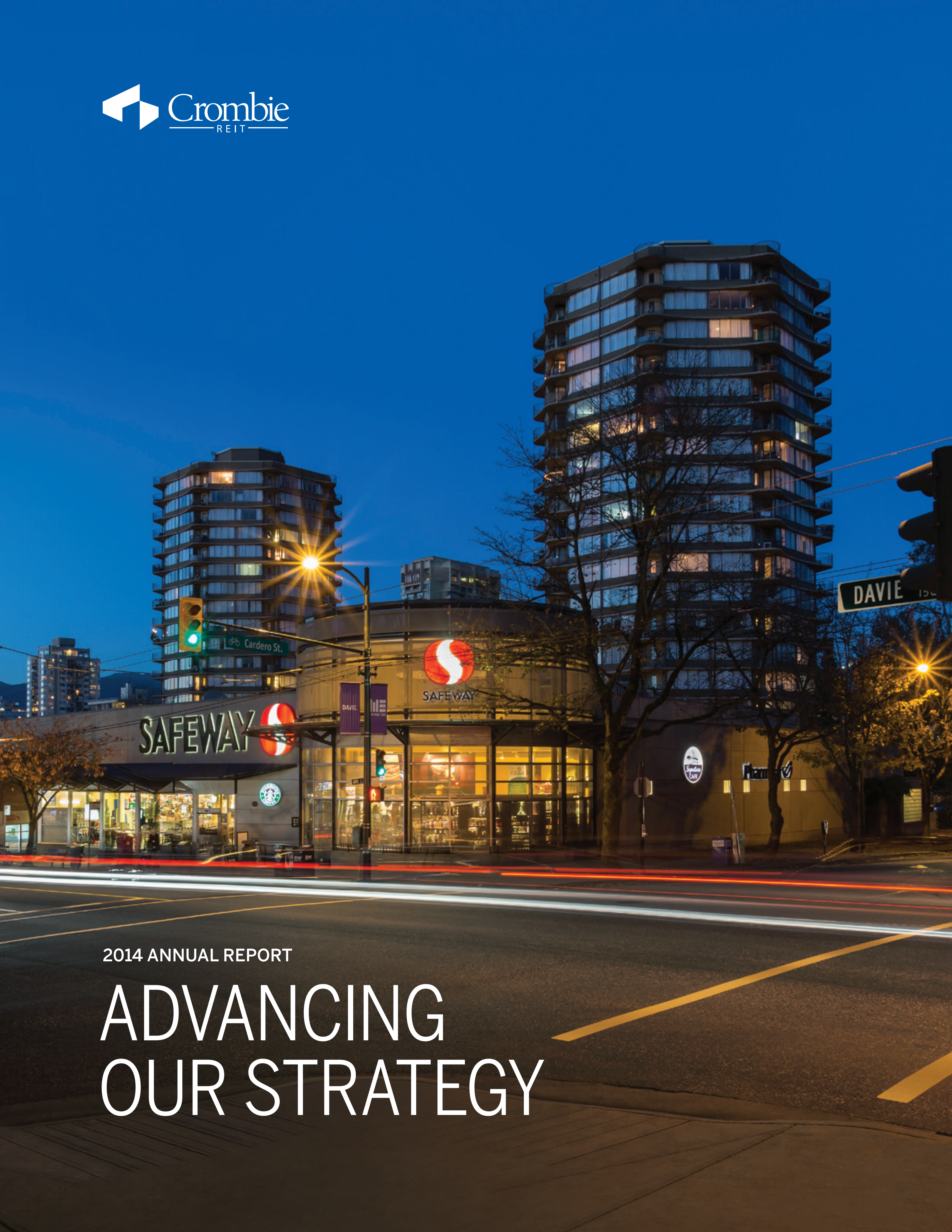
Crombie REIT



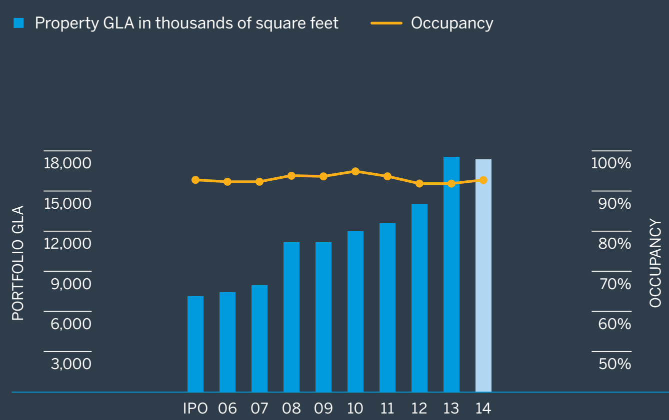
2014 ANNUAL REPORT

ADVANCING OUR STRATEGY

About Crombie REIT

STRONG PROPERTY GROWTH WITH STEADY OCCUPANCY

Crombie REIT's portfolio has been characterized by strong growth in gross leasable area (GLA) and steady occupancy rates.



10.7%

Compound average annual growth in gross leasable area since IPO

INSIDE THIS REPORT

CORPORATE PROFILE

Crombie REIT (TSX: CRR.UN, "Crombie") is an open-ended real estate investment trust. Established in 2006, we are one of the country's leading national retail property landlords. Our strategy focuses on owning and operating a portfolio of high-quality grocery and drug store anchored shopping centres and freestanding stores in Canada's top 36 markets. Today, Crombie owns a portfolio of 255 retail and office properties across Canada, comprising approximately 17.4 million square feet, and approximately $3.9 billion in assets.

ADVANCING OUR STRATEGY During the past year, Crombie continued to advance a strategy that has transformed us into one of Canada's leading, retail focused REITs. Today, we derive 77 percent of our annual minimum rent from grocery and drug store anchored plazas and freestanding stores. More geographically diversified than ever before, these assets reflect a growing presence in Canada's top 36 markets and unprecedented development opportunities.

View toward location of proposed Davie Street residential project in Vancouver, BC

FINANCIAL AND OPERATIONS

Financial Highlights for the years ended December 31, 2014 and 2013 are as follows:

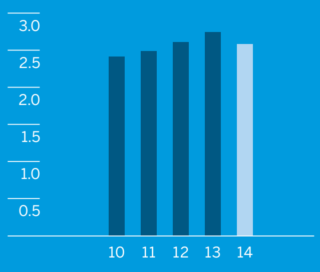
At December 31	2014	2013
Number of properties	**255**	249
Gross leaseable area (square feet)	**17,379,000**	17,558,000
Debt to gross book value – fair value basis	**52.8%**	53.0%

Year ended December 31 (In thousands of CAD dollars, except per unit amounts and as otherwise noted)	2014	2013
Property revenue	**$ 358,319**	$ 297,043
Property net operating income	**$ 248,699**	$ 190,370
FFO	**$ 142,052**	$ 102,343
FFO as adjusted	**$ 142,052**	$ 108,376
FFO per unit – diluted(2)	**$ 1.10**	$ 1.10
FFO payout ratio (%)(2)	**80.2%**	79.9%
AFFO	**$ 118,176**	$ 85,492
AFFO as adjusted	**$ 118,176**	$ 91,525
AFFO per unit – diluted(2)	**$ 0.93**	$ 0.94
Distributions per unit	**$ 0.89**	$ 0.89
AFFO payout ratio (%)(1)(2)	**96.4%**	94.7%

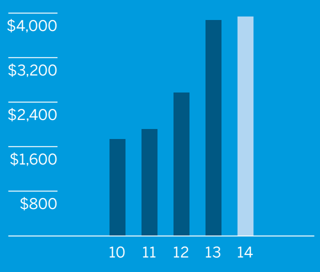
(1) AFFO payout ratio is calculated using a per square foot charge of $0.87 (2013, $1.05) for maintenance expenditures (see "AFFO" section).
(2) FFO and AFFO per unit measures and payout ratios for the year ended December 31, 2013 are calculated using FFO as adjusted and AFFO as adjusted as discussed in our December 31, 2013 MD&A.

REVENUE AND NOI
(in thousands of dollars)

INTEREST COVERAGE RATIO



TOTAL ASSETS – GROSS BOOK VALUE (FV)
(in millions of dollars)



66%

of annual minimum rent is derived from investment-grade tenants

ADVANCING OUR STRATEGY

Crombie posted a solid financial and operating performance in 2014 while continuing to strengthen its foundation for long-term value creation.

During the past nine years, Crombie has been unwavering in its ambition to build one of the strongest portfolios of commercial retail properties in Canada. At the time of our IPO in March 2006, Crombie was a small regional REIT with various office, mixed-use and retail assets, most of which were located in Atlantic Canada. Since then, we have successfully transformed Crombie into a geographically diversified, retail-focused REIT with 59 percent of property revenue now generated in Western and Central Canada and more than 88 percent of minimum annual net rents derived from retail assets. Today, we are one of Canada's leading national retail REITs, with $3.9 billion in assets and 255 high-quality properties across the country. Most of these are grocery and drug store anchored plazas or freestanding stores that meet the everyday needs of Canadian shoppers and thus represent the most dependable and defensive sector in commercial real estate.

The greatest catalyst for Crombie's growth, of course, has been our strategic partnership with Sobeys and Empire. Since our IPO, it has allowed us to acquire more than $1.9 billion in high-quality commercial real estate. In 2014, this included the acquisition of $111 million in freestanding grocery and drug store anchored properties from Sobeys in what continued to be a challenging market for many Canadian REITs. As I mentioned in last year's report, the growing interest of pension plans and other institutional investors in commercial real estate has made it harder to find accretive acquisitions that satisfy our long-term investment criteria. While we managed to complete an additional $39 million in strategic third-party acquisitions in 2014, the Sobeys property pipeline, which provides access to approximately $100 million of prime real estate assets each year, has become a more important competitive advantage.

Within the current environment, the capacity to create value through the optimization and development of our existing portfolio has become increasingly important. In 2014, for instance, we spent about $32.5 million to improve the productive capacity of our assets, most notably $4.8 million on the completion of 1234 Main Street in Moncton, New Brunswick, $3.3 million on the ongoing development of new retail and office space at Scotia Square in Halifax, Nova Scotia and an additional $24.4 million to expand and improve other assets in our portfolio.

POSITIVE, LONG-TERM FUNDAMENTALS IN OUR MARKETS

Our focus on the top 36 markets in Canada, which offer Crombie the best risk-adjusted returns on our capital, is based on positive, long-term fundamentals. These include higher rates of population and income growth than the country at large. A major trend of urban intensification is under way in which older and younger consumers alike are looking for neighbourhoods that offer convenient access to a complementary mix of everyday products and services. Because our grocery and drug store anchored properties are specifically designed to fulfill such needs, they are among the steadiest performing assets in commercial real estate and relatively unaffected by the growth of online retailing.

BUILDING A BEST-IN-CLASS OPERATING PLATFORM

"We have continued to build a best-in-class operating platform in all regions of the country, starting with one of the most talented management teams in the business. They are leading our efforts to standardize and optimize Crombie's operating procedures and build a culture of continuous learning and improvement."

Donald E. Clow, FCA
President and Chief Executive Officer

The real game changer in terms of Crombie's development potential, however, was the $991.3 million purchase of 70 Safeway locations from Sobeys in November 2013. Fourteen of the sites in this predominantly urban portfolio have been identified as mixed-use development opportunities and over the past year, we have been laying the groundwork to capitalize on a value creation pipeline that could add significant development investment and returns to Crombie's portfolio in the years ahead. Our experienced development team has prioritized seven major development projects and is working with our partners, including some of Canada's leading residential developers, on some very exciting plans.

In accordance with our primary focus on everyday retailing assets in Canada's top 36 markets, we have also become more active in recycling capital from the sale of properties that fall outside our core growth strategy. In 2014, Crombie completed the sale of five properties in secondary and tertiary markets for proceeds of $68.1 million and a net gain of approximately $6.1 million.

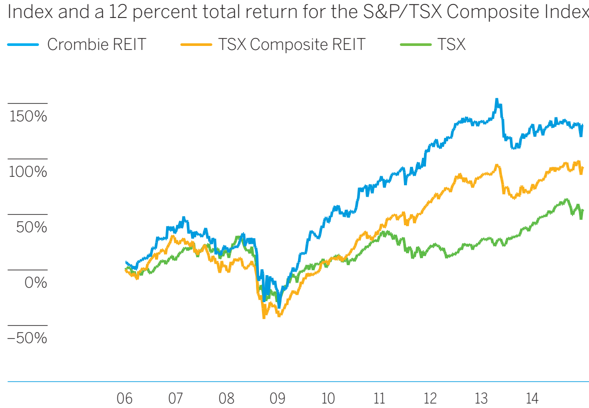
We are also creating value through strong financial management. With the advent of Crombie's investment-grade credit rating, we have continued to improve our capital structure and de-risk our business. We have never had as much financial liquidity and flexibility of capital sources as we enjoy today. This includes $155 million in available funds on our line of credit and $708 million in unencumbered assets at the end of 2014. Accordingly, our investors can be assured that Crombie seeks to optimize its capital structure to run its business in any economic environment and access capital markets when it makes sense to do so.

What's more, we are conservatively capitalized with a debt to gross book value (fair value basis) ratio of 52.8 percent, well below the maximum specified in our Declaration of Trust. Our financial stability is further enhanced by the unusually long-term leases (an average of 11.8 years) and the relatively long debt maturities (an average of 7.4 years) in our portfolio.

At the same time, we have continued to build a best-in-class operating platform in all regions of the country, starting with one of the most talented and experienced management teams in the real estate business. Following Crombie's rapid growth into a national retail landlord over the past three years, we announced several management changes in 2014 that are designed to extend our operations and take

TOTAL UNITHOLDER RETURN
(March 31, 2006 to December 31, 2014)

Crombie REIT has produced a total unitholder return of 131 percent since its IPO, compared to a 21 percent total return for the S&P/TSX Capped REIT Index and a 12 percent total return for the S&P/TSX Composite Index.



131%

Crombie REIT's total unitholder return of 131 percent since inception reflects a strong combination of capital appreciation and distributed income.

advantage of our unprecedented scope and scale. These included the promotions of Glenn Hynes to Executive Vice President, CFO and Secretary, and Patrick Martin to Executive Vice President, Operations with responsibility for operations nationally across Canada. Reporting to Patrick are Scott MacLean, Regional Vice President, Atlantic Canada, Fred Santini, Regional Vice President, Central Canada, and Trevor Lee, in the newly created role of Regional Vice President, Western Canada. These executives are leading our efforts to grow our business, standardize and optimize Crombie's systems and processes and build a culture of continuous learning and improvement throughout the country. Our efforts have not gone unnoticed as evidenced by Crombie's selection as a finalist for Canada's Passion Capital Award in 2014 and as a winner of Nova Scotia's Top Employer Award.

Looking to the year ahead, we believe the retail markets in which we are located will continue to perform well as the Canadian economy continues to grow at a modest rate. Given today's low interest rate environment, and increasing competition for commercial properties, it will remain challenging to find accretive acquisition targets that fit our strategy on the open market. As mentioned, however, our strategic relationship with Sobeys and Empire will ensure continued strategic growth in our core retail portfolio. Longer term, we are also strengthened by the significant development opportunities in our existing portfolio. We are currently working hard on the planning and partnership structures on seven major projects across the country, including five in Western Canada, and look forward to providing more details on our progress as our plans take shape.

In closing, I would like to thank my talented colleagues at Crombie REIT who are responsible for our solid asset management, operating performance and high standards of customer service, especially our retiring Vice President Real Estate Services, Michael April. I would also like to thank the Board of Trustees, especially our departing trustees David Leslie, David Graham and Paul Beesley, our partners at Sobeys and Empire, and our tenants and other business partners for Crombie's continuing success.

Sincerely,

Donald E. Clow, FCA
President and Chief Executive Officer

SENIOR MANAGEMENT TEAM (left to right)

1. Terry Doran
   Vice President,
   Office Properties
2. Glenn Hynes
   Executive Vice President,
   Chief Financial Officer and Secretary
3. Fred Santini
   Regional Vice President,
   Central Canada
4. Michael April
   Vice President,
   Real Estate Services
5. Trevor Lee
   Regional Vice President,
   Western Canada
6. Cheryl Fraser
   Chief Talent Officer
7. Steve Cleroux
   Vice President,
   Leasing and Development
8. Ken Turple
   Vice President,
   Financial Reporting
9. Jeff Downs
   Vice President,
   Financial Analysis and Treasury
10. Scott MacLean
    Regional Vice President,
    Atlantic Canada
11. Patrick Martin
    Executive Vice President,
    Operations
12. Donald Clow
    President and
    Chief Executive Officer

OUR NATIONAL PLATFORM FOR GROWTH

During the past nine years, Crombie has transformed an Atlantic Canadian portfolio of commercial real estate assets into a geographically diversified, retail-focused, national REIT. This process continued in 2014 with the acquisition of $154 million in retail properties (more than $139 million of which are grocery and drug store anchored plazas and freestanding stores), the disposition of $68 million in secondary and tertiary market assets, and the evolution of our development pipeline.

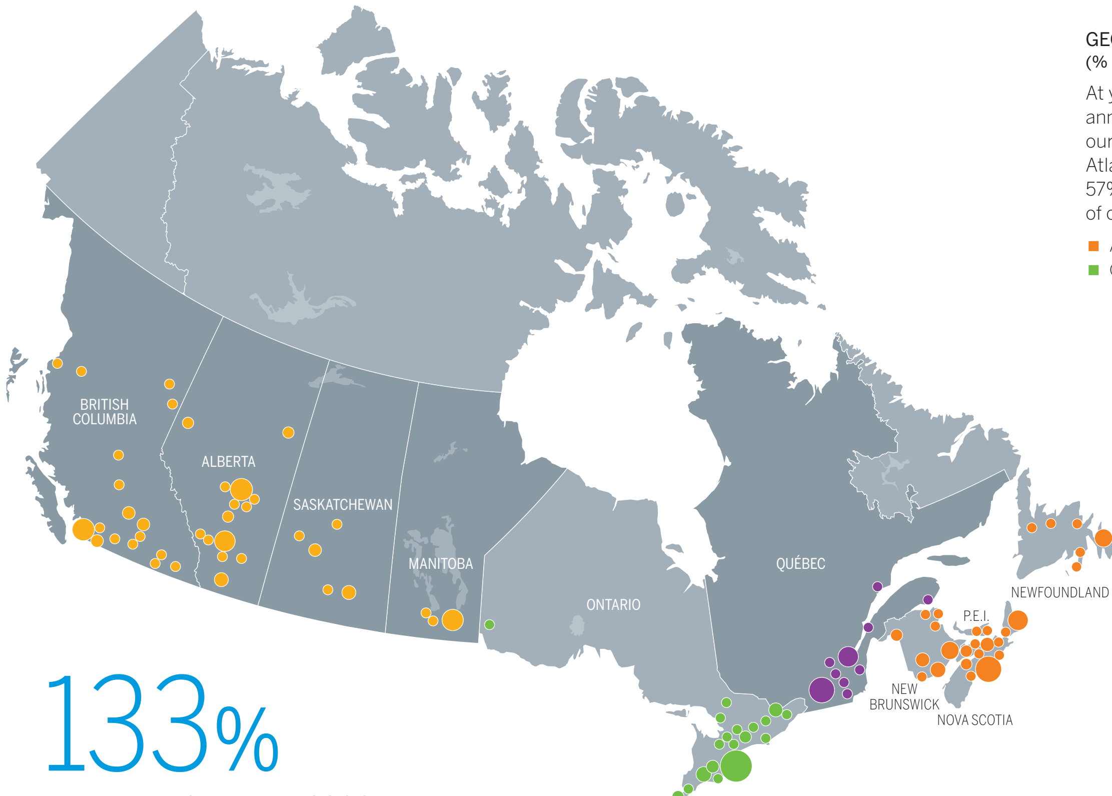
255 COMMERCIAL PROPERTIES

17.4 MILLION SQUARE FEET

89% OF ANNUAL MINIMUM RENT GENERATED BY RETAIL

Adding to the mix: Our Portage Road property in Niagara Falls was enhanced by the addition of a 12,000 sq. ft. LCBO store in 2013.

Well-situated retail properties that serve the everyday needs of consumers in Canada's top 36 markets are at the heart of Crombie's strategy for growth.



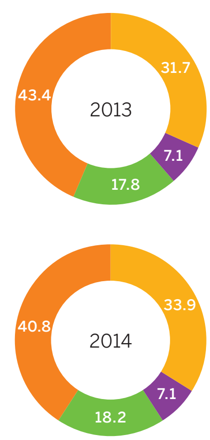
133%

increase in GLA since 2006

GEOGRAPHIC DIVERSIFICATION
(% of annual minimum rent)

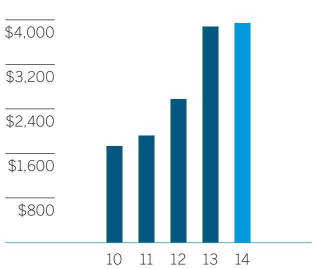
At year-end 2014, 59% of the annual minimum rent generated by our portfolio was derived outside Atlantic Canada compared to 57% a year ago and 14% at the time of our IPO.

■ Atlantic ■ West
■ Ontario ■ Quebec



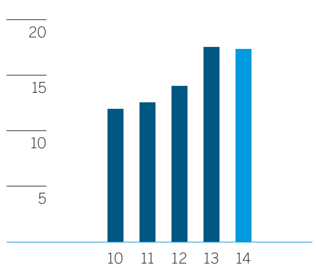
TOTAL ASSETS
(in millions of dollars)

Crombie's total assets rose by $85 million in 2014, reflecting $154 in new property acquisitions and property dispositions of $68 million.



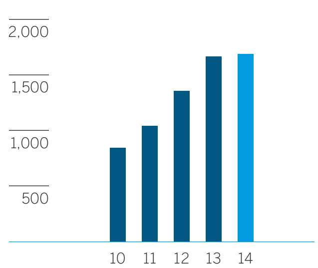
GROSS LEASABLE AREA
(in millions of square feet)

Gross leasable area in Crombie's property portfolio was 17.4 million square feet compared to 17.6 million square feet at the end of 2013.



MARKET CAPITALIZATION
(in millions of dollars)

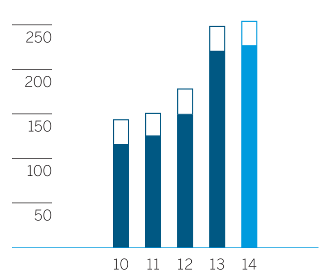
Crombie's market capitalization reached approximately $1.7 billion, with a public float of approximately $1.0 billion at the end of 2014.



ANNUAL MINIMUM RENT
(in millions of dollars)

The percentage of annual minimum rent generated by Crombie's retail assets has increased steadily over the past six years.

■ Retail □ All other



GREAT REAL ESTATE

Crombie's growth is focused on the steadiest performing assets in commercial real estate – grocery and drug store anchored plazas and freestanding stores that serve the everyday needs of Canada's communities. Our emphasis is focused on Canada's top 36 markets.

Today, 77 percent of the annual minimum rent generated by our $3.9 billion property portfolio is derived from grocery and drug store anchored plazas and freestanding stores compared to 44 percent at the time of Crombie's IPO. These properties are home to leading national and regional retailers who serve the everyday needs of Canadian shoppers and thus are largely protected from the fluctuating consumer demand in the broader retail market, as well as the impact of online shopping.

The largest of Crombie's tenants, representing more than 50 percent of annual minimum net rent is Sobeys, Canada's second-largest food retailer. Sobeys is a national leader with a fast-growing national network of stores and an exceptional full-service offering that has generated strong same-store sales and the continuing loyalty of its customers. This serves as a powerful draw that allows us to create an optimal mix of other leading national and regional retailers that enhances overall property performance.

While Sobeys' national expansion has served as the major catalyst for Crombie's growth, our acquisition strategy continues to focus on Canada's top 36 markets, which offer the best risk-adjusted returns on our investment. With the advent of Safeway and continued acquisitions in 2014, 68 percent of the property revenue in our portfolio comes from such markets, compared to 47 percent in March 2006. Characterized by higher rates of population and income growth, and younger demographics than the country at large, such markets bode well for steady income generation and capital appreciation.

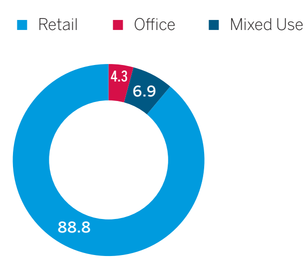
At the same time, we continue to benefit from the stability of our exceptional assets in Atlantic Canada, which occupy strategic locations in a region that is characterized by high barriers to entry, limited construction of new space and lower economic volatility than other regions of the country. Sixty-five percent of these assets are located in the region's five largest cities including Halifax Development Limited's $280 million portfolio of prime office and mixed-use properties and busy Avalon Mall in St. John's, Newfoundland and Labrador – one of the top performing regional malls in the country. The Atlantic Canadian economy also continues to benefit from the economic spin-off of major regional developments such as an estimated $60 billion in current resource projects in Newfoundland and Labrador and Irving Shipyards' $30 billion shipbuilding contract with the federal government in Halifax, Nova Scotia.

EVERYDAY RETAILING IS THE KEY TO EVERYDAY PERFORMANCE

Crombie REIT's merit as an investment starts with the quality of our asset portfolio. Our properties are comprised of "everyday" retailers who meet the steady and predictable needs of their customers in prosperous and growing communities across the country. Most are anchored by a Sobeys related banner store, which create a powerful draw for shoppers and allows us to attract a complementary mix of other leading national and regional tenants.

ASSET DIVERSIFICATION BY ANNUAL MINIMUM RENT (%)

Retail assets generate 88.8% of the annual minimum rent from our portfolio. Most are grocery and drug store anchored properties that meet everyday needs in their communities.



Clockwise from above: Elmsdale Plaza, Hants County, NS; Stittsville Corner, ON; Avalon Mall, St. John's, NL; Scotia Square, Halifax, NS

Clockwise from above: McOrmond Drive, Saskatoon, SK; Avalon Mall, St. John's, NL; 1234 Main Street, Moncton, NB

Our steady growth in same-asset cash net operating income has come from the quality of our tenants and the active management and development of our properties.

The quality of Crombie's asset portfolio can also be seen in the reliability of its cash flows. More than 80 percent of our annual minimum rent is derived from national and regional tenants with 66 percent of annual minimum rent from investment-grade tenants. They are attracted by the central location of our grocery and drug store anchored plazas in the heart of prosperous and growing communities across the country as evidenced by the virtual 100 percent occupancy rate of these properties.

One of Crombie's guiding principles is to continuously improve the operating effectiveness of our portfolio. In 2014, same-asset cash net operating income increased 1.4 percent reflecting another solid performance by our property management and leasing teams.

We completed a high level of successful leasing activity during the year including 377,000 square feet of expiring 2014 lease renewals at an average rent increase of 13.8 percent; 316,000 square feet of 2015 and later renewals at an average rent increase of 6.5 percent; and 299,000 square feet of new leases at an average rent of $17.26 per square foot.

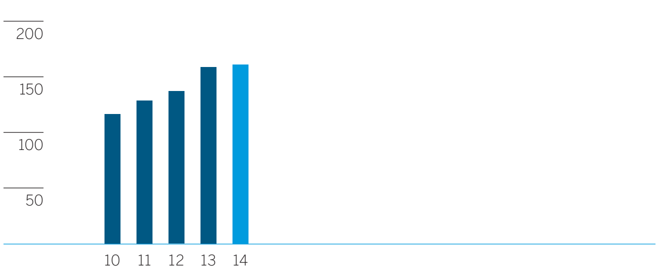
Our commitment to increase same-asset cash net operating income can also be seen in Crombie's growing development activities. In 2014, such investment included $4.8 million toward the completion of the newly renovated 1234 Main Street in Moncton, New Brunswick, a $3.3 million addition and redevelopment of mixed use space at Scotia Square in Halifax, Nova Scotia, and more than $32.5 million in productive capacity enhancements throughout the rest of our property portfolio.

While this kind of investment will continue, Crombie's capacity to create value has been measurably strengthened by the acquisition of 70 Safeway locations from Sobeys and Empire in November 2013, many of which are located in the urban centres of Western Canada's four largest cities.

Over the past year, we have been assessing opportunities for mixed-use development and are working with Sobeys and other industry partners, including some of the country's leading urban residential developers, on seven major developments, including five in Western Canada sites. Such projects are in high demand given the growing migration of young and old alike to the core of Canada's cities and the supportive intensification policies of local governments.

SAME-ASSET CASH NET OPERATING INCOME
(in millions of dollars)

Crombie REIT's operating efficiency and growth can be seen in our same-asset cash net operating income, with an annual growth rate range from 1.2 percent to 2.5 percent over the past five years.



>80%

More than 80 percent of our annual minimum rent is derived from national and regional tenants.

STRONG FINANCIAL CONDITION

Crombie's ability to deliver steady income growth and capital appreciation over time rests on a strong capital structure, with moderate leverage, ample liquidity and a conservative approach to financial management.

The strength of this foundation is evident in the debt to gross book value (fair value) of our balance sheet, which at 52.8 percent, is well below the 60 to 65 percent maximum specified in our Declaration of Trust. Furthermore, Crombie's debt service coverage ratio at year-end was 1.72 times EBITDA, while our interest service coverage ratio was 2.58 times EBITDA. These are very solid coverage metrics and well within our credit agreement covenant requirements.

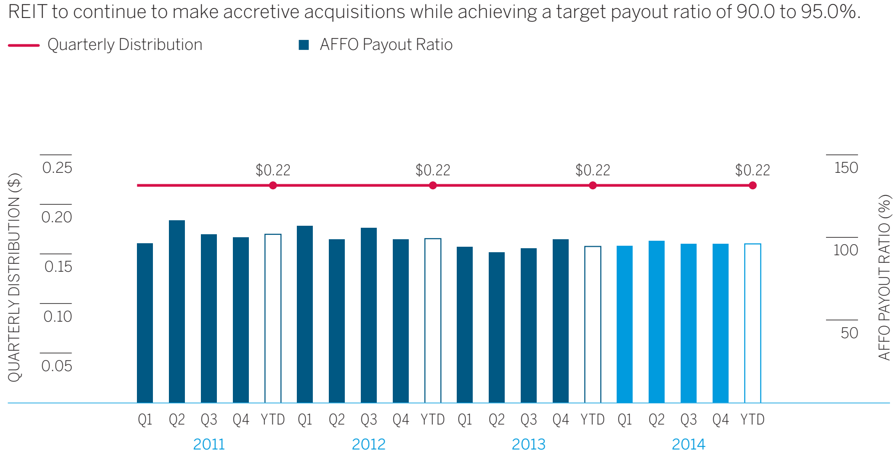
Aided by an investment-grade credit rating that was achieved in connection with the acquisition of the Safeway portfolio in 2013 we have taken advantage of improved access to capital to further strengthen our capital structure. We are also pleased to be accessing the Canadian debt market on very favourable terms. In March, we closed our 7+ year $100 million series B note offering, which carries a coupon rate of 3.962 percent and was priced at a premium with an effective yield of 3.9 percent. In June, our revolving credit facility was renewed and increased to $300 million with lower spreads and improved commercial terms. In May, we also completed a public offering on a bought deal basis of 4.5 million units at $13.25 each for gross proceeds of $60 million with Empire exercising its pre-emptive right to acquire $40 million of Class B LP Units bringing the total offering to $100 million. We also took the opportunity to lower the cost of financing our properties in a manner consistent with our conservative management approach. Same-asset finance costs decreased by $4.5 million or 7.7 percent during 2014 compared to the previous year.

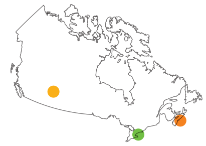
Crombie ended 2014 with unprecedented liquidity in our balance sheet, including $155 in unused credit and $708 in unencumbered assets, up from $474 million at the end of the previous year. Such strength makes Crombie well positioned to prosper amidst volatility in the global economy, and provides the flexibility to access the equity and debt markets in a way that minimizes our cost of capital at any given point in time.

Beyond Crombie's focus on steady, everyday retailing, our capital structure is also supported by exceptionally conservative lease maturity and debt maturity profiles. No more than 10 percent of the gross leasable area will mature in a single year and the prevalence of grocery, drug store and bank tenants at our properties allows Crombie to have one of the longest remaining lease terms (11.8 years at year-end 2014 compared to 12.1 years at the end of 2013) in the Canadian REIT industry. Our portfolio also features one of the longest average mortgage terms in the business (7.4 years at year-end 2014 compared to 8.0 years at the end of 2013).

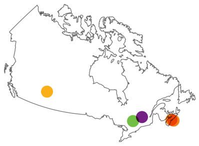
QUARTERLY DISTRIBUTION AND AFFO PAYOUT RATIO

Units of Crombie REIT offer a high yield relative to the dependable, low-risk cash flow generated by our portfolio and the quality of our tenant base and real estate assets. Current distribution levels will allow the REIT to continue to make accretive acquisitions while achieving a target payout ratio of 90.0 to 95.0%.





Clockwise from above: 11th Avenue SW, Calgary, AB; Brunswick Place, Halifax, NS; Taunton & Wilson Plaza, Oshawa, ON



Clockwise from above: Boulevard Lapiniere, Brossard, QC; Mill Cove Plaza, Bedford, NS; Stittsville Corner, Stittsville, ON; 10 Street NW, Calgary, AB

A WINNING PLATFORM

Over the past year, Crombie has continued to build a best-in-class national platform that is improving the efficiency of our national operations and fostering a culture of continuous learning and leadership development.

Since inception, the value of Crombie's asset portfolio has grown by a compound growth rate of 18 percent to more than $3.9 billion. During this time, the geographic presence and focus of our portfolio has also changed substantially. Aided by Sobeys' rapid growth, we now have a substantial presence in every region of the country and a strong focus on retail assets, which now comprise 83.4 percent of the gross leasable area (GLA) in our portfolio.

In order to realize the potential for value creation within this portfolio, we continued our efforts to build a best-in-class operating platform during the past year. At the organizational level, this can be seen in the creation of national shared services functions and the growing spirit of collaboration between Crombie's regional managers, who are working closely with other senior management to standardize operating procedures and reduce costs for our leasing, property management, administrative support and development teams.

Fostering a culture of continuous learning and leadership development to support a winning platform is equally important, and under the direction of Chief Talent Officer Cheryl Fraser, our efforts are beginning to attract attention. During the past year, Crombie REIT was named as a finalist for Canada's Passion Capital Award sponsored by Canada's Passion Capitalists. This national awards program celebrates organizations that have achieved long-term success by creating Passion Capital. Inspired by Paul Alofs' book *Passion Capital: The World's Most Valuable Asset*, the award's organizers describe Passion Capital as "the energy, intensity, and sustainability needed to generate superior results. Organizations that demonstrate Passion Capital are guided by a strong set of values and beliefs that form the basis of a distinctive culture that fuels their performance."

Crombie REIT also received recognition as one of Nova Scotia's Top Employers for 2015. Now entering its tenth year, Nova Scotia's Top Employers is an annual competition organized by the editors of Canada's Top 100 Employers. This special designation recognizes the employers in Nova Scotia that lead their industries in offering exceptional places to work based on detailed analysis of operating and HR practices. Among the important criteria for the award are Physical Workplace; Work Atmosphere & Social; Health, Financial & Family Benefits; Vacation & Time Off; Employee Communications; Performance Management; Training & Skills Development; and Community Involvement.

CROMBIE RECEIVES TOP INDUSTRY HONOURS IN 2014

Crombie REIT's culture of continuous learning and improvement has helped us create a winning operating platform over the past two years following a period of significant growth and geographic expansion. During 2014, our efforts received recognition from two awards programs, including Crombie's selection as a finalist for Canada's Passion Capital Award in 2014 and as a winner of Nova Scotia's Top Employer Award. In 2015, Crombie was also recognized as one of Canada's Top Small and Medium Employers, and Atlantic Canada's Top Employer, by Canada's Top 100 Employers. In the photo above, Richard Yerema, Managing Editor, Canada's Top 100 Employers, presents the award to Glenn Hynes, Executive VP, CFO & Secretary (left) and Fred Santini, Regional VP, Central Canada (right).

CANADA'S PASSION CAPITALISTS | SUSTAINABILITY INTENSITY COURAGE CULTURE CREED
2014 FINALIST

2015 SME CANADA'S TOP SMALL & MEDIUM EMPLOYERS

BUILDING BETTER COMMUNITIES

For almost 50 years, Crombie and its predecessor companies have done their best to earn the respect of the communities that are home to our properties. This tradition continued in 2014 through numerous social and environmental initiatives.

Our growing commercial real estate portfolio makes Crombie an integral part of daily life in Canada. We count on those who work and shop at our properties everyday and believe they should be able to count on us in return. Each year, we are proud to support numerous charitable causes with direct financial support and through the generosity and volunteer efforts of our employees. These include YMCA Strong Kids, which allows more kids to participate in life-enhancing programs that build a healthy spirit, mind and body and Catapult, a non-profit leadership camp that provides a fun, high-energy learning experience focused on enhancing the leadership, social, problem solving and decision making skills of young Nova Scotians. With the help of community sponsors such as Crombie, Catapult is able to focus on teens with strong potential who would otherwise miss potentially life-changing opportunities.

Our head office and regional offices across the country also support numerous other causes each year. In 2014, these included the Canadian Heart and Stroke Foundation, the Nova Scotia Cancer Society, Dreams Take Flight, Ronald McDonald House, the Special Olympics of Pictou County and regional health care and recreational facilities.

Improving the environment

Crombie continues to make significant progress to reduce our energy consumption and environmental impact. Today, all of our new-build designs match LEED equivalent standards and we continue to earn and upgrade BOMA BESt certification for our enclosed retail and office properties. All buildings in our downtown Halifax portfolio are currently BOMA BESt Level II certified, and will be recertified at Level III in 2015. Cogswell Tower, Duke Tower, Barrington Tower, the CIBC Building and Brunswick Place have all received the BOMA Award of Excellence, with Barrington Tower and Brunswick Place put forward to the national TOBY Awards. This national program is the most prestigious and comprehensive program of its kind in the commercial real estate industry, recognizing quality in buildings and rewarding excellence in building management.

During the past year, we undertook a number of new projects that will result in annual energy savings of approximately 2.1 million kilowatt hours (KwHs). This brings the total KwHs per year saved since we began the process of greening our buildings in 2008 to over 12.0 million KwHs.

In 2014, many of these initiatives focused on reducing the environmental footprint and operating costs of Duke Tower. Projects included the installation of variable speed drives in cooling towers and variable speed air compressors in the main pad, the installation of a hot water tank heat pump, and the installation of energy-efficient lighting in the Duke Tower lobbies and LED lighting in the newly renovated food court. All vendors were also migrated to a common natural gas system and new variable-speed exhaust fan systems.

Our partnership with Efficiency Nova Scotia to upgrade lighting systems also extended to our other office properties. Motion sensor lighting was installed in stairwells of Barrington Tower, Duke Tower, and the CIBC Building, with anticipated annual savings of 226,000 kWh per year.

We also continued to reduce water consumption and save energy with an ongoing conversion program for all facility washrooms and domestic supply systems. Since 2008, we have reduced our annual water consumption by 35 million gallons, in part by installing smart valves on urinals, low-flow flushometres, and low-flow aerators.

All of these changes reflect Crombie's ongoing commitment to reduce the energy consumption and environmental footprint of our properties. By doing so, we seek to meet our responsibilities in the communities in which we operate, better meet the interests of our tenants, and increase the value of our properties over time.

Barrington Tower and our other downtown Halifax properties will be re-certified at BOMA BESt Level III in 2015.

Crombie employees also help their communities through important individual initiatives. **Left:** Fred Santini (right in photo) is Co-Founder and President of the Shining Through Centre for Children with Autism, which provides therapy, education, research, and awareness to children and families affected by autism. **Right:** Following a life-saving heart transplant for their daughter, Ben Lord and wife Eve-Marie were inspired to help others by spreading the word on the importance of organ donation. You can find Julianne's story at: https://www.blood.ca/en/organs-tissues

A MATTER OF TRUST

Crombie's two greatest competitive advantages are its people and its ongoing relationship with Empire and Sobeys. Both continued to serve Crombie well during the past year.

2014 presented significant challenges for Crombie and the industry in general, however, Crombie's management team continued to advance its strategy, including acquisitions and dispositions, enabling Crombie to further enhance its geographic diversification and retail focus. As finding accretive acquisitions that fit Crombie's strategy continues to be challenging, the importance of the Sobeys property pipeline, which provides preferred access to high-quality grocery and drug store anchored properties, is particularly evident.

Having a solid oversight structure in place has been a principal focus of the Board from well before the time of Crombie REIT's IPO in 2006. Whether it is via the Audit, Human Resources, Investment and Governance and Nominating Committees, or the Board itself, Crombie's Trustees are committed to the principles of good governance and understand their responsibilities to the REIT and all stakeholders. The Board continuously reviews its practices to ensure they are appropriate in the context of emerging issues and standards as well as our business model. Accordingly, while the Board consists of both elected and appointed Trustees, a majority are both elected by our Unitholders and independent. The Chairs of all board committees are also independent, as is the Lead Independent Trustee. Furthermore, Empire-appointed Trustees do not participate in decisions related to the Sobeys development pipeline. We also encourage frank and open discussion during our meetings, which include in-camera sessions during each Board meeting without management present. This is always followed by an in-camera meeting with only independent, elected Trustees in attendance.

During the past year, we bid farewell to three Trustees who have played important roles in Crombie's success. They include David Leslie, who retired as a Trustee and Chair of the Audit Committee after seven years of service, Paul Beesley, former Executive Vice President and CFO of Empire and a Trustee since 2009, and David Graham, an independent Trustee who was first elected in 2006 at the formation of Crombie REIT. On behalf of the entire Board, we thank all three for their wise counsel and valuable contributions to Crombie's success and wish them the very best in the years to come.

At the same time, we had the good fortune to welcome two exceptional people to our Board in 2014: Barbara Palk, former President of TD Asset Management Inc. and François Vimard, Executive Vice President and CFO of Empire Company. On behalf of all Trustees, we would like to thank all stakeholders, including our employees, tenants, business partners, investors and local communities across the country upon whom Crombie depends. With your continued support, we remain confident in Crombie's prospects for continuing success.

Sincerely,

Frank C. Sobey
Trustee and Chair

John Eby
Lead Independent Trustee

Frank C. Sobey, Trustee and Chair, and John Eby, Lead Independent Trustee

Board of Trustees

Frank C. Sobey
Trustee since 2006 and Chair

Frank Sobey has been a director of Crombie and its predecessors since 1981 and Chair since 1998. He is a director of Empire Company Limited, was Chairman of the former Oversight Committee of Empire and served as a trustee of the Wajax Income Fund. Currently Chairman of the Dalhousie Medical Research Foundation, Mr. Sobey is a graduate of the Harvard Business School's Advanced Management Program and received the ICD.D designation in 2013.

John Eby
Independent Trustee since 2008

John Eby was Vice-Chairman of Scotia Capital from 2000 until his retirement in 2006 and for 10 years prior to that Senior Vice President, Corporate and Energy Banking, The Bank of Nova Scotia. He is also a director of Wajax Corporation. Mr. Eby received his BA and MBA in Finance from Queen's University and is the founder and CEO of Developing Scholars, a not-for-profit organization that promotes educational initiatives in Guatemala.

Donald E. Clow
Trustee since 2009, President and CEO

Mr. Clow became President and CEO in 2009 after serving as President, ECL Developments Limited for two years and previously, as President of Southwest Properties. Mr. Clow earned his BBA from Acadia University, his CA designation with KPMG and Fellow Chartered Accountant designation in 2002. He is a graduate of the YPO President's Program at Harvard Business School and received his ICD.D designation in 2014.

Brian A. Johnson
Independent Trustee since 2008

Brian Johnson is a partner of Crown Capital Partners and of Crown Realty Partners. From 1993 to 2007 he was President and Chief Executive Officer of Crown Life Insurance Company. Mr. Johnson received his B. Comm. (Gold Medalist) from the University of Manitoba and his MBA from the University of Pennsylvania. He also holds the Chartered Financial Analyst (CFA) designation.

J. Michael Knowlton
Independent Trustee since 2011

Mr. Knowlton retired from Dundee Realty Corporation as President of Dundee REIT in May 2011 after 13 years of service with the corporation. A director of Tricon Capital Group Inc. and True North Apartment REIT, Mr. Knowlton received his BSc (Engineering) and MBA from Queen's University, earned his CA designation in 1977 and his ICD.D designation in 2011.

E. John Latimer
Independent Trustee since 2006

John Latimer is the Managing Director of Aldert Chemicals Limited and the former President and CEO of Monarch Corporation, a real estate development company, from which he retired in 2000 after 22 years of service. He also served on the Executive Committee of Taylor Woodrow plc, the London, U.K. based major shareholder of Monarch. Mr. Latimer is the Audit Chairman and Director of R Split III Corp., a managed company of The Bank of Nova Scotia.

Barbara F. Palk
Independent Trustee since 2014

Barbara Palk is the former President of TD Asset Management Inc. She serves on the Boards of TD Asset Management USA Funds Inc., Ontario Teachers' Pension Plan, First National Financial Corporation and Queen's University (Chair). Ms. Palk has an Honours BA in Economics from Queen's University, has received the ICD.D and CFA designations and is a Fellow of the Canadian Securities Institute.

Kent R. Sobey
Independent Trustee since 2008

Kent Sobey is founder and President of Farmhouse Productions Ltd. and an active investor in commercial real estate and media. He is a corporate director of Blue Ant Media and Hollywood Suite and serves on the board of The North York Harvest Food Bank. Mr. Sobey received his BA from Dalhousie University, is a graduate of The Vancouver Film School and has completed executive development at Rotman School of Management and Queen's University.

Paul D. Sobey
Trustee since 2006

Paul Sobey retired as President and Chief Executive Officer of Empire Company Limited in 2013. He sits on the boards of Empire Company Limited, Sobeys Inc., The Bank of Nova Scotia, and is Chancellor of Saint Mary's University. Mr. Sobey received his Bachelor of Commerce from Dalhousie University, attended Harvard University Business School, Advanced Management Program and is a Chartered Accountant. He became a Fellow Chartered Accountant of Nova Scotia in 2006.

Elisabeth Stroback
Independent Trustee since 2006

Elisabeth Stroback is Executive Lead, Capital Projects and Real Estate for Ryerson University. Ms. Stroback is the former Managing Principal and Owner of Tanalex Corp. and prior to 1999, served as President of Hammerson Canada Inc. She is Human Resources Compensation Committee Certified (HRCC) from the Director's College. Ms. Stroback also holds a BA as well as an MA in Economics.

François Vimard
Trustee since 2014

François Vimard, CPA, CA is the Chief Financial and Administrative Officer of Empire Company Limited and its wholly owned subsidiary Sobeys Inc. He provides leadership for the Company's Finance, Information Technology, Distribution & Logistics, Corporate Strategy, Real Estate, and Legal functions. Mr. Vimard earned his BBA degree and Licence in Accounting Sciences from Université Laval. He is a member of the Québec Chartered Accountant Order.

For complete biographical information on Crombie REIT's Trustees and Executive Management, please visit us at: crombiereit.ca

OUR MOST VALUABLE ASSETS

Although the buildings in our commercial real estate portfolio represent Crombie's most tangible assets, our efforts to build a leading national REIT are driven by a strong and growing team of skilled and motivated people.

Charlie Dunn
Manager of Acquisitions and Dispositions

Charlie joined Crombie in May 2014 with 10 years of commercial real estate experience. Most recently with Altus Group's Infrastructure Division, Charlie was responsible for the provision of acquisition, municipal relations and surveying services to large telecoms and utilities. Charlie is a graduate of Dalhousie University and the University of British Columbia and holds an Accredited Appraiser Canadian Institute designation.

Stéphane Langlois
Senior Property Manager

Stéphane joined Crombie in September 2014 after six years with Riocan Management Inc. where he managed a 600,000 sq. ft. portfolio of retail and office space. Stéphane brought more than 14 years of real estate experience, including management and accounting roles with Ivanhoé Cambridge, Standard Life Real Estate and Remstar Inc.

Andreea Marin
Leasing Manager, Montreal

Andreea joined Crombie in June 2014 with three years of experience as a Commercial Broker and a Leasing Consultant, most recently with Desjardins, where she was responsible for three office towers and 100 retail tenants. Andreea obtained a Bachelor of Commerce from JMSB, Concordia University and earned her Real Estate Broker License from LaSalle College.

Valérie Langlois
Administrative Assistant

Valérie joined Crombie in May 2014 with eight years of professional experience, most recently as a legal assistant with a diverse range of duties, from writing and translation of documents to the preparation, disbursement and monitoring of billings. Valérie holds a professional secretarial diploma from Centre L'Émergence professional training.

Steve Skinner
Leasing Manager, Halifax

Steve joined Crombie in May 2014 following five years in store management at Sobeys Inc., most recently as Manager of the Sobeys Windsor Street store in Halifax. He is a 12-year veteran of the Canadian Forces, and served as an instructor at the School of Military Engineering. Steve earned his Executive MBA from Saint Mary's University in 2014.

Stephanie Rea
Lease Administrator

Stephanie joined Crombie in July 2014 following four years of experience at First Capital Realty, where she worked as a Bilingual Lease Administrator. She relocated to Montreal from Toronto to accept this position and we are very fortunate to have Stephanie as part of our team.

From left to right:
Charlie Dunn, Stéphane Langlois, Andreea Marin, Valérie Langlois, Steve Skinner and Stephanie Rea

Financial Review

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL HIGHLIGHTS

Financial Highlights for the years ended December 31, 2014 and 2013 are as follows:

At December 31	2014	2013
Number of properties	255	249
Gross leaseable area (square feet)	17,379,000	17,558,000
Debt to gross book value – fair value basis	52.8%	53.0%

Year ended December 31 (In thousands of CAD dollars, except per unit amounts and as otherwise noted)				
Property revenue	$	358,319	$	297,043
Property net operating income	$	248,699	$	190,370
FFO	$	142,052	$	102,343
FFO as adjusted	$	142,052	$	108,376
FFO per unit – diluted(2)	$	1.10	$	1.10
FFO payout ratio (%)(2)		80.2%		79.9%
AFFO	$	118,176	$	85,492
AFFO as adjusted	$	118,176	$	91,525
AFFO per unit – diluted(2)	$	0.93	$	0.94
Distributions per unit	$	0.89	$	0.89
AFFO payout ratio (%)(1)(2)		96.4%		94.7%

(1) AFFO payout ratio is calculated using a per square foot charge of $0.87 (2013, $1.05) for maintenance expenditures (see "AFFO" section).
(2) FFO and AFFO per unit measures and payout ratios for the year ended December 31, 2013 are calculated using FFO as adjusted and AFFO as adjusted as discussed in our December 31, 2013 MD&A.

2014 Highlights

- FFO for the year ended December 31, 2014 increased 31.1% to $142,052; or $1.10 per unit Diluted, unchanged per unit from the same period in 2013.
- FFO for the three months ended December 31, 2014 increased 19.9% to $36,363; or $0.28 per unit Diluted, an increase of $0.01 per unit from the three months ended December 31, 2013.
- AFFO for the year ended December 31, 2014 increased 29.1% to $118,176; or $0.93 per unit Diluted, a decrease of $0.01 per unit from the same period in 2013.
- AFFO for the three months ended December 31, 2014 increased 18.5% to $30,211; or $0.23 per unit Diluted, unchanged per unit from the three months ended December 31, 2013.
- FFO payout ratio of 80.2% for the year ended December 31, 2014 compared to 79.9% for the same period in 2013. AFFO payout ratio of 96.4% for the year ended December 31, 2014 compared to 94.7% for the same period in 2013. FFO payout ratio of 79.9% for the three months ended December 31, 2014 compared to 83.0% for the same period in 2013. AFFO payout ratio of 96.2% for the three months ended December 31, 2014 compared to 98.8% for the same period in 2013.
- 20.6% growth of property revenue for the year ended December 31, 2014 ($358,319 versus $297,043 for the year ended December 31, 2013). Fourth quarter property revenue of $90,602, increased $6,572 or 7.8% over fourth quarter 2013.
- Solid growth of same-asset property cash NOI for the year ended December 31, 2014 of 1.4% ($161,146 compared to $158,939 for the year ended December 31, 2013). Increase in same-asset property cash NOI of 0.8% for the three months ended December 31, 2014 compared to the same period in 2013.
- Committed occupancy was 94.0% at December 31, 2014 compared with 93.6% at September 30, 2014 and 93.2% at December 31, 2013.
- Crombie's leasing activity during the year ended December 31, 2014, included:
  - Renewals on 377,000 square feet of 2014 expiring leases at an average rate of $18.60 per square foot, an increase of 13.8% over the expiring lease rate;
  - Renewals on 316,000 square feet of 2015 and later expiring leases at an average rate of $11.47 per square foot, an increase of 6.5% over the expiring lease rate;
  - New leases of 299,000 square feet replacing vacant or expiring space in 2014 at an average rate of $17.26 per square foot; and
  - Documents have been executed for 2015 leasing on 113,000 square feet of new leases at an average rate of $14.15 per square foot and expansions of current tenants of 31,000 square feet at an average rate of $11.83.
- Debt to gross book value (fair value basis) was 52.8% at December 31, 2014, compared to 53.0% at December 31, 2013.
- Crombie's interest service coverage for the year ended December 31, 2014 was 2.58 times EBITDA and debt service coverage was 1.72 times EBITDA, compared to 2.74 times EBITDA and 1.79 times EBITDA, respectively, for the year ended December 31, 2013.
- Completed $100,000 Units and Class B LP Units issuance on May 30, 2014; $60,000 of which was the first issuance under the $500,000 Short Form Shelf Prospectus filed on May 13, 2014.
- Closed $100,000 principal amount Series B Senior Unsecured Notes offering with a seven year three month term and an effective yield of 3.9% on March 5, 2014.
- Completed acquisitions of 11 retail properties, one retail property adjacent to an existing retail property and two development additions to existing retail properties totaling 577,300 square feet for a total purchase price of $154,113. Fourth quarter of 2014 included eight retail property acquisitions from subsidiaries of Empire and three retail property acquisitions from third parties. These 11 properties, totaling 523,500 square feet, were acquired for a total purchase of $142,045 including closing and transaction costs at an implied stabilized capitalization rate of 6.3%.
- Completed dispositions of five retail properties in the fourth quarter of 2014 totaling 607,900 square feet for proceeds of approximately $65,000 before closing and transaction costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of CAD dollars, except per unit amounts)

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2014, with a comparison to the financial condition and results of operations for the comparable periods in 2013.

This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2014 and December 31, 2013 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

NON-GAAP FINANCIAL MEASURES

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income ("NOI"), same-asset property NOI and same-asset property cash NOI, operating income attributable to Unitholders, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), debt to gross book value, and earnings before interest, taxes, depreciation and amortization ("EBITDA"). These measures are used by management to evaluate performance and management believes certain investors may use these measures as a means of assessing relative financial performance.

INTRODUCTION

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 26, 2015, except as otherwise noted.

Financial and Operational Summary

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Property revenue	$ 90,602	$ 84,030	$ 358,319	$ 297,043
Operating income attributable to Unitholders	$ 22,227	$ (492)	$ 71,389	$ 36,552
Basic operating income attributable to Unitholders per unit	$ 0.17	$ 0.00	$ 0.56	$ 0.38
Diluted operating income attributable to Unitholders per unit	$ 0.17	$ 0.00	$ 0.56	$ 0.38
FFO	$ 36,363	$ 24,291	$ 142,052	$ 102,343
FFO as adjusted	$ 36,363	$ 30,324	$ 142,052	$ 108,376
FFO per unit – basic(2)	$ 0.28	$ 0.27	$ 1.12	$ 1.12
FFO per unit – diluted(2)	$ 0.28	$ 0.27	$ 1.10	$ 1.10
FFO payout ratio (%)(2)	79.9%	83.0%	80.2%	79.9%
AFFO	$ 30,211	$ 19,460	$ 118,176	$ 85,492
AFFO as adjusted	$ 30,211	$ 25,493	$ 118,176	$ 91,525
AFFO per unit – basic(2)	$ 0.23	$ 0.23	$ 0.93	$ 0.95
AFFO per unit – diluted(2)	$ 0.23	$ 0.23	$ 0.93	$ 0.94
Distributions per unit	$ 0.22	$ 0.22	$ 0.89	$ 0.89
AFFO payout ratio (%)(1)(2)	96.2%	98.8%	96.4%	94.7%

(1) AFFO payout ratio is calculated using a per square foot charge of $0.87 (2013, $1.05) for maintenance expenditures (see "AFFO" section).
(2) FFO and AFFO per unit measures and payout ratios for the three months and year ended December 31, 2013 are calculated using FFO as adjusted and AFFO as adjusted as discussed in our December 31, 2013 MD&A.

Overview of the Business and Recent Developments

Crombie is an unincorporated, "open-ended" real estate investment trust established pursuant to the Declaration of Trust dated January 1, 2006, as amended and restated (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. The REIT Units of Crombie trade on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a growth strategy focused primarily on the acquisition of grocery-anchored and drugstore-anchored retail properties in Canada's top 36 markets. At December 31, 2014, Crombie owned a portfolio of 255 investment properties in ten provinces, comprising approximately 17.4 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through a subsidiary, holds a 41.5% (fully diluted 39.3%) economic and voting interest in Crombie at December 31, 2014.

Significant Developments during 2014 include:

Acquisitions and dispositions completed up to and including December 31, 2014 include: (in thousands of CAD dollars, except as otherwise noted)

Acquisition/Disposition Date	Properties Acquired (Disposed)	Province	Approximate Square Footage	Initial Acquisition (Disposition) Price
Acquisitions				
January 31, 2014(1)	—	NS	6,700	$ 1,490
March 31, 2014(3)	1	AB	53,000	12,127
March 31, 2014(3)	(1)	AB	(53,000)	(12,127)
May 1, 2014	1	ON	39,400	10,176
November 17, 2014	6	ON, AB, BC	292,500	63,850
November 21, 2014	1	ON	36,000	9,140
November 24, 2014	1	PE	53,500	8,385
December 3, 2014(1)	—	AB	24,300	11,000
December 12, 2014	2	MB	117,200	47,564
December 19, 2014(1)	—	QC	7,700	2,508
Total			577,300	154,113
Dispositions				
January 16, 2014(2)	—	NS	(25,000)	(1,200)
August 21, 2014(2)	—	NB	—	(1,900)
October 17, 2014	(4)	NS, NB, NL	(374,500)	(35,000)
December 10, 2014	(1)	PE	(233,400)	(30,000)
Total			(632,900)	$ (68,100)

(1) Relates to acquisition of adjacent property or additional development on a pre-existing retail property.
(2) Relates to the partial disposition of a property.
(3) Relates to an exchange of properties in Canmore, Alberta.

Included in the above acquisitions total are three acquisitions totalling $14,998 representing one adjacent property and two add-on developments to Crombie's existing properties. In addition, subsequent to year end, Crombie acquired $15,225 in adjacent properties to two more existing properties. These adjacent acquisitions and add-ons to existing properties align with Crombie's strategy of judicious expansion and improvement of existing properties.

The initial purchase and disposition prices stated above exclude closing and transaction costs. The acquisitions were funded through Crombie's floating rate revolving credit facility.

On March 5, 2014, Crombie issued, on a private placement basis, $100,000 Series B Notes (senior unsecured) with a seven year three month term, maturing on June 1, 2021 and an effective interest rate of 3.90%.

On May 30, 2014, Crombie closed a public offering, on a bought deal basis, of 4,530,000 Units, at a price of $13.25 per Unit for proceeds of $57,366, net of issue costs. Concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited ("ECLD") purchased 3,018,868 Class B LP Units and the attached Special Voting Units ("SVU") at a price of $13.25 per Class B LP Unit for proceeds of $39,830, net of issue costs, on a private placement basis.

Business Objectives and Outlook

The objectives of Crombie are threefold:

1. Generate reliable and growing cash distributions;
2. Enhance the value of Crombie's assets and maximize long-term unitholder value through active asset management; and
3. Expand the asset base of Crombie and increase its cash available for distribution through accretive acquisitions.

Generate reliable and growing cash distributions: Management focuses both on improving the same-asset results while expanding the asset base with accretive acquisitions to grow the cash distributions to unitholders. Crombie's focus on grocery-anchored and drugstore-anchored retail properties, a stable and defensive orientated asset class, assists in enhancing the reliability of cash distributions.

Enhance value of Crombie's assets: Crombie anticipates reinvesting approximately 3% to 5% of its property revenue each year into its properties to maintain their productive capacity and thus overall value. Crombie's internal growth strategy focuses on generating greater rental income from its existing properties. Crombie plans to achieve this by strengthening its asset base through judicious expansion and improvement of existing properties, leasing vacant space at competitive market rates with the lowest possible transaction costs, and maintaining good relations with tenants. Management will continue to conduct regular reviews of properties and, based on its experience and market knowledge, assess ongoing opportunities within the portfolio.

Expand asset base with accretive acquisitions: Crombie's external growth strategy focuses primarily on acquisitions of income-producing, grocery-anchored and drugstore-anchored retail properties in Canada's top 36 markets. Crombie pursues two primary sources of acquisitions which are third party acquisitions and the relationship with ECLD and Sobeys Development Limited Partnership ("SDLP"). The relationship with ECLD and SDLP includes currently owned and future development properties, as well as opportunities through the rights of first refusal ("ROFR") that one of Empire's subsidiaries has negotiated in certain of their third party leases. Crombie will seek to identify future property acquisitions using investment criteria that focuses on the strength of anchor tenancies, market demographics, age of properties, terms of tenancies, proportion of revenue from national and regional tenants, opportunities for expansion, security of cash flow, potential for capital appreciation and potential for increasing value through more efficient management of assets being acquired, including expansion and repositioning.

Crombie continues to work closely with ECLD and SDLP to identify opportunities that further Crombie's growth strategy. The relationship with ECLD is governed by an agreement described in the Material Contracts section of Crombie's Annual Information Form and SDLP has confirmed that certain properties now held by SDLP that it acquired from ECLD continue to be governed by that agreement. In addition, Crombie has a right of first offer ("ROFO") agreement with Sobeys to acquire both existing income producing commercial properties from Sobeys as well as properties from SDLP's development pipeline, subject to certain exceptions. Through these relationships, Crombie expects to have many of the benefits associated with property development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions.

The agreements provide Crombie with a preferential right to acquire retail properties from ECLD and/or SDLP, subject to approval by Crombie's elected trustees. These relationships between Crombie and ECLD and SDLP continue to provide promising opportunities for growth of Crombie's portfolio through future developments on both new and existing sites.

The following table outlines the property transactions completed since the initial public offering ("IPO") which highlight the growth opportunities provided through the Empire/Sobeys/ECLD relationship.

(In thousand of CAD dollars) Date acquired	Number of Properties	GLA (sq. ft.)	Acquisition Cost(1)	Vendor
2006–2012	93	4,979,000	$ 795,504	Empire subsidiaries
2006–2012	39	1,922,000	478,598	Third parties
2013	73	3,284,000	1,044,730	Empire subsidiary
2013	8	388,000	176,260	Third parties
January 31, 2014(2)	—	6,700	1,490	Empire subsidiaries
March 31, 2014(3)	1	53,000	12,127	Empire subsidiaries
March 31, 2014(3)	(1)	(53,000)	(12,127)	Empire subsidiaries
May 1, 2014	1	39,000	10,176	Empire subsidiaries
November 17, 2014	6	292,000	63,850	Empire subsidiaries
November 24, 2014	1	54,000	8,385	Empire subsidiaries
December 12, 2014	1	78,000	28,750	Empire subsidiaries
December 19, 2014(2)	—	8,000	2,508	Empire subsidiaries
November 21, 2014	1	36,000	9,140	Third parties
December 3, 2014	1	24,000	11,000	Third parties
December 12, 2014	1	39,000	18,814	Third parties

(1) Excluding closing and transaction costs.
(2) Relates to an acquisition of additional development on a pre-existing retail property.
(3) Relates to an exchange of properties in Canmore, Alberta.

Through its relationships with SDLP and ECLD, Crombie is provided a preferential right to acquire retail properties developed by these entities. There is currently approximately $300,000 – $500,000 of properties in various stages of development which are anticipated to be made available to Crombie over the next four years.

Business Environment

Since the latter part of 2009, the Canadian economy continues to display strengthening results in a number of key economic areas, which indicate that a modest economic recovery has taken place. However, concerns still exist as to the sustainability of the recovery as debt levels of both governments and consumers and unemployment levels remain high. Also, during this 2009 – 2014 period, the credit and equity markets experienced a dramatic improvement in their liquidity compared to the dramatic contraction of late 2008. This liquidity expansion has helped reduce credit spreads to more historically normal levels and resulted in attractive overall financing costs which many Canadian real estate investment trusts ("REITs") and real estate companies, including Crombie, have taken advantage of to strengthen their financial position, improve liquidity and lower their weighted average cost of capital.

In 2014 a dramatic reduction in the price of oil has been a negative factor in terms of its significant impact on Canadian capital investment in the oil sector and the Canadian employment impacts arising from this reduced capital activity. On a positive note, lower oil and gas prices are expected to benefit consumers and increase disposable income. A material drop in 2014 in the value of the Canadian dollar has impacted provincial economies with some potential upside for those with greater export potential. The low dollar has been accompanied by reductions in Canadian interest rates which has potential benefits for both consumer and business borrowing costs.

In light of the improving economic conditions and improved access to capital since 2009, capitalization rates have returned to very low levels. The prospects for higher interest rates as a result of stronger consumer demand and improving economic fundamentals has disaffected unit prices for certain REITs and increased their cost of capital. While these low capitalization rates have shown no discernible change to date, REIT acquisition activity has abated somewhat as competition from pension funds and other investors with low cost of capital make accretive acquisitions difficult.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements about expected future events and the financial and operating performance of Crombie. These statements include, but are not limited to, statements made in "Overview of Business and Recent Developments", "Property Profile", "Liquidity and Capital Resources", "Finance Costs – Operations", and other statements concerning management's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical fact. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking information in this MD&A is qualified by these cautionary statements.

Specifically, this document includes, but is not limited to, forward-looking statements regarding:

(i) the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;

(ii) asset growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual development costs;

(iii) the cost and timing of new properties under development and ROFO agreements, which development activities are primarily undertaken by related parties and thus are not under the direct control of Crombie and whose activities could be impacted by real estate market cycles, the availability of labour and general economic conditions;

(iv) the disposition of properties and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions and real estate market conditions;

(v) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;

(vi) the anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses;

(vii) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities, future interest rates and market conditions;

(viii) the estimated payments on derivative and non-derivative financial liabilities, which could be impacted by interest rate subsidy payments, conversions of convertible debentures, interest rates on floating rate debt and fluctuations in the settlement value and settlement timing of any derivative financial liabilities;

(ix) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;

(x) anticipated subsidy payments from ECLD, which are dependent on tenant leasing and construction activity;

(xi) anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions;

(xii) the effect that any contingencies would have on Crombie's financial statements which could be impacted by their eventual outcome;

(xiii) anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations; and

(xiv) availability and sources of financing for future growth, including the expected completion and method of financing for agreed additional acquisitions, which may be impacted by due diligence matters and debt and equity market conditions.

These forward looking-statements are presented for the purpose of assisting Crombie's Unitholders and financial analysts in understanding Crombie's operating environment, and may or may not be appropriate for other purposes. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Crombie's current estimates and assumptions. Crombie can give no assurance that actual results will be consistent with these forward-looking statements. A number of factors, including those discussed under "Risk Management" could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements.

These forward looking statements are made as at the date of the MD&A and Crombie assumes no obligation to update or revise them to reflect new or current events or circumstances unless otherwise required by applicable securities legislation.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At December 31, 2014, Crombie's property portfolio consisted of 255 investment properties that contain approximately 17.4 million square feet of GLA in all ten provinces.

As at December 31, 2014, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	January 1, 2014	Acquisitions (Dispositions)	Other	December 31, 2014	Number of Properties	% of GLA	% of Annual Minimum Rent
AB	2,015,000	182,000	—	2,197,000	43	12.6%	17.7%
BC	1,275,000	98,000	—	1,373,000	32	7.9%	9.0%
MB	492,000	117,000	—	609,000	15	3.5%	4.5%
NB	1,733,000	(89,000)	6,000	1,650,000	21	9.5%	6.4%
NL	1,657,000	(172,000)	(47,000)	1,438,000	13	8.3%	10.8%
NS	5,543,000	(131,000)	(64,000)	5,348,000	45	30.8%	23.3%
ON	2,914,000	112,000	(19,000)	3,007,000	54	17.3%	18.2%
PE	261,000	(180,000)	(3,000)	78,000	2	0.5%	0.3%
QC	1,214,000	8,000	3,000	1,225,000	22	7.0%	7.1%
SK	454,000	—	—	454,000	8	2.6%	2.7%
Total	17,558,000	(55,000)	(124,000)	17,379,000	255	100.0%	100.0%

Since January 1, 2014, Crombie GLA has a net decrease of 55,000 square feet of GLA from acquisition and disposition activity consisting of:

- acquisition of three properties in Ontario, one property in Prince Edward Island, three properties in Alberta, two properties in British Columbia and two properties in Manitoba with a total of 539,000 square feet of GLA;
- acquisition of additional development of 7,000 square feet on an existing property in Nova Scotia, 8,000 square feet on an existing property in Quebec and an acquisition of 24,000 square feet on an existing property in Alberta;
- disposition of two properties in Nova Scotia, one property in New Brunswick, one property in Newfoundland and Labrador, and one property in Prince Edward Island resulting in a total of 608,000 square foot reduction in GLA;
- disposition of a portion of an existing property in Nova Scotia resulting in a 25,000 square foot reduction in GLA; and
- exchanged one Alberta property for another Alberta property resulting in no net change in GLA.

In 2014 Crombie has reduced GLA in four properties, two in Nova Scotia, one in Newfoundland and Labrador and one in Ontario, by 130,000 square feet. This reduction is a result of development plans for the properties.

Crombie continues to diversify its national geographic concentration through growth and divestiture opportunities. As at December 31, 2014 our % of Annual Minimum Rent consists of: Atlantic Canada 40.8%, Central Canada 25.3% and Western Canada 33.9%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

DEVELOPMENT

On a regular basis, Crombie will complete development work on properties to enhance the economic viability of a location when the environment in which it operates warrants. Properties under development are excluded from same-asset results until the development is complete and the operating results from the development property are available for the current and comparative reporting years.

As at December 31, 2014, Crombie properties currently under development include: Downsview Plaza and Downsview Mall in Halifax, Nova Scotia, Aberdeen Business Centre in New Glasgow, Nova Scotia, Amherst Centre in Amherst, Nova Scotia, and County Fair Mall in New Minas, Nova Scotia.

(In thousands of CAD dollars, except per unit amounts)

Province	Property	Current GLA
NS	Aberdeen Business Centre	395,000
NS	Amherst Centre	228,000

The development of Aberdeen Business Centre and Amherst Centre consists of redemising and redeveloping vacant anchor space in response to leasing. 40% of Aberdeen Business Centre anchor vacancy GLA and 24% of Amherst Centre anchor vacancy GLA have been leased to date. Planning and design work is currently underway on remaining space and is subject to management review and approval.

Province	Property	Current GLA	Development	Estimated Construction Cost(1)	Incurred To Date(2)	Estimated Completion
NS	County Fair Mall – New Minas	268,000	To be determined	In planning	$ —	To be determined
NS	Downsview Plaza	226,000	Reconfigure space to accommodate future leasing	Phase III – $ 1,765	$ 1,666	Substantially complete
NS	Downsview Mall	73,000	To be determined	In planning	$ —	To be determined

(1) (2) Costs exclude direct tenant amounts.

County Fair Mall – New Minas has been designated for development. Initial planning and design work is currently underway and is subject to management review and approval.

Downsview Plaza – phase III redevelopment is substantially complete. Construction scope included refurbishment of exterior building facade, construction of additional commercial retail units, and redemising of existing space to accommodate future tenants.

Downsview Mall – has also been designated for development consisting of phased demolition and redevelopment. Site density planning is underway and is subject to management review and approval. GLA at this property has been reduced by 69,000 square feet as buildings are designated for demolition or complete redevelopment as part of the long term plan.

Development on 1234 Main Street (Terminal Centres) in Moncton, New Brunswick was completed in 2014. Plans relating to Phase II on 1222 Main St are underway and subject to management approval. Development on County Fair Mall Summerside, in Summerside, Prince Edward Island was completed in 2014 and this property was then sold in the fourth quarter of 2014.

Much of the development activity above has included leasing up of former Zellers space. To date Crombie has replaced 68.5% of the vacant GLA and 86.5% of NOI related to Zellers lease terminations. Subsequent to December 31, 2014, Target Canada filed for CCAA protection. Target Canada occupies approximately 329,000 square feet of GLA under long term leases in three retail properties, one each in Nova Scotia, New Brunswick and Ontario. The total revenue from the three leases represents less than 1% of Crombie's 2014 total property revenue and one lease has an indemnity from Target Corporation. Crombie is monitoring Target's CCAA protection process to better understand the potential implications on our three leases.

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at December 31, 2014

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys(1)	50.3%	15.3 years
Shoppers Drug Mart	5.9%	12.7 years
Cineplex	1.5%	10.6 years
Province of Nova Scotia	1.3%	3.9 years
CIBC	1.2%	15.1 years
Lawtons/Sobeys Pharmacy	1.1%	12.6 years
GoodLife Fitness	1.1%	12.3 years
Best Buy Canada Ltd.	1.0%	6.6 years
Bank of Nova Scotia	0.9%	3.5 years
Dollarama	0.9%	5.1 years
Total	65.2%	

(1) Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 50.3% of annual minimum rent and Shoppers Drug Mart which accounts for 5.9% of annual minimum rent, no other tenant accounts for more than 1.5% of Crombie's annual minimum rent.

Lease Maturities and Activity

The following table sets out as of December 31, 2014, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2015	178	543,000	3.1%	$ 16.61
2016	187	960,000	5.5%	13.21
2017	170	825,000	4.8%	18.35
2018	161	650,000	3.7%	19.60
2019	167	940,000	5.4%	17.49
Thereafter	650	12,412,000	71.5%	17.81
Total	1,513	16,330,000	94.0%	$ 17.58

The weighted average remaining term of all Crombie leases is approximately 11.8 years. This lengthy remaining lease term is influenced by the average Sobeys and Shoppers Drug Mart remaining lease terms of 15.3 years and 12.7 years, respectively.

During the year ended December 31, 2014, Crombie renewed 377,000 square feet of 2014 maturities at an average rate of $18.60 per square foot, an increase of 13.8% over the expiring lease rate. The renewal activity compares favourably with the average rent per square foot on full year 2014 lease maturities of $15.90 per square foot. Crombie also renewed 316,000 square feet of 2015 and later expiring leases at an average rate of $11.47 per square foot, an increase of 6.5% over the expiring lease rate.

New leasing activity during 2014 included replacing 299,000 square feet of vacant or maturing space in 2014 at an average rate of $17.26 per square foot. Current tenants have also expanded by 15,000 square feet in 2014 at an average rate of $21.65 per square foot.

Documents have been executed for 2015 leasing on 113,000 square feet of new leases at an average rate of $14.15 per square foot and expansions of current tenants of 31,000 square feet at an average rate of $11.83.

2014 Portfolio Occupancy and Committed Activity

The portfolio occupancy and committed activity for the year ended December 31, 2014 were as follows:

		Occupied space (sq. ft.)							
Province	January 1, 2014	Acquisitions (Dispositions)	New Leases(1)	Lease Expiries	Other Changes(2)	December 31, 2014	Committed Space (sq. ft.)(3)	Total Leased Space (sq. ft.)	Leased December 31, 2014
AB	2,005,000	182,000	5,000	(1,000)	(5,000)	2,186,000	—	2,186,000	99.5%
BC	1,275,000	98,000	—	—	—	1,373,000	—	1,373,000	100.0%
MB	492,000	117,000	—	—	—	609,000	—	609,000	100.0%
NB	1,477,000	(89,000)	63,000	(67,000)	(56,000)	1,328,000	2,000	1,330,000	80.6%
NL	1,545,000	(149,000)	5,000	(18,000)	(6,000)	1,377,000	1,000	1,378,000	95.8%
NS	4,888,000	(111,000)	105,000	(86,000)	(15,000)	4,781,000	82,000	4,863,000	90.9%
ON	2,717,000	112,000	62,000	(42,000)	(11,000)	2,838,000	13,000	2,851,000	94.8%
PE	194,000	(155,000)	40,000	—	(1,000)	78,000	—	78,000	100.0%
QC	1,208,000	8,000	2,000	(6,000)	1,000	1,213,000	1,000	1,214,000	99.1%
SK	439,000	—	9,000	—	—	448,000	—	448,000	98.7%
Total	16,240,000	13,000	291,000	(220,000)	(93,000)	16,231,000	99,000	16,330,000	94.0%

(1) New leases include: new leases and expansions to existing properties.
(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space decreased from 130,000 square feet at December 31, 2013 to 99,000 square feet at December 31, 2014.

Overall leased space (occupied plus committed) increased from 93.2% at December 31, 2013 to 94.0% at December 31, 2014, in part due to the reduction of GLA of 130,000 for space designated for long term redevelopment. During 2014, Crombie had a net increase from acquisitions and dispositions of 13,000 square feet of fully leased space; had new leases exceed expiries by 71,000 square feet; and, had a reduction in committed space of 31,000 square feet related to the increase in new leases.

(In thousands of CAD dollars, except per unit amounts)

SECTOR INFORMATION

While Crombie does not distinguish or group its operations on a geographical or other basis, the following sector information is provided as supplemental disclosure.

As at December 31, 2014, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[(1)]
Retail Enclosed	7	1,632,000	9.4%	10.5%	81.7%
Retail Freestanding	125	4,881,000	28.1%	30.9%	100.0%
Retail Plazas	109	7,976,000	45.9%	47.4%	95.9%
Portfolio sub-totals for retail	241	14,489,000	83.4%	88.8%	95.7%
Mixed Use	9	1,831,000	10.5%	6.9%	86.8%
Office	5	1,059,000	6.1%	4.3%	82.8%
Total	255	17,379,000	100.0%	100.0%	94.0%

(1) For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

As at December 31, 2013, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[(1)]
Retail Enclosed	10	2,127,000	12.1%	11.9%	82.1%
Retail Freestanding	119	4,584,000	26.1%	29.8%	100.0%
Retail Plazas	106	7,937,000	45.2%	46.6%	94.6%
Portfolio sub-totals for retail	235	14,648,000	83.4%	88.3%	94.5%
Mixed Use	9	1,857,000	10.6%	7.2%	88.7%
Office	5	1,053,000	6.0%	4.5%	84.3%
Total	249	17,558,000	100.0%	100.0%	93.2%

(1) For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

Retail properties represent 83.4% of Crombie's GLA and 88.8% of annual minimum rent at December 31, 2014 compared to 83.4% of GLA and 88.3% of annual minimum rent at December 31, 2013 reflecting Crombie's strategy to focus growth primarily on retail properties.

Leased space in retail properties of 95.7% at December 31, 2014, has increased from 94.5% at December 31, 2013. During 2014 three rural retail enclosed properties were sold as part of capital recycling activities.

The following table sets out as of December 31, 2014, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail Enclosed		Retail Freestanding		Retail Plazas	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2015	115,000	7.1%	5,000	0.1%	215,000	2.7%
2016	150,000	9.2%	3,000	0.1%	436,000	5.5%
2017	213,000	13.0%	5,000	0.1%	286,000	3.6%
2018	106,000	6.5%	10,000	0.2%	364,000	4.6%
2019	193,000	11.9%	0	0.0%	370,000	4.6%
Thereafter	556,000	34.0%	4,856,000	99.5%	5,980,000	75.0%
Total	1,333,000	81.7%	4,879,000	100.0%	7,651,000	96.0%

Year	Mixed Use		Office		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2015	173,000	9.4%	35,000	3.4%	543,000	3.1%
2016	301,000	16.4%	70,000	6.7%	960,000	5.5%
2017	189,000	10.3%	132,000	12.5%	825,000	4.8%
2018	82,000	4.5%	88,000	8.2%	650,000	3.7%
2019	220,000	12.0%	157,000	14.8%	940,000	5.4%
Thereafter	625,000	34.2%	395,000	37.2%	12,412,000	71.5%
Total	1,590,000	86.8%	877,000	82.8%	16,330,000	94.0%

Of the 13,863,000 square feet of retail properties under lease, 11,392,000 square feet, or 82.2% is scheduled for maturity after 2019. This long-term stability in lease maturities is primarily driven by the longer term nature of the Sobeys and Shoppers Drug Mart leases.

In the office and mixed use properties, lease maturities after 2019 represents 41.3% of the leased square footage for these sectors. The following table sets out the average rent per square foot expiring during the periods indicated:

Year	Retail Enclosed	Retail Freestanding	Retail Plazas	Mixed Use	Office	Total
2015	$ 26.21	$ 16.47	$ 17.02	$ 10.52	$ 12.55	$ 16.61
2016	$ 19.24	$ 29.00	$ 15.18	$ 7.18	$ 13.28	$ 13.21
2017	$ 20.44	$ 26.00	$ 19.71	$ 13.60	$ 18.51	$ 18.35
2018	$ 31.23	$ 15.45	$ 19.17	$ 14.44	$ 12.68	$ 19.60
2019	$ 27.24	$ 0.00	$ 16.96	$ 14.56	$ 10.83	$ 17.49
Thereafter	$ 17.21	$ 19.13	$ 17.70	$ 12.68	$ 12.28	$ 17.81
December 31, 2014 Total	$ 21.30	$ 19.13	$ 17.65	$ 11.87	$ 13.09	$ 17.58
December 31, 2013 Total	$ 18.46	$ 19.31	$ 17.23	$ 11.66	$ 13.06	$ 17.16

FINANCIAL RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At December 31, 2014	December 31, 2013	December 31, 2012
Total assets	$ 3,413,414	$ 3,345,165	$ 2,135,620
Total investment property debt and unsecured debt	$ 2,073,354	$ 2,043,066	$ 1,185,940
Debt to gross book value – fair value basis(1)	52.8%	53.0%	46.5%

(1) See "Debt to Gross Book Value – Fair Value Basis" for detailed calculation.

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2014	2013	Variance	Year ended December 31, 2014	2013	2012
Property revenue	$ 90,602	$ 84,030	$ 6,572	$ 358,319	$ 297,043	$ 259,866
Property operating expenses	27,324	28,563	1,239	109,620	106,673	94,522
Property NOI	63,278	55,467	7,811	248,699	190,370	165,344
NOI margin percentage	69.8%	66.0%	3.8%	69.4%	64.1%	63.6%
Other items:						
Gain on derecognition of investment properties	9,502	2,422	7,080	9,353	2,858	—
Impairment of investment properties	(7,500)	(12,270)	4,770	(10,750)	(12,270)	—
Depreciation and amortization	(16,024)	(15,045)	(979)	(64,124)	(50,028)	(44,570)
General and administrative expenses	(3,380)	(4,243)	863	(14,748)	(13,666)	(11,530)
Operating income before finance costs and taxes	45,876	26,331	19,545	168,430	117,264	109,244
Finance costs – operations	(24,449)	(29,098)	4,649	(99,466)	(82,387)	(69,409)
Operating income before taxes	21,427	(2,767)	24,194	68,964	34,877	39,835
Taxes – deferred	800	2,275	(1,475)	2,425	1,675	(100)
Operating income attributable to Unitholders	22,227	(492)	22,719	71,389	36,552	39,735
Finance costs – distributions to Unitholders	(29,052)	(25,157)	(3,895)	(113,937)	(86,620)	(75,079)
Finance income (costs) – change in fair value of financial instruments	3,446	422	3,024	289	2,473	(1,878)
Decrease in net assets attributable to Unitholders	$ (3,379)	$ (25,227)	$ 21,848	$ (42,259)	$ (47,595)	$ (37,222)
Operating income attributable to Unitholders per Unit, Basic	$ 0.17	$ 0.00		$ 0.56	$ 0.38	$ 0.48
Operating income attributable to Unitholders per Unit, Diluted	$ 0.17	$ 0.00		$ 0.56	$ 0.38	$ 0.48
Basic weighted average Units outstanding (in 000's)	130,383	111,749		127,257	96,838	83,200
Diluted weighted average Units outstanding (in 000's)	133,491	111,939		127,433	97,026	83,385
Distributions per Unit to Unitholders	$ 0.22	$ 0.22		$ 0.89	$ 0.89	$ 0.89

Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's consolidated financial presentation.

Operating Results

Operating income attributable to Unitholders for the three months ended December 31, 2014 of $22,227 increased by $22,719 from the three months ended December 31, 2013. The increase was primarily due to:

- higher property NOI resulting from:
  - increased property revenue from the acquisition of 70 retail properties during the fourth quarter of 2013;
  - property acquisitions completed during 2014, including the acquisition of 11 properties during the fourth quarter of 2014 and the acquisition of additional space at three existing properties;
  - increased average rental rates; and,
  - improved expense recovery rates;
- gain on derecognition of investment properties of $9,502 for the three months ended December 31, 2014 related to the dispositions of five properties compared to $2,422 for the three months ended December 31, 2013 on the disposition of one property; and,
- Subscription Receipts Adjustment Payment and bridge facility finance costs totaling $6,033 incurred in the fourth quarter of 2013 related to financing the 70 property acquisition.

Operating income attributable to Unitholders for the year ended December 31, 2014 of $71,389 increased by $34,837 from the year ended December 31, 2013. The increase was primarily due to the factors noted above.

Classification of Crombie REIT Units and Class B LP Units with attached Special Voting Units (collectively the "Units")

On transition to IFRS, Crombie determined that in accordance with IAS 32 Financial Instruments: Presentation, Crombie's Units are to be classified as financial liabilities on the Consolidated Balance Sheet. Each of the REIT Units and Class B LP Units are puttable by the respective holder and meet the definition of financial liabilities under IFRS. IAS 32 provides an exception test which, if met, would result in either, or both, of the Units being classified as equity instruments. Crombie has determined that the exception test has not been met for either the REIT Units or Class B LP Units and as such, Crombie has no instrument meeting the definition of equity instruments within the IFRS standard. As a result, since the Units are classified as financial liabilities on the Consolidated Balance Sheet, distributions on the Units are recognized as a finance charge on the Consolidated Statements of Comprehensive Income (Loss). Had either, or both, of the Units been classified as equity instruments, the related distributions would be recognized as a reduction to equity rather than a charge against income.

Property Revenue and Property Operating Expenses

Same-asset properties are properties owned and operated by Crombie throughout the current and comparative reporting periods, excluding any property that is classified as held for sale or that was designated for development during either the current or comparative period.

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Same-asset property revenue	$ 62,342	$ 61,742	$ 600	$ 246,604	$ 242,944	$ 3,660
Acquisitions, dispositions and development property revenue	28,260	22,288	5,972	111,715	54,099	57,616
Property revenue	$ 90,602	$ 84,030	$ 6,572	$ 358,319	$ 297,043	$ 61,276

Same-asset property revenue of $62,342 for the three months ended December 31, 2014 increased 1.0% from the same period in 2013 due primarily to higher guaranteed rent and recovery revenue. Acquisitions, dispositions and development property revenue growth of $5,972 or 26.8% is primarily due to the acquisition of 11 retail properties in the fourth quarter of 2014 and 70 retail properties in the fourth quarter of 2013.

For the year ended December 31, 2014, same-asset property revenue increased $3,660 or 1.5% due to increased base rent driven by lease renewal activity, land use intensifications at several properties and increased recoveries as a result of higher recoverable property expenses. Acquisitions, dispositions and development property revenue increased $57,616 compared to the year end December 31, 2013 primarily due to the acquisition activity noted above.

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Same-asset property operating expenses	$ 22,306	$ 23,146	$ 840	$ 88,555	$ 86,843	$ (1,712)
Acquisitions, dispositions and development property operating expenses	5,018	5,417	399	21,065	19,830	(1,235)
Property operating expenses	$ 27,324	$ 28,563	$ 1,239	$ 109,620	$ 106,673	$ (2,947)

Same-asset property operating expenses for the three months ended December 31, 2014 decreased by $840 or 3.6% over the three months ended December 31, 2013 primarily due to lower non-recoverable costs.

For the year ended December 31, 2014, same-asset property operating expenses increased by $1,712 or 2.0% as compared to the same period in 2013 due primarily to higher recoverable property expenses; primarily property taxes.

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Same-asset property NOI	$ 40,036	$ 38,596	$ 1,440	$ 158,049	$ 156,101	$ 1,948
Acquisitions, dispositions and development property NOI	23,242	16,871	6,371	90,650	34,269	56,381
Property NOI	$ 63,278	$ 55,467	$ 7,811	$ 248,699	$ 190,370	$ 58,329

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the three months ended December 31, 2014 increased by $7,811 or 14.1% from the three months ended December 31, 2013 due primarily to acquisitions and completed development activity during 2014 and the fourth quarter of 2013.

Property NOI for the year ended December 31, 2014 increased by $58,329 or 30.6% from the year ended December 31, 2013 primarily due to the same factors noted above.

Property NOI on a cash basis is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Property NOI	$ 63,278	$ 55,467	$ 7,811	$ 248,699	$ 190,370	$ 58,329
Non-cash straight-line rent	(3,023)	(1,934)	(1,089)	(11,440)	(5,484)	(5,956)
Non-cash tenant incentive amortization	914	2,165	(1,251)	7,567	8,026	(459)
Property cash NOI	61,169	55,698	5,471	244,826	192,912	51,914
Acquisitions, dispositions and development property cash NOI	21,259	16,088	5,171	83,680	33,973	49,707
Same-asset property cash NOI	$ 39,910	$ 39,610	$ 300	$ 161,146	$ 158,939	$ 2,207

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $300 or 0.8% increase in same-asset cash NOI for the three months ended December 31, 2014 over the same period in 2013 is primarily the result of increased average rent per square foot from leasing activity and rental rate increases in existing leases and revenues from land use intensifications at several properties. Acquisitions, dispositions and development property cash NOI increased $5,171 for the three months ended December 31, 2014 over the same period in 2013 primarily due to acquisitions and development activity completed during the fourth quarter of 2013 and 2014.

For the year ended December 31, 2014 same-asset cash NOI increased by $2,207 or 1.4% and acquisitions, dispositions and development property cash NOI increased by $49,707 from the year ended December 31, 2013 primarily due to the factors noted above.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period. Same-asset property cash NOI is as follows:

	Three months ended December 31,				Year ended December 31,			
(In thousands of CAD dollars)	2014	2013	Variance	Percent	2014	2013	Variance	Percent
Retail Enclosed	$ 5,871	$ 5,797	$ 74	1.3%	$ 23,718	$ 22,830	$ 888	3.9%
Retail Freestanding	8,389	8,398	(9)	(0.1)%	33,849	33,095	754	2.3%
Retail Plaza	19,958	19,735	223	1.1%	79,800	78,645	1,155	1.5%
Retail total	34,218	33,930	288	0.8%	137,367	134,570	2,797	2.1%
Mixed Use	3,115	2,956	159	5.4%	12,750	12,674	76	0.6%
Office	2,577	2,724	(147)	(5.4)%	11,029	11,695	(666)	(5.7)%
Same-asset property cash NOI	$ 39,910	$ 39,610	$ 300	0.8%	$ 161,146	$ 158,939	$ 2,207	1.4%

Significant variances in same-asset property cash NOI for the three months ended December 31, 2014 compared to the same period in 2013 include:

- Retail enclosed increased $74 or 1.3% due to increased rental rates.
- Mixed use increased $159 or 5.4% due to increases in revenue from percentage rent and higher guaranteed rent.
- Office decreased $147 or 5.4% as a result of lease expiries resulting in lower rental revenues and related recoveries.

Significant variances in same-asset property cash NOI for the year ended December 31, 2014 compared to the year ended December 31, 2013 include:

- Retail enclosed increased $888 or 3.9% due to increased rental rates.
- Retail freestanding increased $754 or 2.3% due to step rent increases in several Sobeys leases during the second quarter of 2013 resulting in higher cash rent in 2014.
- Office decreased $666 or 5.7% as a result of lease expiries resulting in lower rental revenues and related recoveries.

Acquisitions, dispositions and development property cash NOI is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Acquisitions and dispositions property cash NOI	$ 19,828	$ 14,548	$ 5,280	$ 77,856	$ 28,030	$ 49,826
Development property cash NOI	1,431	1,540	(109)	5,824	5,943	(119)
Total acquisitions, dispositions and development property cash NOI	$ 21,259	$ 16,088	$ 5,171	$ 83,680	$ 33,973	$ 49,707

The significant growth in acquisitions and dispositions property cash NOI reflects the level of property acquisitions throughout 2013, primarily in the fourth quarter of 2013.

The change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful.

Crombie undertakes development of properties to position them for long-term sustainability and growth in cash NOI resulting in improvement in value.

Property NOI for the three months ended December 31, 2014 by province was as follows:

	2014			2013	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	Property NOI	Variance
AB	$ 13,200	$ 1,338	$ 11,862	$ 8,928	$ 2,934
BC	6,232	—	6,232	3,895	2,337
MB	2,644	68	2,576	1,630	946
NB	6,376	2,849	3,527	3,913	(386)
NL	10,387	3,542	6,845	6,580	265
NS	26,081	11,769	14,312	13,437	875
ON	16,332	5,130	11,202	10,785	417
PE	853	269	584	509	75
QC	6,301	1,960	4,341	4,384	(43)
SK	2,196	399	1,797	1,406	391
Total	$ 90,602	$ 27,324	$ 63,278	$ 55,467	$ 7,811

The variances in property NOI for the three months ended December 31, 2014 compared to the same period in 2013 primarily relate to:

- Property acquisitions during 2013 and 2014, in particular the acquisition of 70 properties in Western Canada during the fourth quarter of 2013 which significantly impacted property NOI in the four western provinces;
- Property dispositions during 2013 and 2014 in New Brunswick and Nova Scotia;
- Ongoing status of various development properties in New Brunswick, Nova Scotia and Prince Edward Island;
- Land use intensification projects; and
- Increased base rent due to lease renewal activity.

Property NOI for the year ended December 31, 2014 by province was as follows:

	2014			2013	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	Property NOI	Variance
AB	$ 51,501	$ 5,242	$ 46,259	$ 19,952	$ 26,307
BC	24,487	—	24,487	3,895	20,592
MB	9,890	130	9,760	2,135	7,625
NB	26,394	11,892	14,502	15,755	(1,253)
NL	42,232	15,047	27,185	26,051	1,134
NS	102,520	47,003	55,517	56,390	(873)
ON	63,807	19,755	44,052	43,310	742
PE	3,711	1,331	2,380	2,363	17
QC	25,175	7,735	17,440	16,516	924
SK	8,602	1,485	7,117	4,003	3,114
Total	$ 358,319	$ 109,620	$ 248,699	$ 190,370	$ 58,329

The variances in property NOI from 2013 to 2014 primarily relate to the same factors noted above.

Depreciation, Amortization and Impairment

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Same-asset depreciation and amortization	$ 9,629	$ 9,908	$ 279	$ 38,431	$ 40,118	$ 1,687
Acquisitions, dispositions and development depreciation/amortization	6,395	5,137	(1,258)	25,693	9,910	(15,783)
Depreciation and amortization	$ 16,024	$ 15,045	$ (979)	$ 64,124	$ 50,028	$ (14,096)

Depreciation and amortization increased by $979 for the three months ended December 31, 2014 and $14,096 for the year ended December 31, 2014 compared to the same periods in 2013. The increase in depreciation is primarily related to Crombie's increased acquisition and development activity in the fourth quarter of 2013.

Depreciation and amortization consists of:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Depreciation of investment properties	$ 14,634	$ 12,967	$ (1,667)	$ 57,983	$ 42,101	$ (15,882)
Amortization of intangible assets	1,261	1,947	686	5,606	7,383	1,777
Amortization of deferred leasing costs	129	131	2	535	544	9
Depreciation and amortization	$ 16,024	$ 15,045	$ (979)	$ 64,124	$ 50,028	$ (14,096)

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $563,060 at December 31, 2014 (December 31, 2013 – $567,980). 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, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

During the fourth quarter of 2014, Crombie disposed of five retail properties for a net gain of approximately $6,000 after impairment. Two of the properties were sold for less than their carrying value, and as such, Crombie recorded an impairment of $3,250 during the third quarter. Crombie recognized a gain of approximately $9,400 on the disposition of the remaining three properties in the fourth quarter of 2014. In addition, Crombie recorded an impairment charge of $7,500 during the fourth quarter of 2014 on two mixed use properties. Both properties are experiencing lower occupancy rates; renewals at reduced square footage; and indications of non-renewals when leases mature. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property.

General and Administrative Expenses

The following table outlines the major categories of general and administrative expenses:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Salaries and benefits	$ 1,903	$ 2,725	$ 822	$ 8,878	$ 7,724	$ (1,154)
Professional fees	368	311	(57)	1,560	1,590	30
Public company costs	454	400	(54)	1,772	1,610	(162)
Rent and occupancy	198	245	47	948	961	13
Other	457	562	105	1,590	1,781	191
General and administrative expenses	$ 3,380	$ 4,243	$ 863	$ 14,748	$ 13,666	$ (1,082)
As a percentage of property revenue	3.7%	5.0%	1.3%	4.1%	4.6%	0.5%

For the three months ended December 31, 2014 general and administrative expenses, as a percentage of property revenue, were 3.7%, a decrease of 1.3% from the same period in 2013, with expenses decreasing $863 or 20.3% and property revenue increasing 7.8%. For the year ended December 31, 2014 general and administrative expenses, as a percentage of property revenue, decreased by 0.5% compared to the year ended December 31, 2013 with expenses increasing $1,082 or 7.9% and property revenue increasing by 20.6%. Salaries and benefits increased due to the hiring of additional staff related to continued growth as well as higher incentive payments.

Finance Costs – Operations

(In thousands of CAD dollars)	Three months ended December 31, 2014	2013	Variance	Year ended December 31, 2014	2013	Variance
Same-asset finance costs	$ 14,308	$ 15,768	$ 1,460	$ 53,703	$ 58,205	$ 4,502
Acquisitions, dispositions and development finance costs	8,708	9,331	623	39,795	15,262	(24,533)
Amortization of effective swaps and deferred financing charges	1,433	3,999	2,566	5,968	8,920	2,952
Finance costs – operations	$ 24,449	$ 29,098	$ 4,649	$ 99,466	$ 82,387	$ (17,079)

Same-asset finance costs for the three months and year ended December 31, 2014 decreased compared to the same periods in 2013 primarily due to lower interest rates on refinancing of maturing debt.

Acquisitions, dispositions and development finance costs for the three months ended December 31, 2014 decreased by $623 compared to the same period in 2013 due to one time costs related to arranging financing for the 70 property acquisition incurred in the fourth quarter of 2013. Acquisition, disposition and development finance costs for the year ended December 31, 2014 increased by $24,533 compared to the same period in 2013 primarily due to the significant acquisition activity during the fourth quarter of 2013. Development finance costs are impacted by the timing of the commencement and completion of development projects.

Amortization of effective swaps and deferred financing costs decreased for the three months ended December 31, 2014 by $2,566 compared to the same period in 2013.This decrease is primarily due to amortization of deferred financing charges in 2013 related to financing obtained for the acquisition of 70 retail properties which was repaid during the fourth quarter of 2013.

Income Taxes

A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders that would otherwise apply to trusts classified as specified investment flow-through entities ("SIFTs").

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout 2014 and continues to do so. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

In the ordinary course of business, Crombie is subject to audits by tax authorities. One of Crombie's non-taxable subsidiaries is currently subject to audit by Canada Revenue Agency ("CRA") for fiscal years 2010 and 2011. While Crombie believes that its tax filing positions are appropriate, certain matters are under review by CRA. The audit is ongoing and the outcome is indeterminable at this time.

The deferred tax liability of $78,400 represents the future tax provision relating to the difference in tax and book values offset by non-capital losses for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

SECTOR INFORMATION

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure.

Non-cash adjustments in the tables below remove the impact of non-cash straight-line rent and amortization of tenant incentive amounts.

Retail Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Three months ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 5,769	$ 834	$ 6,603	$ 5,577	$ 1,052	$ 6,629
Non-cash adjustments	102	(32)	70	220	250	470
Property Cash NOI	$ 5,871	$ 802	$ 6,673	$ 5,797	$ 1,302	$ 7,099
NOI Margin %	62.6%	44.6%	59.6%	63.7%	39.0%	57.9%
Actual occupancy %	92.3%	54.7%	80.8%	92.8%	63.7%	79.8%

Fourth quarter same-asset property cash NOI increased $74 or 1.3% over 2013 primarily due to increased rental rates. Acquisitions, dispositions and development cash NOI results decreased primarily due to property dispositions in the fourth quarter of 2013 and 2014.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 22,949	$ 3,973	$ 26,922	$ 21,885	$ 5,235	$ 27,120
Non-cash adjustments	769	271	1,040	945	662	1,607
Property Cash NOI	$ 23,718	$ 4,244	$ 27,962	$ 22,830	$ 5,897	$ 28,727
NOI Margin %	62.5%	42.8%	58.5%	62.1%	45.1%	57.9%
Actual occupancy %	92.3%	54.7%	80.8%	92.8%	63.7%	79.8%

2014 same-asset property cash NOI increased $888 or 3.9% primarily due to rental rate increases, higher miscellaneous rents, and land use intensification development. Acquisitions, dispositions and development cash NOI results decreased primarily due to the factors noted above and low occupancy rates during 2014.

Retail Freestanding Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Three months ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 8,593	$ 11,731	$ 20,324	$ 8,623	$ 7,500	$ 16,123
Non-cash adjustments	(204)	(1,256)	(1,460)	(225)	(780)	(1,005)
Property Cash NOI	$ 8,389	$ 10,475	$ 18,864	$ 8,398	$ 6,720	$ 15,118
NOI Margin %	80.3%	98.7%	90.0%	79.4%	100.0%	87.8%
Actual occupancy %	99.8%	100.0%	99.9%	100.0%	100.0%	100.0%

Fourth quarter same-asset NOI Margin % increased 0.9% as a result of lower non-recoverable property operating expenses. Acquisitions, dispositions and redevelopment property cash NOI increased significantly from 2013 primarily due to the acquisition of 54 freestanding properties in November, 2013.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 34,703	$ 45,302	$ 80,005	$ 34,384	$ 8,214	$ 42,598
Non-cash adjustments	(854)	(4,949)	(5,803)	(1,289)	(837)	(2,126)
Property Cash NOI	$ 33,849	$ 40,353	$ 74,202	$ 33,095	$ 7,377	$ 40,472
NOI Margin %	80.5%	99.0%	90.0%	80.4%	100.0%	83.5%
Actual occupancy %	99.8%	100.0%	99.9%	100.0%	100.0%	100.0%

2014 same-asset property cash NOI increased $754 or 2.3% primarily due to rental rate increases and lower non-recoverable costs. Acquisitions, dispositions and development property cash NOI increased $32,976 for the year ended December 31, 2014 compared to 2013 primarily due to acquisition factors noted above.

Retail Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Three months ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 20,259	$ 9,503	$ 29,762	$ 19,609	$ 7,110	$ 26,719
Non-cash adjustments	(301)	(668)	(969)	126	(398)	(272)
Property Cash NOI	$ 19,958	$ 8,835	$ 28,793	$ 19,735	$ 6,712	$ 26,447
NOI Margin %	65.6%	85.3%	70.8%	63.3%	81.4%	67.3%
Actual occupancy %	94.5%	97.9%	95.4%	93.9%	93.4%	93.8%

Fourth quarter same-asset property cash NOI increased $223 or 1.1% as a result of improved occupancy and increased rental rates offset in part by higher non-recoverable costs. Acquisitions, dispositions and development results increased significantly from 2013 primarily due to the acquisitions completed during the fourth quarter of 2013.

	Year ended December 31, 2014			Year ended December 31, 2013		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Developments	Total	Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 79,125	$ 37,437	$ 116,562	$ 78,638	$ 15,812	$ 94,450
Non-cash adjustments	675	(2,652)	(1,977)	7	(750)	(743)
Property Cash NOI	$ 79,800	$ 34,785	$ 114,585	$ 78,645	$ 15,062	$ 93,707
NOI Margin %	65.8%	85.0%	71.0%	66.2%	74.2%	67.4%
Actual occupancy %	94.5%	97.9%	95.4%	93.9%	93.4%	93.8%

2014 same-asset property cash NOI increased $1,155 or 1.5% as a result of increased rental rates offset in part by higher non-recoverable costs. Acquisitions, dispositions and development results increased primarily due to the factors noted above.

Mixed Use Properties

	Three months ended December 31, 2014			Three months ended December 31, 2013		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Developments	Total	Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 3,012	$ 1,128	$ 4,140	$ 2,690	$ 1,141	$ 3,831
Non-cash adjustments	103	92	195	266	126	392
Property Cash NOI	$ 3,115	$ 1,220	$ 4,335	$ 2,956	$ 1,267	$ 4,223
NOI Margin %	46.8%	40.8%	45.0%	43.3%	38.9%	41.8%
Actual occupancy %	85.1%	89.0%	86.5%	90.7%	84.1%	88.3%

Fourth quarter same-asset property NOI increased $159 or 5.4% primarily due to increases in revenue from percentage rent, higher guaranteed rent and recovery revenue. Acquisition, dispositions and redevelopment property NOI decreased by $47 or 3.7% compared to the same period in 2013 due to lower percentage rent offset in part by lower non-recoverable costs.

	Year ended December 31, 2014			Year ended December 31, 2013		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Developments	Total	Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 12,109	$ 4,524	$ 16,633	$ 11,916	$ 5,384	$ 17,300
Non-cash adjustments	641	399	1,040	758	527	1,285
Property Cash NOI	$ 12,750	$ 4,923	$ 17,673	$ 12,674	$ 5,911	$ 18,585
NOI Margin %	46.2%	41.2%	44.8%	46.2%	46.2%	46.2%
Actual occupancy %	85.1%	89.0%	86.5%	90.7%	84.1%	88.3%

2014 same-asset property cash NOI increased $76 or 0.6% and acquisitions, dispositions and development property cash NOI decreased by $988 or 16.7% compared to 2013 primarily due to lower percentage rent.

Office Properties

	Three months ended December 31, 2014			Three months ended December 31, 2013		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Developments	Total	Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 2,403	$ 46	$ 2,449	$ 2,097	$ 68	$ 2,165
Non-cash adjustments	174	(119)	55	627	19	646
Property Cash NOI	$ 2,577	$ (73)	$ 2,504	$ 2,724	$ 87	$ 2,811
NOI Margin %	47.0%	7.7%	42.9%	42.6%	16.2%	40.6%
Actual occupancy %	89.3%	41.1%	79.9%	94.5%	39.7%	84.0%

Fourth quarter same-asset property cash NOI decreased $147 or 5.4% attributed to lower occupancy from lease expiries and related lower recoveries Acquisitions, dispositions and development property cash NOI decreased by $160 due to higher non-recoverable operating expenses.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014 Same-asset	Acquisitions, Dispositions & Developments	Total	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Developments	Total
Property NOI	$ 9,163	$ (586)	$ 8,577	$ 9,278	$ (376)	$ 8,902
Non-cash adjustments	1,866	(39)	1,827	2,417	102	2,519
Property Cash NOI	$ 11,029	$ (625)	$ 10,404	$ 11,695	$ (274)	$ 11,421
NOI Margin %	45.0%	(34.8)%	28.9%	45.5%	(29.0)%	41.0%
Actual occupancy %	89.3%	41.1%	79.9%	94.5%	39.7 %	84.0%

2014 same-asset property cash NOI decreased $666 or 5.7% and acquisition, disposition and development Property Cash NOI decreased by $351 compared to the year end December 31, 2013 primarily due to the factors noted above.

OTHER 2014 PERFORMANCE MEASURES

Per Unit Measures

In order to provide a comparative measure of operating results on a per unit basis, Crombie is providing the following non-GAAP measures:

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014	2013	Year ended December 31, 2014	2013
Operating income attributable to Unitholders	$ 22,227	$ (492)	$ 71,389	$ 36,552
Operating income attributable to Unitholders per unit – Basic	$ 0.17	$ 0.00	$ 0.56	$ 0.38
Operating income attributable to Unitholders per unit – Diluted	$ 0.17	$ 0.00	$ 0.56	$ 0.38
FFO – Basic	$ 36,363	$ 24,291	$ 142,052	$ 102,343
FFO – Diluted	$ 38,745	$ 25,928	$ 151,550	$ 110,183
FFO as adjusted – Basic	$ 36,363	$ 30,324	$ 142,052	$ 108,376
FFO as adjusted – Diluted	$ 38,745	$ 32,717	$ 151,550	$ 116,216
FFO per Unit – Basic(1)	$ 0.28	$ 0.27	$ 1.12	$ 1.12
FFO per Unit – Diluted(1)	$ 0.28	$ 0.27	$ 1.10	$ 1.10
AFFO – Basic	$ 30,211	$ 19,460	$ 118,176	$ 85,492
AFFO – Diluted	$ 31,837	$ 19,463	$ 124,674	$ 86,234
AFFO as adjusted – Basic	$ 30,211	$ 25,493	$ 118,176	$ 91,525
AFFO as adjusted – Diluted	$ 31,837	$ 27,130	$ 124,674	$ 96,365
AFFO per Unit – Basic(1)	$ 0.23	$ 0.23	$ 0.93	$ 0.95
AFFO per Unit – Diluted(1)	$ 0.23	$ 0.23	$ 0.93	$ 0.94

(1) FFO and AFFO per unit measures for the three months and year ended December 31, 2013 are calculated using FFO as adjusted and AFFO as adjusted as discussed in our December 31, 2013 MD&A.

Operating income attributable to Unitholders is determined before finance costs associated with distributions to Unitholders and change in fair value of financial instruments.

The diluted FFO and AFFO are calculated by adding back the finance costs on any convertible debenture series that is dilutive for the reporting period for that specific calculation.

Weighted average number of Units outstanding for per unit measures calculations:

	Three months ended December 31, 2014	2013	Year ended December 31, 2014	2013
Basic number of Units for all measures	130,383,466	111,749,228	127,257,062	96,837,669
Diluted for operating income attributable to Unitholders purposes	130,549,576	111,938,795	127,432,519	97,026,365
Diluted for FFO purposes	140,814,020	122,255,223	137,714,312	105,800,789
Diluted for AFFO purposes	137,828,945	119,270,148	134,729,238	102,815,715

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures should be reconciled to the most directly comparable GAAP measure, which, in the case of Operating income attributable to Unitholders, is Decrease in net assets attributable to Unitholders from the Statement of Comprehensive Income (Loss). The reconciliation is as follows:

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	2014	2013	2014	2013
Operating income attributable to Unitholders	$ 22,227	$ (492)	$ 71,389	$ 36,552
Finance costs – distributions to Unitholders	(29,052)	(25,157)	(113,937)	(86,620)
Finance income (costs) – change in fair value of financial instruments	3,446	422	289	2,473
Decrease in net assets attributable to Unitholders	$ (3,379)	$ (25,227)	$ (42,259)	$ (47,595)

FFO AND AFFO

FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. As such, these non-GAAP financial measures should not be considered as an alternative to cash provided by operating activities or any other measure prescribed under IFRS. FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-GAAP measure is relevant to the ability of Crombie to earn and distribute returns to Unitholders. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REIT's and, accordingly, may not be comparable to other such issuers.

Funds from Operations (FFO)

Crombie follows the recommendations of the Real Property Association of Canada ("REALpac") in calculating FFO and defines FFO as increase (decrease) in net assets attributable to Unitholders (computed in accordance with IFRS), adjusted for the following applicable amounts:

- Gain or loss on derecognition of investment properties and related tax;
- Impairment charges and recoveries;
- Depreciation and amortization expense, including amortization of tenant incentives charged against property revenue;
- Deferred taxes;
- Finance costs – distributions on Crombie's REIT and Class B LP Units classified as financial liabilities; and
- Change in fair value of financial instruments.

REALpac provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the three months and year ended December 31, 2014 and 2013 is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Decrease in net assets attributable to Unitholders	$ (3,379)	$ (25,227)	$ 21,848	$ (42,259)	$ (47,595)	$ 5,336
Add (deduct):						
Amortization of tenant incentives	914	2,165	(1,251)	7,567	8,026	(459)
Gain on derecognition of investment properties	(9,502)	(2,422)	(7,080)	(9,353)	(2,858)	(6,495)
Impairment of investment properties	7,500	12,270	(4,770)	10,750	12,270	(1,520)
Depreciation of investment properties	14,634	12,967	1,667	57,983	42,101	15,882
Amortization of deferred leasing costs	129	131	(2)	535	544	(9)
Amortization of intangible assets	1,261	1,947	(686)	5,606	7,383	(1,777)
Taxes – deferred	(800)	(2,275)	1,475	(2,425)	(1,675)	(750)
Finance costs – distributions to Unitholders	29,052	25,157	3,895	113,937	86,620	27,317
Finance costs (income) – change in fair value of financial instruments	(3,446)	(422)	(3,024)	(289)	(2,473)	2,184
FFO	$ 36,363	$ 24,291	$ 12,072	$ 142,052	$ 102,343	$ 39,709

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
FFO as calculated above	$ 36,363	$ 24,291	$ 12,072	$ 142,052	$ 102,343	$ 39,709
Adjusted for the following:						
Finance costs – operations(1)	—	6,033	(6,033)	—	6,033	(6,033)
FFO as adjusted	$ 36,363	$ 30,324	$ 6,039	$ 142,052	$ 108,376	$ 33,676

(1) Related to the financing of 70 retail properties acquired during the fourth quarter of 2013, Crombie incurred $3,437 as a Subscription Receipt Adjustment Payment in accordance with our prospectus dated August 8, 2013. In addition, Crombie incurred costs of $2,596 related to a bridge facility in place as interim financing related to the acquisition.

The $12,072 and $39,709 increase in FFO for the three months and year ended December 31, 2014 was primarily due to acquisitions and completed development activity during 2013, resulting in significant growth in property NOI offset in part by higher finance costs – operations.

Adjusted Funds from Operations (AFFO)

Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating activities which will be used to support future distribution payments. AFFO reflects cash available for distributions after the provision for non-cash adjustments to revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

Maintenance Capital Expenditures, Maintenance Tenant Incentives and Leasing Costs ("Maintenance Expenditures")

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate of $0.87 (2013 – $1.05) per square foot as a charge against AFFO. The significant rate decrease in 2014 relates to the 70 property acquisition in the fourth quarter of 2013 adding 3,105,000 square feet for which Sobeys, as Crombie's tenant, is responsible for all maintenance capital expenditures, maintenance TI and leasing costs; thus lowering Crombie's cost per square foot. The rate will be reviewed periodically and adjusted if required. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. This per square foot charge removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year.

The calculation of AFFO for the three months and year ended December 31, 2014 and 2013 is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
FFO	$ 36,363	$ 24,291	$ 12,072	$ 142,052	$ 102,343	$ 39,709
Add (deduct):						
Amortization of effective swap agreements	642	889	(247)	2,797	3,759	(962)
Straight-line rent adjustment	(3,023)	(1,908)	(1,115)	(11,440)	(5,458)	(5,982)
Maintenance expenditures on a square footage basis	(3,771)	(3,812)	41	(15,233)	(15,152)	(81)
AFFO	$ 30,211	$ 19,460	$ 10,751	$ 118,176	$ 85,492	$ 32,684

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
AFFO as calculated above	$ 30,211	$ 19,460	$ 10,751	$ 118,176	$ 85,492	$ 32,684
Adjusted for the following: Finance costs – operations(1)	—	6,033	(6,033)	—	6,033	(6,033)
AFFO as adjusted	$ 30,211	$ 25,493	$ 4,718	$ 118,176	$ 91,525	$ 26,651

(1) Refer to the explanation under FFO.

AFFO for the three months ended December 31, 2014 was $30,211, an increase of $10,751 or 55.2% over the same period in 2013 and $118,176 for the year ended December 31, 2014 an increase of $32,684 or 38.2% over the same period in 2013. The increases were primarily due to the improved FFO results as previously discussed offset in part by the impact of straight-line rent on AFFO.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable IFRS measure, which is interpreted to be the cash flow from operating activities. The reconciliation is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in) operating activities	$ 10,494	$ 13,339	$ (2,845)	$ 21,985	$ 27,310	$ (5,325)
Add back (deduct):						
Finance costs – distributions to Unitholders	29,052	25,157	3,895	113,937	86,620	27,317
Change in other non-cash operating items	(4,398)	(12,104)	7,706	1,093	(8,085)	9,178
Unit-based compensation expense	(11)	(10)	(1)	(42)	(40)	(2)
Amortization of deferred financing charges	(762)	(3,110)	2,348	(3,171)	(5,161)	1,990
Amortization of issue premium on senior unsecured notes	45	—	45	45	—	45
Non-cash distributions to Unitholders in the form of DRIP Units	(438)	—	(438)	(438)	—	(438)
Maintenance expenditures on a square footage basis	(3,771)	(3,812)	41	(15,233)	(15,152)	(81)
AFFO	$ 30,211	$ 19,460	$ 10,751	$ 118,176	$ 85,492	$ 32,684

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to fund the finance costs on debt, general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund TI costs and distributions to Unitholders.

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to fund future growth:

(i) secured short-term financing through an authorized three year revolving credit facility, maturing June 30, 2018, of up to $300,000, subject to available borrowing base, of which $145,000 ($145,979 including outstanding letters of credit) was drawn at December 31, 2014;

(ii) mortgage and term debt on unencumbered assets;

(iii) senior unsecured notes;

(iv) unsecured convertible debentures; and,

(v) the issue of new units.

On May 13, 2014 Crombie filed a Short Form Shelf Prospectus allowing for the issuance, from time to time, of Units and debt securities, or any combination thereof, having an aggregate offering price of up to $500,000. This document is valid for a 25 month period. On May 30, 2014 Crombie issued 4,530,000 Units at a price of $13.25 per Unit under this Base Shelf Prospectus.

During 2013, Crombie achieved an investment grade credit rating which has further expanded available sources of financing; particularly senior unsecured notes. On October 31, 2013, DBRS Limited ("DBRS") assigned the 3.986% Series A Notes (senior unsecured) (the "Series A Notes") a rating of "BBB (low)", with a "Stable" trend. On March 4, 2014, DBRS assigned the 3.962% Series B Notes (senior unsecured) (the "Series B Notes") a rating of "BBB (low)", with a "Stable" trend. The Series A Notes and Series B Notes are collectively referred to as "Notes". The requests for such credit ratings were initiated by Crombie.

DBRS provides credit ratings of debt securities for commercial entities and the following description has been sourced from information made publicly available by DBRS. DBRS ratings are opinions that reflect the creditworthiness of an issuer, a security, or an obligation. They are opinions based on forward-looking measurements that assess an issuer's ability and willingness to make timely payments on outstanding obligations (whether principal, interest, dividend, or distributions) with respect to the terms of an obligation. Ratings are opinions based on the quantitative and qualitative analysis of information sourced and received by DBRS, which information is not audited or verified by DBRS. DBRS cautions that no two issuers possess exactly the same characteristics, nor are they likely to have the same future opportunities. Consequently, two issuers with the same rating should not be considered to be of exactly the same credit quality. The DBRS long-term rating scale provides an opinion on the risk of default, that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued.

The BBB (low), with a Stable trend, rating assigned to Crombie and the Notes by DBRS is the fourth highest rating of DBRS' ten rating categories, which range from AAA to D. With the exception of the AAA and D categories, DBRS uses high or low designations to indicate the relative standing of the securities being rated within a particular rating category, and the absence of either a high or low designation indicates the rating is in the middle of the category. Under the DBRS rating system, debt securities rated BBB are of adequate credit quality and the capacity for payment of financial obligations is considered acceptable, but the entity may be vulnerable to future events.

DBRS uses "rating trends" for its ratings in, among other areas, the real estate investment trust sector. DBRS' rating trends provide guidance in respect of DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories: "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue or, in some cases, unless challenges are addressed. In general, DBRS' view is based primarily on an evaluation of the issuer, but may also include consideration of the outlook for the industry or industries in which the issuer operates. A "Positive" or "Negative" trend assigned by DBRS is not an indication that a rating change is imminent, but represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a "Stable" trend was assigned.

The credit rating assigned to Crombie and the Notes by DBRS is not a recommendation to buy, hold or sell securities of Crombie. A rating is not a comment on the market price of a security nor is it an assessment of ownership given various investment objectives. There is no assurance that any rating will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed and discontinued. Non-credit risks that can meaningfully impact the value of the securities issued include market risk, trading liquidity risk and covenant risk. DBRS uses rating symbols as a simple and concise method of expressing its opinion to the market, although DBRS ratings usually consist of broader contextual information regarding the security provided by DBRS in rating reports, which generally set out the full rationale for the chosen rating symbol, and in other releases.

Crombie paid to DBRS the customary fee in connection with the ratings assigned to Crombie and the Notes and will continue to make payments to DBRS from time to time in connection with the confirmation of such ratings for purposes of securities offerings, if any, from time to time.

Capital Structure

(In thousands of CAD dollars)	December 31, 2014		December 31, 2013		December 31, 2012	
Investment property debt	$1,624,547	49.9%	$1,694,200	53.3%	$1,065,411	54.2%
Senior unsecured notes	273,592	8.4%	173,937	5.5%	—	—%
Convertible debentures	175,215	5.4%	174,929	5.5%	120,529	6.1%
Crombie REIT Unitholders	716,025	22.0%	680,935	21.6%	470,747	23.9%
Special Voting Units and Class B Limited Partnership Unitholders	467,289	14.3%	443,363	14.1%	311,254	15.8%
	$3,256,668	100.0%	$3,167,364	100.0%	$1,967,941	100.0%

Bank Credit Facilities and Investment Property Debt

Revolving Credit Facility

Crombie has in place an authorized floating rate revolving credit facility of up to $300,000 (the "revolving credit facility"), of which $145,000 ($145,979 including outstanding letters of credit) was drawn as at December 31, 2014. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers' acceptance rates plus a spread or specified margins over prime rate. The spread or specified margin increases as Crombie's overall debt leverage increases beyond specific thresholds. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at December 31, 2014, Crombie had sufficient Borrowing Base to permit $300,000 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

Mortgage Debt

As of December 31, 2014, Crombie had fixed rate mortgages outstanding of $1,485,591 ($1,490,187 after including the fair value debt adjustment of $4,596), carrying a weighted average interest rate of 4.77% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 7.4 years.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). Crombie currently has no outstanding interest rate swap agreements.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
12 Months Ending	Fixed Rate	Floating Rate	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
December 31, 2015	$ 80,326	$ —	$ 80,326	6.5%	$ 45,830	$ 126,156	7.7%
December 31, 2016	36,322	—	36,322	2.9%	44,006	80,328	4.9%
December 31, 2017	44,833	145,000	189,833	15.3%	41,057	230,890	14.2%
December 31, 2018	46,206	—	46,206	3.7%	40,787	86,993	5.3%
December 31, 2019	72,030	—	72,030	5.8%	41,432	113,462	7.0%
Thereafter	818,803	—	818,803	65.8%	173,959	992,762	60.9%
Total(1)	$1,098,520	$ 145,000	$1,243,520	100.0%	$ 387,071	$1,630,591	100.0%

(1) Excludes fair value debt adjustment of $4,596 and deferred financing charges of $10,640.

Subsequent to year end the maturity date of the revolving credit facility was extended to June 30, 2018.

Of the maturing debt balances, only 14.7% of fixed rate debt, and 24.7% of total maturing debt balances mature over the next three years, reducing to 13.0% with the extension of the maturity date of the revolving credit facility.

Senior Unsecured Notes

	Maturity Date	Effective Interest Rate	December 31, 2014	December 31, 2013
Series A senior unsecured notes	October 31, 2018	3.986%	$ 175,000	$ 175,000
Series B senior unsecured notes	June 1, 2021	3.900%	100,000	—
Unamortized Series B issue premium			348	—
Deferred financing charges			(1,756)	(1,063)
			$ 273,592	$ 173,937

On February 10, 2015 Crombie issued on a private placement basis, $125,000 Series C Notes maturing February 10, 2020 with an annual interest rate of 2.775%. Interest is payable in equal semi-annual installments in arrears on February 10 and August 10. The first semi-annual interest payment date is August 10, 2015.

On March 5, 2014, Crombie issued, on a private placement basis, $100,000 Series B Notes maturing June 1, 2021 with an annual interest rate of 3.962%. The Series B Notes were issued at $100,393, resulting in an effective interest rate of 3.90%. Interest is payable in equal semi-annual installments in arrears on June 1 and December 1. The first semi-annual interest payment date was June 1, 2014.

Crombie also has outstanding $175,000 Series A Notes maturing October 31, 2018 with an annual interest rate of 3.986%. Interest is payable in equal semi-annual installments in arrears on April 30 and October 31.

There are no required periodic principal payments with the full face value of the Notes due on their respective maturity dates.

Convertible Debentures

(In thousands of CAD dollars, except per unit amounts)	Series C	Series D	Series E
Issue value	$ 45,000	$ 60,000	$ 75,000
Outstanding amount as at December 31, 2014	$ 45,000	$ 60,000	$ 74,400
Annual interest rate (payable semi-annually)	5.75%	5.00%	5.25%
Conversion price per Unit	$ 15.30	$ 20.10	$ 17.15
REIT Units issuable per one thousand dollars principal	65.3595	49.7512	58.3090
Maximum REIT Units issuable at December 31, 2014	2,941,176	2,985,074	4,338,192
Issue date	February 8, 2010	July 3, 2012	August 14, 2013
Maturity date	June 30, 2017	September 30, 2019	March 31, 2021
Trading symbol	CRR.DB.C	CRR.DB.D	CRR.DB.E

During the third quarter of 2014, $600 of Series E Debentures were converted to 34,984 REIT Units. There has been no other conversions or redemptions during 2014.

On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series C Unsecured Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the term of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015 for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

The Series C Debentures paid interest semi-annually on June 30 and December 31 of each year; the Series D Debentures and the Series E Debentures pay interest semi-annually on March 31 and September 30 of each year and Crombie has the option to pay interest on any interest payment date by issuing REIT Units and applying the proceeds to satisfy its interest obligation.

For the first three years from the date of issue, there is no ability to redeem the convertible debentures, after which, each series of convertible debentures has a period, lasting two years during which the convertible debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the five year period from the date of issue, and prior to the maturity date, the convertible debentures may be redeemed, in whole or in part, at any time at the redemption price equal to the principal amount thereof plus accrued and unpaid interest.

REIT Units and Class B LP Units and the Attached Special Voting Units

On May 30, 2014, Crombie closed a public offering, on a bought deal basis, of 4,530,000 Units, at a price of $13.25 per Unit for proceeds of $57,366. Concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit, for proceeds of $39,830 net of issue costs, on a private placement basis.

In March 2014 there were 55,467 REIT Units awarded as part of the Employee Unit Purchase Plan (March 2013 – 43,522 REIT Units).

For the year ended December 31, 2014, a total of $600 of 5.25% Series E Debentures were converted for a total of 34,984 Units. For the year ended December 31, 2013, a total of $17,115 of 6.25% Series B Debentures were converted for a total of 1,555,887 REIT Units.

During the fourth quarter of 2014, Crombie implemented a distribution reinvestment plan ("DRIP") and issued 21,364 REIT Units and 15,153 Class B LP Units under the DRIP at a three percent (3%) discount to market prices as determined under the DRIP.

Total units outstanding at January 31, 2015, including DRIP issuances and debenture conversions since December 31, 2014, were as follows:

Units	77,328,734
Special Voting Units[1]	53,292,753

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 53,292,753 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

In addition to the total units outstanding at January 31, 2015, Crombie had convertible debentures which could result in a total of 10,264,442 REIT Units being issued should all outstanding debentures be converted, reduced to 7,323,266 REIT Units with the redemption of the Series C Debentures.

Sources and Uses of Funds

Crombie's sources and uses of funds are summarized as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in):						
Operating activities	$ 10,494	$ 13,339	$ (2,845)	$ 21,985	$ 27,310	$ (5,325)
Financing activities	89,057	988,826	(899,769)	108,320	1,224,514	(1,116,194)
Investing activities	$ (98,940)	$ (994,998)	$ 896,058	$ (136,861)	$ (1,244,657)	$ 1,107,796

Operating Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in):						
Net assets attributable to Unitholders and non-cash items	$ 6,096	$ 1,235	$ 4,861	$ 23,078	$ 19,225	$ 3,853
Non-cash operating items	4,398	12,104	(7,706)	(1,093)	8,085	(9,178)
Cash provided by (used in) operating activities	$ 10,494	$ 13,339	$ (2,845)	$ 21,985	$ 27,310	$ (5,325)
Cash distributions included in operating activities	$ 28,611	$ 22,919	$ 5,692	$ 112,930	$ 84,311	$ 28,619

Crombie's REIT and Class B Units are considered liabilities under IFRS. As such, distributions are recognized as an expense and are included in cash from operating activities. The increase in distributions relates to new units issued in November 2013 and May 2014.

Net assets attributable to Unitholders increased by $4,861 in the three months ended December 31, 2014 compared to the same period in 2013 primarily due to a $9,502 gain on derecognition of investment properties. The decrease in non-cash operating items was primarily influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments. As at December 31, 2014, Crombie's payables for tenant incentives and capital expenditures were $14,418 lower than December 31, 2013 as a result of the timing of expenditure incurrence and payments.

Financing Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in):						
Net issue (repayment) of mortgage loans and borrowings	$ 88,816	$ 448,433	$ (359,617)	$ (71,568)	$ 613,503	$ (685,071)
Net issue of senior unsecured notes	(26)	173,906	(173,932)	99,350	173,906	(74,556)
Net issue of units	49	367,421	(367,372)	97,196	365,621	(268,425)
Net issue of convertible debentures	—	(1,071)	1,071	—	70,516	(70,516)
Other items (net)	218	137	81	(16,658)	968	(17,626)
Cash provided by (used in) financing activities	$ 89,057	$ 988,826	$ (899,769)	$ 108,320	$ 1,224,514	$ (1,116,194)

Cash from financing activities decreased by $899,769 for the three months ended December 31, 2014 compared to the same period in 2013. During the three months ended December 31, 2013, Crombie raised cash through mortgage financing and the issuance of REIT Units, Series A and Class B LP Units to finance the acquisition of investment properties as reflected in Investing Activities. Cash from financing activities decreased by $1,116,194 for the year ended December 31, 2014 compared to the same period in 2013. During the year ended December 31, 2014, Crombie raised funds through the issuance of REIT Units, Class B LP Units and Series B Notes. Funds raised from both issuances were used to repay maturing mortgages and reduce the revolving credit facility. In the first quarter of 2014, Crombie also entered into a $11,856 loan agreement with SDLP to partially finance SDLP's acquisition of development lands in Langford, British Columbia.

Investing Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2014	2013	Variance	2014	2013	Variance
Cash provided by (used in):						
Acquisition of investment properties and intangible assets	$ (145,651)	$ (996,702)	$ 851,051	$ (157,544)	$(1,217,189)	$ 1,059,645
Additions to investment properties	(9,869)	(8,009)	(1,860)	(32,584)	(23,395)	(9,189)
Proceeds on disposal of investment properties	61,761	12,550	49,211	67,053	14,250	52,803
Additions to tenant incentives	(4,957)	(2,772)	(2,185)	(18,683)	(17,980)	(703)
Additions to deferred leasing costs	(224)	(186)	(38)	(933)	(633)	(300)
Other items (net)	—	121	(121)	5,830	290	5,540
Cash provided by (used in) investing activities	$ (98,940)	$ (994,998)	$ 896,058	$ (136,861)	$(1,244,657)	$ 1,107,796

Cash used in investing activities was $98,940 for the three months ended December 31, 2014 and $136,861 for the year ended December 31, 2014. The decrease of $896,058 and $1,107,796 for the three months and year ended December 31, 2014 is reflective of a decrease in cash required to fund investment property acquisitions primarily in the fourth quarter of 2014 as compared to the same periods in 2013.

Tenant Incentives ("TI") and Capital Expenditures

There are two types of TI and capital expenditures:

- maintenance TI and leasing costs and maintenance capital expenditures that maintain existing productive capacity; and
- productive capacity enhancement expenditures.

Maintenance TI and leasing costs and maintenance capital expenditures are reinvestments in the portfolio to maintain the productive capacity of the existing assets. These costs are capitalized and depreciated or charged against revenue over their useful lives and deducted when calculating AFFO.

Productive capacity enhancement expenditures are costs incurred that increase the property NOI, or expand the GLA of a property by a minimum threshold, or otherwise enhance the property's overall value. Productive capacity enhancement expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO.

Obligations for expenditures for TI's occur when renewing existing tenant leases or for new tenants occupying a space. Typically, leasing costs for existing tenants are lower on a per square foot basis than for new tenants. However, new tenants may provide more overall cash flow to Crombie through higher rents or improved traffic to a property. The timing of such expenditures fluctuates depending on the satisfaction of contractual terms contained in the leases.

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	2014	2013	2014	2013
Total additions to investment properties	$ 9,869	$ 8,009	$ 32,584	$ 23,395
Less: productive capacity enhancements and recoverable amounts	(10,521)	(5,662)	(26,579)	(17,924)
Maintenance capital expenditures	$ (652)	$ 2,347	$ 6,005	$ 5,471

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	2014	2013	2014	2013
Total additions to TI and deferred leasing costs	$ 5,181	$ 2,958	$ 19,616	$ 18,613
Less: productive capacity enhancements	(2,575)	(1,504)	(12,488)	(12,526)
Maintenance TI and deferred leasing costs	$ 2,606	$ 1,454	$ 7,128	$ 6,087

As maintenance TI and capital expenditures are not incurred or paid for evenly throughout the fiscal year, there can be comparative volatility from period- to-period.

Maintenance capital expenditures for the year ended December 31, 2014, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during 2013 and 2014.

Productive capacity enhancements during the year ended December 31, 2014 consisted primarily of development work and GLA expansions at: Elmsdale Plaza, Elmsdale, NS; Millwoods Common, Edmonton, AB; Paspebiac Plaza, Paspebiac, QC; Penhorn Plaza, Halifax, NS; Riviere-du-Loup Plaza, Riviere-du-Loup, QC; Russell Lake, Halifax, NS; Spryfield, Halifax, NS; and, Woodstock Plaza, Woodstock, ON. As well, development work at: Amherst Centre, Amherst, NS; Barrington Place, Halifax, NS; County Fair Mall, Summerside, PE; Downsview Plaza, Halifax, NS; Grimsby Mews, Grimsby, ON; Parry Sound, Parry Sound, ON; Prince Street Plaza, Sydney, NS; Rymal Road Plaza, Hamilton, ON; Scotia Square Mall, Halifax, NS; Tantallon Plaza, Halifax, NS; and, 1234 Main Street (Terminal Centres), Moncton, NB.

Borrowing Capacity and Debt Covenants

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 of fair market value over first mortgage financing of assets subject to a second security position or a negative pledge (the "Borrowing Base"). The revolving credit facility provides Crombie with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements; and
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

The revolving credit facility also contains a covenant limiting the amount which may be utilized under the revolving credit facility at any time. This covenant provides that the aggregate of amounts drawn under the revolving credit facility plus any outstanding letters of credit may not exceed the "Aggregate Coverage Amount", which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At December 31, 2014, the remaining amount available under the revolving credit facility was $155,000 (prior to reduction for standby letters of credit outstanding of $979) and was not limited by the Aggregate Coverage Amount.

At December 31, 2014, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value – Fair Value Basis

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as obligations for borrowed money including obligations incurred in connection with acquisitions, excluding specific deferred taxes payable, trade payables and accruals in the ordinary course of business and distributions payable. Gross book value means, at any time, the book value of the assets of Crombie and its consolidated subsidiaries plus deferred financing charges, accumulated depreciation and amortization in respect of Crombie's properties (and related intangible assets) and cost of any below-market component of properties less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie and (ii) the amount of deferred tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties. If approved by a majority of the independent trustees, the appraised value of the assets of Crombie and its consolidated subsidiaries may be used instead of book value.

Debt to gross book value on a fair value basis includes investment properties measured at fair value with all other components of gross book value measured at cost.

The debt to gross book value on a fair value basis was 52.8% and 53.0% at December 31, 2014 and December 31, 2013, respectively. These leverage ratios are below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value – fair value basis, depending upon Crombie's future acquisitions and financing opportunities as well as new unit issuances.

(In thousands of CAD dollars, except as otherwise noted)	As at Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013
Fixed rate mortgages	$ 1,490,187	$ 1,507,127	$ 1,527,904	$ 1,565,873	$ 1,585,960
Senior unsecured notes	275,000	275,000	275,000	275,000	175,000
Convertible debentures	179,400	179,400	180,000	180,000	180,000
Revolving credit facility payable	145,000	39,270	28,785	50,000	120,000
Total debt outstanding	2,089,587	2,000,797	2,011,689	2,070,873	2,060,960
Less: Applicable fair value debt adjustment	(2,203)	(2,357)	(2,526)	(2,709)	(2,903)
Debt	$ 2,087,384	$ 1,998,440	$ 2,009,163	$ 2,068,164	$ 2,058,057
Investment properties, at fair value	$ 3,939,000	$ 3,854,000	$ 3,864,000	$ 3,877,000	$ 3,877,000
Long term receivables	13,631	13,583	13,547	13,532	1,821
Other assets, cost(1)	23,232	30,241	35,883	24,158	21,327
Cash and cash equivalents	611	—	—	1,119	7,167
Deferred financing costs	16,581	17,331	17,847	18,472	17,894
Interest rate subsidy	(2,203)	(2,357)	(2,526)	(2,709)	(2,903)
FV adjustment to deferred taxes	(34,645)	(38,545)	(38,545)	(38,545)	(38,585)
Gross book value – fair value basis	$ 3,956,207	$ 3,874,253	$ 3,890,206	$ 3,893,027	$ 3,883,721
Debt to gross book value – fair value basis	52.8%	51.6%	51.6%	53.1%	53.0%

(1) Other assets exclude Tenant incentives, Accrued straight-line rent receivable and Assets related to derecognized property.

Crombie, through the issuance of Notes, convertible debentures, mortgage financings, refinancings and bank debt continues to maintain leverage at an appropriate level while staying conservatively within its maximum borrowing capacity.

Debt and Interest Service Coverage

Crombie's interest and debt service coverage ratios for the year ended December 31, 2014 were 2.58 times EBITDA and 1.72 times EBITDA. This compares to 2.74 times EBITDA and 1.79 times EBITDA respectively for the year ended December 31, 2013. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2014	2013
Property revenue	$ 358,319	$ 297,043
Amortization of tenant incentives	7,567	8,026
Adjusted property revenue	365,886	305,069
Property operating expenses	(109,620)	(106,673)
General and administrative expenses	(14,748)	(13,666)
EBITDA (1)	$ 241,518	$ 184,730
Finance costs – operations	$ 99,466	$ 82,387
Amortization of deferred financing charges	(3,171)	(5,161)
Amortization of effective swap agreements	(2,797)	(3,759)
Finance costs associated with arranging financing for the 70 property acquisition		
Subscription receipts adjustment payment	—	(3,437)
Bridge facility costs	—	(2,596)
Adjusted interest expense (2)	$ 93,498	$ 67,434
Debt repayments	$ 111,838	$ 213,586
Amortization of fair value debt premium	(1,295)	(1,887)
Payments relating to interest rate subsidy	(700)	(888)
Payments relating to credit facilities	24,550	(156,561)
Lump sum payments on mortgages	(87,633)	(18,608)
Adjusted debt repayments (3)	$ 46,760	$ 35,642
Interest service coverage ratio {(1)/(2)}	2.58	2.74
Debt service coverage ratio {(1)/((2)+(3))}	1.72	1.79

Distributions and Distribution Payout Ratios

Distribution Policy

Pursuant to Crombie's Declaration of Trust, cash distributions are to be determined by the Trustees at their discretion. Crombie intends, subject to approval of the Board of Trustees, to make distributions to Unitholders of not less than the amount equal to the net income and net realized capital gains of Crombie, to ensure that Crombie will not be liable for income taxes. Crombie, subject to the discretion of the Board of Trustees, targets to make annual cash distributions to Unitholders equal to approximately 95% of its AFFO on an annual basis.

Details of distributions to Unitholders are as follows:

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Distributions to Unitholders	$ 17,199	$ 14,854	$ 67,427	$ 50,664
Distributions to Special Voting Unitholders	11,853	10,303	46,510	35,956
Total distributions	$ 29,052	$ 25,157	$ 113,937	$ 86,620
FFO payout ratio	79.9%	83.0%	80.2%	79.9%
AFFO payout ratio (target ratio = 95%)	96.2%	98.8%	96.4%	94.7%

Distribution Reinvestment Plan ("DRIP")

During the fourth quarter of 2014, Crombie announced the implementation of a DRIP whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. Units issued under the DRIP are issued directly from the treasury of Crombie REIT at a price equal to 97% of the volume-weighted average trading price of the REIT units on the TSX for the five trading days immediately preceding the relevant distribution payment made, which is typically on or about the 15th day of the month following the declaration. The DRIP began with eligible Unitholders of record November 30, 2014 and the first issuance of Units from the DRIP was December 15, 2014. Crombie issued 21,364 REIT Units and 15,153 Class B LP Units under the DRIP (December 31, 2013 – 0).

Taxation of Distributions

Crombie, through its subsidiaries, has a large asset base that is depreciable for Canadian income tax purposes. Consequently, certain of the distributions from Crombie are treated as returns of capital and are not taxable to Canadian resident Unitholders for Canadian income tax purposes. The composition for tax purposes of distributions from Crombie may change from year to year, thus affecting the after-tax return to Unitholders.

The following table summarizes the last five years of the taxation of distributions from Crombie:

Taxation Year	Return of Capital	Investment Income	Capital Gains
2013 per $ of distribution	90.2%	9.8%	0.0%
2012 per $ of distribution	67.1%	32.9%	0.0%
2011 per $ of distribution	62.5%	37.5%	0.0%
2010 per $ of distribution	64.7%	35.3%	0.0%
2009 per $ of distribution	51.0%	49.0%	0.0%

Related Party Transactions

Related party transactions are transactions with associates, post employment benefit plans, and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this communication.

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

As at December 31, 2014, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 39.3%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

(In thousands of CAD dollars, except as otherwise noted)	Note	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Property revenue	(a)	$ 36,240	$ 32,629	$ 152,855	$ 106,926
Head lease income	(b)	$ 258	$ 205	$ 947	$ 712
Management support services provided	(c)	$ 146	$ 134	$ 431	$ 344
Property management services	(d)	$ 107	$ 134	$ 500	$ 224
Rental expense	(e)	$ 47	$ 46	$ 187	$ 187
Property operating expenses		$ 42	$ —	$ 145	$ —
Interest rate subsidy	(b)	$ 154	$ 248	$ 700	$ 888
Finance costs – operations	(f)	$ 303	$ 303	$ 1,200	$ 1,200
Finance costs – distributions to Unitholders		$ 12,054	$ 8,508	$ 47,318	$ 36,766

(a) Crombie earned property revenue from Sobeys Inc. and other subsidiaries of Empire.

(b) For various periods, ECL Developments Limited has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006, between Crombie Developments Limited, Crombie Limited Partnership and ECL Developments Limited. The rental income is included in Property revenue and the interest rate subsidy is netted against Finance costs – operations.

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain subsidiaries of Empire on a cost sharing basis pursuant to a Management Cost Sharing Agreement, dated March 23, 2006, between Crombie Developments Limited, a subsidiary of Crombie, and ECL Developments Limited, a subsidiary of Empire.

(d) Certain on-site maintenance and management employees of Crombie provide property management services to certain subsidiaries of Empire on a cost sharing basis pursuant to the Management Cost Sharing Agreement. The costs recovered by Crombie pursuant to the Agreement were netted against property expenses.

(e) Crombie leases its head office space from ECL Developments Limited under a lease that expires December 2027.

(f) Empire holds $24,000 of Series D Convertible Debentures with an annual interest rate of 5.00%.

In addition to the above:

- During the fourth quarter of 2014, Crombie issued 15,153 Units to ECL Developments Limited under the DRIP.
- During the fourth quarter of 2014, Crombie acquired eight retail properties from Empire for $100,985 excluding closing adjustments and transaction costs. The properties, containing approximately 424,000 square feet of GLA, included one in Prince Edward Island, Ontario and Manitoba, three in Alberta and two in British Columbia. Crombie also acquired additional development space from Empire on a pre-existing retail property for $2,508 excluding closing and transaction costs.
- During the third quarter of 2014, Crombie received $2,650 from a subsidiary of Empire related to a prepayment of their future obligation under a land sub-lease. The amount has been deferred and will be recognized as a reduction in property operating expenses over the remaining term of the land lease.
- On May 30, 2014, ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,830, net of issue costs, on a private placement basis.
- During the second quarter of 2014, Crombie acquired a retail property from SDLP for $10,176 excluding closing and transaction costs. The property, located in Ontario, contains approximately 39,000 square feet of fully occupied space.
- During the first quarter of 2014, Crombie exchanged properties with a subsidiary of Empire by acquiring 1200 Railway Avenue in Canmore, Alberta in exchange for disposing of 555 Main Street in Canmore, Alberta. Crombie also acquired additional development space from Empire on a pre-existing retail property for $1,490 excluding closing and transaction costs.
- During the first quarter of 2014, Crombie entered into a loan agreement with SDLP to partially finance SDLP's acquisition of development lands in Langford, British Columbia. The $11,856 loan bears interest at a rate of 6% per annum and has no principal repayments until maturity on October 1, 2016.
- During the fourth quarter of 2013, Crombie acquired 70 properties (the "Acquisition Properties") from a wholly-owned subsidiary of Sobeys Inc. ("Sobeys") for an aggregate purchase price of $991,300, excluding closing and transition costs (the "Acquisition"). As part of the closing of the Acquisition, Sobeys and Sobeys West Inc. ("Sobeys West") entered into an omnibus environmental indemnity agreement with Crombie LP, Snowcat Properties Holdings Limited and Crombie providing for an unlimited indemnity by Sobeys and Sobeys West for any issues related to the presence of hazardous materials on the applicable Acquisition Properties identified in the course of Crombie's environmental due diligence and for which any additional work as required or recommended by an independent professional consulting engineering firm retained by Crombie for matters identified up to 90 days after the closing of the acquisition of the Acquisition Properties (the "Omnibus Environmental Indemnity").
- On November 4, 2013, contemporaneously with the closing of the acquisition of 70 properties, a subsidiary of Empire purchased 11,811,024 Class B LP Units and the attached Special Voting Units at a price of $12.70 per Class B LP Unit for proceeds of $149,905, net of issue costs, on a private placement basis.
- During the second quarter of 2013, Crombie acquired one property from a subsidiary of Empire for a total purchase price of $20,875, excluding closing and transaction costs.
- During the first quarter of 2013, Crombie acquired two properties and acquired one development addition to an existing retail property from subsidiaries of Empire for a total purchase price of $32,555 excluding closing and transaction costs.

Key Management Personnel Compensation

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

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

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	2014	2013	2014	2013
Salary, bonus and other short-term employee benefits	$ 1,066	$ 809	$ 4,158	$ 3,251
Other long-term benefits	26	22	103	94
	$ 1,092	$ 831	$ 4,261	$ 3,345

Critical Accounting Estimates

Upon acquisition, Crombie performs an assessment of investment properties being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders. Crombie performs an assessment of the fair value of the properties' related tangible and intangible assets and liabilities and allocates the purchase price to the acquired assets and liabilities. Crombie assesses and considers fair value based on cash flow projections that take into account relevant discount and capitalization rates and any other relevant sources of market information available. Estimates of future cash flow are based on factors that include historical operating results, if available, and anticipated trends, local markets and underlying economic conditions.

Crombie allocates the purchase price based on the following:

Land – The amount allocated to land is based on an appraisal estimate of its fair value.

Buildings – Buildings are recorded at the estimated fair value of the building and its components and significant parts.

Intangible Assets – Intangible assets are recorded for tenant relationships, based on estimated costs avoided should the respective tenants renew their leases at the end of the initial lease term, adjusted for the estimated probability of renewal.

Fair value of debt – Values ascribed to fair value of debt are determined based on the differential between contractual and market interest rates on long-term liabilities assumed at acquisition.

Investment Properties

Investment properties are properties which are held to earn rental income.

Investment properties include land, buildings and intangible assets. Investment properties are carried at cost less accumulated depreciation and are reviewed periodically for impairment.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, the estimated useful life of the building (not exceeding 40 years) and its components, significant parts and residual value.

Repairs and maintenance improvements are expensed as incurred or, in the case of major items that constitute a capital asset, are capitalized to the building and amortized on a straight-line basis over the expected useful life of the improvement.

Change in Useful Life of Investment Properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties constitute a change in accounting estimate and is accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

Revenue Recognition

Property revenue includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries, and other incidental income. Certain leases have rental payments that change over their term due to changes in rates. Crombie records the rental revenue from leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. In addition, tenant incentives are amortized on a straight-line basis over the term of existing leases and the amortization is shown as a reduction in property revenue. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. Realty tax and operating cost recoveries, and other incidental income, are recognized on an accrual basis.

Use of Estimates and Judgments

The preparation of consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgement, estimate and assumption items include impairment, employee future benefits, income taxes, investment properties, purchase price allocations and fair value of financial instruments. These estimates are based on historical experience and management's best knowledge of current events and actions that Crombie may undertake in the future. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the preparation of these financial statements that have significant effect and estimates with a significant risk of material adjustment to the carrying amount of assets and liabilities are as follows:

Impairment of Long-lived Tangible and Definite Life Intangible Assets

Long-lived tangible and definite life intangible assets are reviewed for impairment at each reporting period for events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

Defined Benefit Liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of Crombie's defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account Crombie's specific anticipation of future salary increases. Discount factors are determined each reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of Crombie's defined benefit obligations.

Investment Property Valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the date of the valuation, represent an estimate of the price that would be agreed upon between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Internal quarterly revaluations are performed using internally generated valuation models prepared by considering the aggregate cash flows received from leasing the property. A yield obtained from an independent valuation company, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual cash flows to arrive at the property valuation.

Deferred Taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on Crombie's latest budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Crombie recognizes expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax balances in the period when such determination is made.

Purchase Price Allocation

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Upon acquisition, management allocates the purchase price of the acquisition. This allocation contains a number of estimates and underlying assumptions including, but not limited to, estimated cash flows, discount rates, lease-up rates, inflation rates, renewal rates and leasing costs.

Fair Value of Financial Instruments

The fair value of marketable financial instruments is the estimated amount for which an instrument could be exchanged, or a liability settled, by Crombie and a knowledgeable, willing party in an arm's length transaction.

The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions.

Financial Instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 2,123	$ 2,123
Total financial assets measured at fair value	$ —	$ —	$ 2,123	$ 2,123
Financial liabilities				
Interest rate swaps	$ —	$ —	$ —	$ —
Embedded derivatives in convertible debentures	—	—	—	—
Total financial liabilities measured at fair value	$ —	$ —	$ —	$ —

(In thousands of CAD dollars, except per unit amounts)

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2014.

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 interest rate swaps, embedded derivatives and liabilities related to derecognized property)

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:

	December 31, 2014		December 31, 2013	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Assets related to derecognized property	$ —	$ —	$ 5,733	$ 5,830
Long term receivables	13,663	13,631	1,901	1,821
Total other financial assets	$ 13,663	$ 13,631	$ 7,634	$ 7,651
Financial liabilities				
Investment property debt	$ 1,757,910	$ 1,635,187	$ 1,725,981	$ 1,705,960
Senior unsecured notes	284,778	275,000	175,035	175,000
Convertible debentures	183,698	179,400	183,863	180,000
Liabilities related to derecognized property	—	—	5,676	5,627
Total other financial liabilities	$ 2,226,386	$ 2,089,587	$ 2,090,555	$ 2,066,587

Commitments and Contingencies

There are various claims and litigation which Crombie is involved with arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies would not have a significant adverse effect on these operating results.

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 has entered into a management cost sharing agreement with a subsidiary of Empire.

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. As at December 31, 2014, Crombie has a total of $979 in outstanding letters of credit related to:

	Year ended December 31,	
	2014	2013
Construction work being performed on investment properties	$ 979	$ 714
Mortgage lender primarily to satisfy defeasance of derecognized property	—	1,715
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	—	1,700
Total outstanding letters of credit	$ 979	$ 4,129

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

Land leases have varying terms ranging from 10 to 75 years including renewal options. For the three months and year ended December 31, 2014, Crombie paid $308 and $1,225 respectively in land lease payments to third party landlords (three months and year ended December 31, 2013 – $313 and $1,240 respectively).

As at December 31, 2014, Crombie had signed construction contracts totaling $12,181 of which $10,558 has been paid.

RISK MANAGEMENT

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks, and the action taken to manage them, are as follows:

Real Property Ownership and Tenant Risks

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. In addition, certain significant expenditures, including property taxes, ground rent, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Crombie than those of an existing lease. The ability to rent unleased space in the properties in which Crombie has an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors. Management utilizes staggered lease maturities so that Crombie is not required to lease unusually large amounts of space in any given year. In addition, the diversification of our property portfolio by geographic location, tenant mix and asset type also help to mitigate this risk.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. A provision for doubtful accounts is taken for all anticipated collectability risks.

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at December 31, 2014:

- Excluding Sobeys and Shoppers Drug Mart (which accounts for 50.3% and 5.9%, respectively of Crombie's minimum rent), no other tenant accounts for more than 1.5% of Crombie's minimum rent; and
- Over the next five years, leases on no more than 5.5% of the GLA area of Crombie will expire in any one year.

Crombie earned property revenue for the year ended December 31, 2014 of $152,855 (year ended December 31, 2013 – $106,926) from subsidiaries of Empire.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general, balances over 30 days are considered past due. None of the receivable balances are considered impaired.

The provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable from independent accounts and is recorded as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable. Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

There have been no significant changes to Crombie's credit risk since December 31, 2013.

	Year ended December 31,	
(In thousands of CAD dollars)	2014	2013
Provision for doubtful accounts, beginning of period	$ 47	$ 439
Additional provision	(43)	279
Recoveries	(33)	(222)
Write-offs	88	(449)
Provision for doubtful accounts, end of period	$ 59	$ 47

Competition

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Crombie in seeking tenants. Some of the properties located in the same markets as Crombie's properties are newer, better located, less levered or have stronger anchor tenants than Crombie's properties. Some property owners with properties located in the same markets as Crombie's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. Competitive pressures in such markets could have a negative effect on Crombie's ability to lease space in its properties and on the rents charged or concessions granted.

Risk Factors Related to the Business of Crombie

Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 51.4% of the annual minimum rent generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending could adversely impact Crombie's financial condition.

Crombie's portfolio of properties was historically heavily concentrated in Atlantic Canada. Since the fourth quarter of 2013 Crombie acquired 78 retail properties in Western Canada, reducing Crombie's geographic concentration in Atlantic Canada, and reducing the adverse impact an economic downturn concentrated in Atlantic Canada could have on Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2014 is detailed under the Property Portfolio section.

Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk. The percentage of annual minimum rent to be earned in Atlantic Canada has decreased from 43.4% at December 31, 2013 to 40.8% at December 31, 2014.

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt. As at December 31, 2014:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 7.4 years;
- Crombie had a floating rate revolving credit facility available to a maximum of $300,000, subject to available borrowing base of $300,000, with a balance of $145,000.

Crombie estimates that $2,520 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2015, based on all settled swap agreements as of December 31, 2014.

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

(In thousands of CAD dollars) Impact on operating income attributable to Unitholders of interest rate changes on the floating rate credit facilities	Impact of a 0.5% interest rate change Decrease in Rate	 Increase in Rate
Three months ended December 31, 2014	$ 109	$ (109)
Three months ended December 31, 2013	$ 191	$ (191)
Year ended December 31, 2014	$ 334	$ (334)
Year ended December 31, 2013	$ 648	$ (648)

Crombie does not enter into interest rate swap transactions on a speculative basis. Crombie currently has no outstanding interest rate swap agreements. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

There have been no significant changes to Crombie's interest rate risk since December 31, 2013.

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 the debt obligations as they mature or meet its ongoing obligations as they arise.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited to the amount utilized under the facility plus the amount of any outstanding letters of credit and cannot exceed the borrowing base security provided by Crombie.

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

(In thousands of CAD dollars)	Contractual Cash Flows(1)	Year ending December 31, 2015	2016	2017	2018	2019	Thereafter
Fixed rate mortgages(2)	$ 1,904,322	$ 175,329	$ 142,343	$ 143,638	$ 140,623	$ 163,996	$ 1,138,393
Senior unsecured notes	327,164	10,938	10,938	10,938	184,775	3,962	105,613
Convertible debentures	224,533	9,494	9,494	53,200	6,906	66,156	79,283
	2,456,019	195,761	162,775	207,776	332,304	234,114	1,323,289
Floating rate revolving credit facility	155,875	4,350	4,350	147,175	—	—	—
Total	$ 2,611,894	$ 200,111	$ 167,125	$ 354,951	$ 332,304	$ 234,114	$ 1,323,289

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

There have been no significant changes to Crombie's liquidity risk since December 31, 2013.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Canada, Crombie is subject to various Canadian federal, provincial and municipal laws relating to environmental matters.

Such laws provide that Crombie could become liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. The failure to remove or otherwise address such substances or properties, if any, may adversely affect Crombie's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against Crombie by public or private parties by way of civil action.

Crombie's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment.

Crombie is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. Crombie has implemented policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

Potential Conflicts of Interest

The trustees will, from time to time, in their individual capacities, deal with parties with whom Crombie may be dealing, or may be seeking investments similar to those desired by Crombie. The interests of these persons could conflict with those of Crombie. The Declaration of Trust contains conflict of interest provisions requiring the trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of independent trustees only.

Conflicts may exist due to the fact that certain trustees, senior officers and employees of Crombie are directors and/or senior officers of ECL and/or its affiliates or will provide management or other services to ECL and its affiliates. ECL and its affiliates are engaged in a wide variety of real estate and other business activities. Crombie may become involved in transactions that conflict with the interests of the foregoing. The interests of these persons could conflict with those of Crombie. To mitigate these potential conflicts, Crombie and ECL have entered into a number of agreements to outline how potential conflicts of interest will be dealt with including a Non-Competition Agreement, Management Cost Sharing Agreement and Development Agreement. As well, the Declaration of Trust contains a number of provisions to manage potential conflicts of interest including setting limits to the number of ECL appointees to the Board, "conflict of interest" guidelines, as well as outlining which matters require the approval of a majority of the independent elected trustees such as any property acquisitions or dispositions between Crombie and ECL or another related party.

Reliance on Key Personnel

The management of Crombie depends on the services of certain key personnel. The loss of the services of any key personnel could have an adverse effect on Crombie and adversely impact Crombie's financial condition. Crombie does not have key-man insurance on any of its key employees.

Reliance on ECL, Sobeys and Other Empire Affiliates

ECL has agreed to support Crombie under an omnibus subsidy agreement and to pay ongoing rent pursuant to a head lease and a ground lease. Sobeys and Sobeys West have provided the Omnibus Environmental Indemnity described above under "Related Party Transactions". In addition, a significant portion of Crombie's rental income will be received from tenants that are affiliates of Empire. Finally, ECL has obligations to indemnify Crombie in respect to the cost of environmental remediation of certain properties acquired by Crombie from ECL to a maximum permitted amount. There is no certainty that ECL will be able to perform its obligations to Crombie in connection with these agreements. ECL, Sobeys or Sobeys West has not provided any security to guarantee these obligations. If ECL, Sobeys, Sobeys West, Empire or such affiliates are unable or otherwise fail to fulfill their obligations to Crombie, such failure could adversely impact Crombie's financial condition.

Prior Commercial Operations

Crombie LP acquired from ECL all of the outstanding shares of CDL. CDL is the company resulting from the amalgamation of predecessor companies which began their operations in 1964 and have since been involved in various commercial activities in the real estate sector. In addition, the share capital of CDL and its predecessors has been subject to various transfers, redemptions and other modifications. Pursuant to the acquisition, ECL made certain representations and warranties to Crombie with respect to CDL, including with respect to the structure of its share capital and the scope and amount of its existing and contingent liabilities. ECL also provided an indemnity to Crombie under the acquisition which provides, subject to certain conditions and thresholds, that ECL will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that ECL will be in a position to indemnify Crombie if any such breach occurs. ECL has not provided any security for its obligations and is not required to maintain any cash within ECL for this purpose.

Crombie LP acquired from ECL directly and indirectly 61 properties on April 22, 2008 (the "Portfolio Acquisition"). Pursuant to the Portfolio Acquisition, ECL made certain representations and warranties to Crombie with respect to the properties, including with respect to the scope and amount of its existing and contingent liabilities. ECL also provided an indemnity to Crombie under the Portfolio Acquisition which provides, subject to certain conditions and thresholds, that ECL will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that ECL will be in a position to indemnify Crombie if any such breach occurs. ECL has not provided any security for its obligations and is not required to maintain any cash within ECL for this purpose.

Risk Factors Related to the Units

Cash Distributions Are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by Crombie's properties. The ability of Crombie to make cash distributions and the actual amount distributed are entirely dependent on the operations and assets of Crombie and its subsidiaries, and are subject to various factors including financial performance, obligations under applicable credit facilities, the sustainability of income derived from anchor tenants and capital expenditure requirements. Cash available to Crombie to fund distributions may be limited from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures and redemptions of Units, if any. Crombie may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The market value of the Units will deteriorate if Crombie is unable to maintain its distribution in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Restrictions on Redemptions

It is anticipated that the redemption of Units will not be the primary mechanism for holders of Units to liquidate their investments. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by Crombie in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; and (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date.

Potential Volatility of Unit Prices

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Crombie.

Tax-Related Risk Factors

Crombie intends to make distributions not less than the amount necessary to eliminate Crombie's liability for tax under Part I of the Income Tax Act (Canada). Where the amount of net income and net realized capital gains of Crombie in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

Income fund or REIT structures in which there is a significant corporate subsidiary such as CDL generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable. Management believes that the interest expense inherent in the structure of Crombie is supportable and reasonable in the circumstances; however, there can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted on the debt owing by CDL to Crombie LP. If such a challenge were to succeed, it could adversely affect the amount of cash available for distribution.

Certain properties have been acquired by Crombie LP on a tax deferred basis, whereby the tax cost of these properties is less than their fair market value. Accordingly if one or more of such properties are disposed of, the gain for tax purposes recognized by Crombie LP will be in excess of that which it would have been if it had acquired the properties at a tax cost equal to their fair market values.

The cost amount for taxation purposes of various properties of CDL will be lower than their fair market value, generally resulting in correspondingly lower deductions for taxation purposes and higher recapture of depreciation or capital gains on their disposition. In addition, CDL (unlike Crombie) may not reduce its taxable income through cash distributions. If CDL should become subject to corporate income tax, the cash available for distribution to Unitholders would likely be reduced.

On June 22, 2007, tax legislation Bill C-52, the Budget Implementation Act, 2007 (the "Act") was passed into law. The Act related to the federal income taxation of publicly traded income trusts and partnerships. The Act subjects all existing income trusts, or specified investment flow-through entities ("SIFTs"), to corporate tax rates, beginning in 2011, subject to an exemption for real estate investment trusts ("REITs"). The exemption for REITs was provided to "recognize the unique history and role of collective real estate investment vehicles," which are well-established structures throughout the world. A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders or be subject to the restrictions on its growth that would apply to SIFTs.

While REITs were exempted from the SIFT taxation, the Act proposed a number of technical tests to determine which entities would qualify as a REIT. These technical tests did not fully accommodate the business structures used by many Canadian REITs.

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008 through 2014 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

Notwithstanding that Crombie may meet the criteria for a REIT under the Act and thus be exempt from the distribution tax, there can be no assurance that the Department of Finance (Canada) or other governmental authority will not undertake initiatives which have an adverse impact on Crombie or its Unitholders.

Indirect Ownership of Units by Empire

ECLD holds a 41.5% (fully diluted 39.3%) economic interest in Crombie through the ownership of REIT and Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, ECL is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Debentures

The Debentures may trade at lower than issued prices depending on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Crombie's financial condition, historic financial performance and future prospects.

Ownership of Notes

There is no market through which the Notes may be sold. Crombie does not intend to list the Notes on any securities exchange or include the Notes in any automated quotation system.

Therefore, an active market for the Notes may not develop or be maintained, which would adversely affect the market price and liquidity of the Notes. In such case, the holders of the Notes may not be able to sell their Notes at a particular time or at a favorable price. If a trading market were to develop, future trading prices of the Notes may be volatile and will depend on many factors, including:

- the number of holders of Notes;
- prevailing interest rates;
- Crombie's operating performance and financial condition;
- the interest of securities dealers in making a market for them; and
- the market for similar securities.

Even if an active trading market for the Notes does develop, there is no guarantee that it will continue. The Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar Notes, Crombie's performance and other factors.

SUBSEQUENT EVENTS

(a) On January 15, 2015, Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2015 to and including, January 31, 2015. The distributions were paid on February 13, 2015, to Unitholders of record as of January 31, 2015.

(b) On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series C Unsecured Subordinated Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the terms of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015, for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

(c) On January 15, 2015, Target Corporation ("Target") announced its intent to cease their Canadian operations and that Target Canada (an indirect wholly-owned subsidiary of Target) had entered into Companies' Creditors Arrangement Act (Canada) ("CCAA") to wind down its operations. Crombie has three Target Canada leased locations representing less than 1% of Crombie's 2014 total property revenue and less than 2% of total gross leaseable area.

The Target Canada leases have a weighted average remaining term of 9.4 years and one of the leases is guaranteed through an indemnity agreement with Target.

IFRS requires conditions existing at the reporting date be considered in the determination of fair value. Conditions and assumptions arising after the reporting date related to the Target Canada departure will need be considered in future occupancy rates and future estimated net operating income.

Due to the uncertainty as to the nature, timing and outcome of the CCAA proceedings, as of the date of authorization of these consolidated financial statements, Crombie is not able to estimate the future financial impact of Target's announcement.

(d) On February 10, 2015, Crombie issued, on a bought-deal, private placement basis, $125,000 aggregate principal amount of 2.775% Series C Notes (senior unsecured) with a five-year term maturing February 10, 2020.

(e) On February 18, 2015, Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2015 to and including, February 28, 2015. The distributions will be paid on March 13, 2015, to Unitholders of record as of February 28, 2015.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie is accumulated and communicated to Crombie's management, including its President and Chief Executive Officer ("CEO") and Executive Vice President, Chief Financial Officer and Secretary ("CFO"), as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2014. They have concluded that our current disclosure controls and procedures are effective.

In addition, our CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in National Instrument 52-109. The control framework management used to design and assess the effectiveness of ICFR is *Internal Control-Integrated Framework (2013)* issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR as at December 31, 2014, and have concluded that our current ICFR was effective based on that evaluation. There have been no material changes to Crombie's internal controls during the year.

QUARTERLY INFORMATION

The following table shows information for revenues, expenses, increase (decrease) in net assets attributable to Unitholders, AFFO, FFO, distributions and per unit amounts for the eight most recently completed quarters.

	Three Months Ended							
(In thousands of CAD dollars, except per unit amounts)	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013
Property revenue	$ 90,602	$ 87,796	$ 89,008	$ 90,913	$ 84,030	$ 71,161	$ 71,270	$ 70,582
Property operating expenses	27,324	25,333	27,409	29,554	28,563	25,596	25,696	26,818
Property net operating income	63,278	62,463	61,599	61,359	55,467	45,565	45,574	43,764
Gain (loss) on derecognition	9,502	11	(3)	(157)	2,422	—	6	430
Expenses:								
General and administrative	(3,380)	(3,529)	(4,083)	(3,756)	(4,243)	(2,851)	(3,366)	(3,206)
Finance costs – operations	(24,449)	(24,701)	(25,070)	(25,246)	(29,098)	(18,834)	(17,648)	(16,807)
Depreciation and amortization	(16,024)	(15,632)	(15,943)	(16,525)	(15,045)	(11,876)	(11,985)	(11,122)
Impairment	(7,500)	(3,250)	—	—	(12,270)	—	—	—
Operating income before taxes	21,427	15,362	16,500	15,675	(2,767)	12,004	12,581	13,059
Taxes – deferred	800	900	500	225	2,275	(500)	—	(100)
Operating income	22,227	16,262	17,000	15,900	(492)	11,504	12,581	12,959
Finance costs – distributions to Unitholders	(29,052)	(29,050)	(28,480)	(27,355)	(25,157)	(20,545)	(20,480)	(20,438)
Finance income (costs) – change in fair value of financial instruments	3,446	(3,342)	130	55	422	(151)	1,585	617
Increase (decrease) in net assets attributable to Unitholders	$ (3,379)	$ (16,130)	$ (11,350)	$ (11,400)	$ (25,227)	$ (9,192)	$ (6,314)	$ (6,862)
Operating income per unit – Basic	$ 0.17	$ 0.12	$ 0.14	$ 0.13	$ —	$ 0.13	$ 0.14	$ 0.14
Operating income per unit – Diluted	$ 0.17	$ 0.12	$ 0.14	$ 0.13	$ —	$ 0.12	$ 0.14	$ 0.14

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013 (as adjusted)[2]	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013
AFFO	$ 30,211	$ 30,224	$ 28,972	$ 28,769	$ 25,493	$ 21,993	$ 22,433	$ 21,606
FFO	$ 36,363	$ 36,359	$ 34,836	$ 34,494	$ 30,324	$ 25,841	$ 26,490	$ 25,721
Distributions	$ 29,052	$ 29,050	$ 28,480	$ 27,355	$ 25,157	$ 20,545	$ 20,480	$ 20,438
AFFO per unit – basic	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.24	$ 0.24	$ 0.24
AFFO per unit – diluted[1]	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.24	$ 0.24	$ 0.23
FFO per unit – basic	$ 0.28	$ 0.28	$ 0.28	$ 0.28	$ 0.27	$ 0.28	$ 0.28	$ 0.28
FFO per unit – diluted[1]	$ 0.28	$ 0.28	$ 0.27	$ 0.28	$ 0.27	$ 0.28	$ 0.28	$ 0.28
Distributions per unit	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22

(1) FFO and AFFO per unit are calculated on a diluted basis. The diluted weighted average number of total Units and Special Voting Units included the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.

(2) FFO and AFFO results for the three months ended December 31, 2013 were as adjusted to add back $6,033 of finance costs related to the arranging of financing for the 70 property acquisition.

Variations in quarterly results over the past eight quarters have been influenced by the following specific transactions and ongoing events:

- Property acquisitions and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
  - December 31, 2014 – 11 retail properties and one development addition to an existing retail property for a total purchase price of $142,447 and five retail property dispositions for proceeds of $65,000;
  - June 30, 2014 – one retail property for a total purchase price of $10,176;
  - December 31, 2013 – 70 retail properties for a total purchase price of $991,300;
  - September 30, 2013 – four retail properties for a total purchase price of $44,370;
  - June 30, 2013 – one retail property for a total purchase price of $20,875;
  - March 31, 2013 – six retail properties and one development addition to an existing retail property for a total purchase price of $164,445; and
- Property revenue and property operating expenses – Crombie's business is not subject to significant seasonal fluctuations. However, property operating expenses during winter months include particular expenses such as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include particular expenses such as paving and roof repairs.
- Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs of: $97,147 in the quarter ended June 30, 2014; and of $365,621 in the quarter ended December 31, 2013.

Additional information relating to Crombie, including its latest Annual Information Form, can be found on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

Dated: February 26, 2015
Stellarton, Nova Scotia, Canada

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgements. All other financial information in the report is consistent with that contained in the consolidated financial statements.

Management of the Trust has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the consolidated financial statements, the safeguard of Trust assets, and the prevention and detection of fraudulent financial reporting.

The Board of Trustees, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is chaired by and composed solely of trustees who are unrelated to, and independent of, the Trust, meet regularly with financial management and external auditors to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Trustees for consideration in approving the annual consolidated financial statements to be issued to unitholders. The external auditors have full and free access to the Audit Committee.

Donald E. Clow, FCA
President and
Chief Executive Officer

Glenn R. Hynes, FCA
Executive Vice President,
Chief Financial Officer and Secretary

February 26, 2015

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Crombie Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Crombie Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of comprehensive income (loss), changes in net assets attributable to unitholders and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crombie Real Estate Investment Trust as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Chartered Accountants
Halifax, Canada

February 26, 2015

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(In thousands of CAD dollars)	Note	December 31, 2014	December 31, 2013
Assets			
Non-current assets			
Investment properties	3	$ 3,196,097	$ 3,168,097
Intangible assets	4	48,106	49,237
Other assets	5	93,489	77,365
Long term receivables	6	12,572	1,127
		3,350,264	3,295,826
Current assets			
Cash and cash equivalents		611	7,167
Other assets	5	27,902	41,478
Long term receivables	6	1,059	694
Investment properties held for sale	7	33,578	—
		63,150	49,339
Total Assets		3,413,414	3,345,165
Liabilities			
Non-current liabilities			
Investment property debt	8	1,496,925	1,553,297
Senior unsecured notes	9	273,592	173,937
Convertible debentures	10	175,215	174,929
Deferred taxes	11	78,400	80,825
Employee future benefits obligation	12	7,803	6,945
Trade and other payables	13	4,781	—
		2,036,716	1,989,933
Current liabilities			
Investment property debt	8	127,622	140,903
Employee future benefits obligation	12	239	233
Trade and other payables	13	65,523	89,798
		193,384	230,934
Total liabilities excluding net assets attributable to Unitholders		2,230,100	2,220,867
Net assets attributable to Unitholders		$ 1,183,314	$ 1,124,298
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		$ 716,025	$ 680,935
Special Voting Units and Class B Limited Partnership Unitholders		467,289	443,363
		$ 1,183,314	$ 1,124,298
Commitments and contingencies	23		
Subsequent events	24		

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of CAD dollars)	Note	Year ended December 31, 2014	Year ended December 31, 2013
Property revenue	14	$ 358,319	$ 297,043
Property operating expenses		109,620	106,673
Net property income		248,699	190,370
Gain on derecognition of investment properties		9,353	2,858
Impairment of investment properties	3	(10,750)	(12,270)
Depreciation of investment properties	3	(57,983)	(42,101)
Amortization of deferred leasing costs	3	(535)	(544)
Amortization of intangible assets	4	(5,606)	(7,383)
General and administrative expenses		(14,748)	(13,666)
Operating income before finance costs and taxes		168,430	117,264
Finance costs – operations	17	(99,466)	(82,387)
Operating income before taxes		68,964	34,877
Taxes – deferred	11	2,425	1,675
Operating income attributable to Unitholders		71,389	36,552
Finance costs – other			
Distributions to Unitholders		(113,937)	(86,620)
Change in fair value of financial instruments	13	289	2,473
		(113,648)	(84,147)
Decrease in net assets attributable to Unitholders		(42,259)	(47,595)
Other comprehensive income			
Items that will not be subsequently reclassified to Decrease in net assets attributable to Unitholders:			
Change in employee future benefit obligation			
Items that will be subsequently reclassified to Decrease in net assets attributable to Unitholders:	12	(582)	207
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs – operations		2,797	3,759
Net change in derivatives designated as cash flow hedges		7	22
Other comprehensive income		2,222	3,988
Comprehensive income (loss)		$ (40,037)	$ (43,607)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(In thousands of CAD dollars)	Note	REIT Units, Special Voting Units and Class B LP Units (Note 18)	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
Balance, January 1, 2014	18	$ 1,363,025	$ (222,728)	$ (15,999)	$ 1,124,298	$ 680,935	$ 443,363
Adjustments related to EUPP		842	(23)	—	819	819	—
Conversion of debentures		600	—	—	600	600	—
Statements of comprehensive income (loss)		—	(42,259)	2,222	(40,037)	(23,951)	(16,086)
Units issued under DRIP		438	—	—	438	256	182
Unit issue proceeds, net of costs of $2,827		97,196	—	—	97,196	57,366	39,830
Balance, December 31, 2014		$ 1,462,101	$ (265,010)	$ (13,777)	$ 1,183,314	$ 716,025	$ 467,289

(In thousands of CAD dollars)	Note	REIT Units, Special Voting Units and Class B LP Units (Note 18)	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
Balance, January 1, 2013		$ 977,112	$ (175,124)	$ (19,987)	$ 782,001	$ 470,747	$ 311,254
Adjustments related to EUPP		483	(9)	—	474	474	—
Conversion of debentures		17,115	—	—	17,115	17,115	—
Conversion feature of debentures	13	2,694	—	—	2,694	2,694	—
Statements of comprehensive income (loss)		—	(47,595)	3,988	(43,607)	(25,811)	(17,796)
Unit issue proceeds, net of costs of $9,423		365,621	—	—	365,621	215,716	149,905
Balance, December 31, 2013		$ 1,363,025	$ (222,728)	$ (15,999)	$ 1,124,298	$ 680,935	$ 443,363

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of CAD dollars)	Note	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows provided by (used in)			
Operating Activities			
Decrease in net assets attributable to Unitholders		$ (42,259)	$ (47,595)
Items not affecting operating cash	19	65,337	66,820
Change in other non-cash operating items	19	(1,093)	8,085
Cash provided by (used in) operating activities		21,985	27,310
Financing Activities			
Issue of investment property debt		40,616	835,720
Deferred financing charges – investment property debt		(795)	(8,631)
Repayment of investment property debt		(111,389)	(213,586)
Issue of senior unsecured notes		100,393	175,000
Deferred financing charges – senior unsecured notes		(1,043)	(1,094)
Issue of convertible debentures		—	75,000
Deferred financing charges – convertible debentures		—	(2,920)
Redemption of convertible debentures		—	(1,564)
REIT Units and Class B LP Units issued		100,023	375,044
REIT Units and Class B LP Units issue costs		(2,827)	(9,423)
Repayment of EUPP loans receivable		779	435
Decrease in liabilities related to derecognized property		(5,627)	(191)
Issue of long term receivables		(11,856)	—
Collection of long term receivables		46	724
Cash provided by (used in) financing activities		108,320	1,224,514
Investing Activities			
Acquisition of investment properties and intangible assets		(157,544)	(1,217,189)
Additions to investment properties		(32,584)	(23,395)
Proceeds on derecognition of investment properties		67,053	14,250
Additions to tenant incentives		(18,683)	(17,980)
Additions to deferred leasing costs		(933)	(633)
Decrease in assets related to derecognized property		5,830	290
Cash provided by (used in) investing activities		(136,861)	(1,244,657)
Net change in cash and cash equivalents		(6,556)	7,167
Cash and cash equivalents, beginning of year		7,167	—
Cash and cash equivalents, end of year		$ 611	$ 7,167

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2014

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 the acquisition of retail and office properties for purposes of leasing. Crombie is registered in Canada and the address of its registered office is 115 King Street, Stellarton, Nova Scotia, Canada, B0K 1S0. The consolidated financial statements for the years ended December 31, 2014 and December 31, 2013 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 consolidated financial statements were authorized for issue by the Board of Trustees on February 26, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

The consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value with changes in fair value recognized in Decrease in net assets attributable to Unitholders ("FVTPL" classification) or designated as available for sale ("AFS") that have been measured at fair value.

(c) Presentation of financial statements

When Crombie: (i) applies an accounting policy retrospectively; (ii) makes a retrospective restatement of items in its financial statements; or (iii) reclassifies items on the balance sheet, it will present an additional balance sheet as at the beginning of the earliest comparative period.

(d) Basis of consolidation

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at December 31, 2014. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of December 31, 2014.

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.

(e) Investment properties

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Investment properties are carried at cost less accumulated depreciation and are reviewed for impairment as described in Note 2(z).

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, the estimated useful life of the building (not exceeding 40 years) and its components, significant parts and residual value.

Repairs and maintenance improvements are expensed as incurred or, in the case of major items that constitute a capital asset, are capitalized to the building and amortized on a straight-line basis over the estimated useful life of the improvement.

Upon acquisition, Crombie performs an assessment of investment properties being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business under IFRS 3 – Business Combinations; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders.

For asset acquisitions, Crombie allocates the purchase price based on the following:

Land – the amount allocated to land is based on an appraisal estimate of its fair value.

Buildings – are recorded at the estimated fair value of the building and its components and significant parts.

Intangible assets – are recorded for tenant relationships, based on estimated costs avoided should the respective tenants renew their leases at the end of the initial lease term, adjusted for the estimated probability of renewal.

Fair value of debt – values ascribed are determined based on the differential between contractual and market interest rates on long- term liabilities assumed at acquisition.

Change in useful life of investment properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties constitute a change in accounting estimate and are accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

(f) Intangible assets

Intangible assets include the value of tenant relationships.

Amortization of the value of tenant relationships is determined using the straight-line method over the terms of the tenant lease agreements and renewal periods where applicable and is recorded as amortization.

Intangible assets are reviewed for impairment as described in Note 2(x).

(g) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, cash in bank and guaranteed investments with a maturity less than 90 days at date of acquisition.

(h) Assets held for sale and discontinued operations

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. A property is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the property and is actively locating a purchaser for the property at a sales price that is reasonable in relation to the current estimated fair value of the property, and the sale is expected to be completed within a one year period. Properties held for sale are carried at the lower of their carrying values and estimated fair value less costs to sell. In addition, assets held for sale are no longer depreciated and amortized. A property that is subsequently reclassified as held and in use is measured at the lower of its carrying value amount before it was classified as held for sale, adjusted for any depreciation and amortization expense that would have been recognized had it been continuously classified as held and in use, and its estimated fair value at the date of the subsequent decision not to sell.

Assets that are classified as held for sale and that constitute a component of Crombie are presented as discontinued operations and are presented separately in the Statement of Comprehensive Income (Loss). A component of Crombie includes a property type or geographic area of operations.

(i) Convertible debentures

Convertible debentures issued by Crombie are convertible into a fixed number of REIT Units (a liability) at the option of the holder and are redeemable by the issuer under certain conditions (Note 10).

Upon issuance, convertible debentures are separated into their debt component and embedded derivative features. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without the embedded derivative features. Subsequent to initial recognition, the debt component is measured at amortized cost using the effective interest method.

The embedded derivative features include a holder conversion option at any time and an issuer redemption option under certain conditions. The multiple embedded derivative features are treated as a single compound embedded derivative liability and initially recognized at fair value. Subsequent to initial recognition, changes in fair value are recognized in the Consolidated Statements of Comprehensive Income (Loss).

Upon issuance, any directly attributable costs are allocated to the debt component and embedded derivative liability in proportion to their initial carrying amounts. For the debt component, the transaction costs are reflected in the determination of the effective interest rate. For the embedded derivative liability, the transaction costs are immediately expensed in the Consolidated Statements of Comprehensive Income (Loss).

Upon conversion, the carrying amount of the debt component and the related fair value of the derivative liability as of the date of conversion are transferred to Net assets attributable to Unitholders in the Consolidated Balance Sheets. Upon redemption, the redemption proceeds are compared to the carrying amount of the debt component and the related fair value of the embedded derivative extinguished as of the date of redemption, and any gain or loss on redemption is recognized in the Consolidated Statements of Comprehensive Income (Loss).

(j) Employee future benefits obligation

The cost of Crombie's pension benefits for defined contribution plans is expensed for employees in respect of the period in which they render services. The cost of defined benefit pension plans and other benefit plans is accrued based on estimates, using actuarial techniques, of the amount of benefits employees have earned in return for their services in the current and prior periods. The present value of the defined benefit obligation and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. Other factors considered for other benefit plans include assumptions regarding salary escalation, retirement ages and expected growth rate of health care costs. The fair value of any plan assets is based on current market values. The present value of the defined benefit obligation is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the obligation. The defined benefit plan and post-retirement benefit plan are unfunded.

The impact of changes in plan provisions will be recognized in benefit costs on a straight-line basis over a period not exceeding the average period until the benefit becomes vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, the plan, the past service cost will be recognized immediately.

In measuring its defined benefit liability, Crombie recognizes unamortized actuarial gains and losses directly to other comprehensive income (loss).

(k) Employee unit purchase plan ("EUPP")

Crombie has a unit purchase plan for certain employees, which is described in Note 18.

(l) Distribution reinvestment plan ("DRIP")

Crombie has a distribution reinvestment plan which is described in Note 18.

(m) Revenue recognition

Property revenue includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries, and other incidental income. Certain leases have rental payments that change over their term due to changes in rates. Crombie records the rental revenue from leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. In addition, tenant incentives are amortized on a straight-line basis over the term of existing leases and the amortization is shown as a reduction in property revenue. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. Realty tax and operating cost recoveries, and other incidental income, are recognized on an accrual basis.

(n) Leasing

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.

Operating leases

(i) Crombie as lessor

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 (Note 2(m)).

(ii) Crombie as lessee

Operating leases consist mainly of land leases which are expensed to property operating costs as incurred. Crombie also has a small amount of equipment and vehicle leases that are expensed to general and administrative expenses as incurred.

(o) Deferred financing charges

Amortization of deferred financing charges is calculated using the effective interest method over the terms of the related debt.

(p) Finance costs – operations

Finance costs – operations primarily comprise interest on Crombie's borrowings. Finance costs directly attributable to the acquisition, redevelopment, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other finance costs – operations are expensed in the period in which they are incurred.

(q) Finance costs – distributions to Unitholders

The determination to declare and make payable distributions from Crombie is at the discretion of the Board of Trustees and, until declared payable by the Board of Trustees, Crombie has no contractual obligation to pay cash distributions to Unitholders.

(r) Income taxes

Crombie is taxed as a "mutual fund trust" for income tax purposes. It is the intention of Crombie, subject to approval of the trustees, to make distributions not less than the amount necessary to ensure that Crombie will not be liable to pay income tax, except for the amounts incurred in its incorporated subsidiaries.

Deferred tax assets and/or liabilities of Crombie relate to tax and accounting basis differences of all incorporated subsidiaries of Crombie. Income taxes are accounted for using the liability method. Under this method, deferred taxes are recognized for the expected deferred tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Deferred taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

Deferred tax assets and/or liabilities are offset only when Crombie has a right and intention to set off tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in operations, except where they relate to items that are recognized in other comprehensive income (loss) (such as the unrealized gains and losses on cash flow hedges) or directly in change in net assets, in which case the related deferred tax is also recognized in other comprehensive income (loss) or change in net assets, respectively.

(s) Hedges

Crombie may use cash flow hedges to manage exposures to increases in variable interest rates. Cash flow hedges are recognized on the balance sheet at fair value with the effective portion of the hedging relationship recognized in other comprehensive income (loss). Any ineffective portion of the cash flow hedge is recognized in operating income. Amounts recognized in accumulated other comprehensive income (loss) are reclassified to operating income in the same periods in which the hedged item is recognized in operating income. Fair value hedges and the related hedged items are recognized on the balance sheet at fair value with any changes in fair value recognized in operating income. To the extent the fair value hedge is effective, the changes in the fair value of the hedge and the hedged item will offset each other.

Crombie assesses on an ongoing basis whether any existing derivative financial instrument continues to be effective in offsetting changes in interest rates on the hedged items.

(t) Comprehensive income (loss)

Comprehensive income (loss) is the change in net assets attributable to Unitholders during a period from transactions and other events and circumstances from non-unitholder sources. Crombie reports a consolidated statement of comprehensive income (loss), comprising changes in net assets attributable to Unitholders and other comprehensive income (loss) for the year. Accumulated other comprehensive income (loss), has been included in the consolidated statements of changes in net assets attributable to Unitholders.

(u) Provisions

Provisions are recognized when: Crombie has a present obligation (legal or constructive) as a result of a past event; it is probable that Crombie will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect Crombie's best estimate at the reporting date.

Environmental liabilities are recognized when Crombie has an obligation relating to site closure or rehabilitation. The extent of the work required and the associated costs are dependent on the requirements of the relevant authorities and Crombie's environmental policies. Provisions for the cost of each closure and rehabilitation program are recognized at the time that environmental disturbance occurs. Changes in the provision are recognized in the period of the change.

Crombie's provisions are immaterial and are included in trade and other payables.

(v) Financial instruments

Crombie classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purpose of ongoing measurement. Classification choices for financial assets include: a) FVTPL – measured at fair value with changes in fair value recognized in decrease in net assets attributable to Unitholders for the period; b) held to maturity – recorded at amortized cost with gains and losses recognized in decrease in net assets attributable to Unitholders in the period that the asset is derecognized or impaired; c) available-for-sale – measured at fair value with changes in fair value recognized in other comprehensive income (loss) for the current period until realized through disposal or impairment; and d) loans and receivables – recorded at amortized cost with gains and losses recognized in decrease in net assets attributable to Unitholders in the period that the asset is no longer recognized or impaired. Classification choices for financial liabilities include: a) FVTPL – measured at fair value with changes in fair value recognized in decrease in net assets attributable to Unitholders for the period; and b) other – measured at amortized cost with gains and losses recognized in comprehensive income in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Crombie's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Assets related to derecognized property	Held to maturity	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Long term receivables	Loans and receivables	Amortized cost
Marketable securities	FVTPL	Fair value
Derivative financial assets and liabilities	FVTPL	Fair value
Accounts payable and other liabilities (excluding convertible debentures embedded derivatives and interest rate swaps)	Other liabilities	Amortized cost
Investment property debt	Other liabilities	Amortized cost
Liabilities related to derecognized property	Other liabilities	Amortized cost
Convertible debentures (excluding embedded derivatives)	Other liabilities	Amortized cost
Senior unsecured notes	Other liabilities	Amortized cost

Other balance sheet accounts, including, but not limited to, prepaid expenses, investment properties, intangible assets, deferred taxes and employee future benefits obligation are not financial instruments.

Transaction costs, other than those related to financial instruments classified as FVTPL that are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method. Financing costs incurred to establish revolving credit facilities are deferred and amortized on a straight-line basis over the term of the facilities. In the event any debt is extinguished, the associated unamortized financing costs are expensed immediately.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. The holder conversion option and issuer redemption options in Crombie's convertible debentures are considered to be embedded derivatives. Crombie's accounting policies relating to convertible debentures are described in Note 2(i).

(w) Fair value measurement

The fair value of financial instruments 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Crombie.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Crombie uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The fair value of any interest rate swap is estimated by discounting net cash flows of the swaps using forward interest rates for swaps of the same remaining maturities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When determining the highest and best use of non-financial assets Crombie takes into account the following;

- use of the asset that is physically possible – Crombie assesses the physical characteristics of the asset that market participants would take into account when pricing the asset;
- use that is legally permissible – Crombie assesses any legal restrictions on the use of the asset that market participants would take into account when pricing the asset; and
- use that is financially feasible – Crombie assesses whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows to produce an investment return that market participants would require from an investment in that asset put to that use.

(x) Impairment of long-lived tangible and definite life intangible assets

At the end of each reporting period long-lived tangible and definite life intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

(y) Net assets attributable to Unitholders

(i) Balance Sheet presentation

In accordance with International Accounting Standard ("IAS") 32 Financial Instruments: Presentation, puttable instruments are generally classified as financial liabilities. Crombie's REIT units and Class B LP units with attached Special Voting Units ("SVU") are both puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 which could result in classification as equity; however, Crombie's units do not meet the exception requirements. Therefore, Crombie has no instrument qualifying for equity classification on its Balance Sheet pursuant to IFRS. The classification of all units as financial liabilities with presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

(ii) Balance Sheet measurement

REIT units and Class B LP units with attached SVUs are carried on the Balance Sheet at net asset value. Although puttable instruments classified as financial liabilities are generally required to be remeasured to fair value at each reporting period, the alternative presentation as net assets attributable to Unitholders reflects that, in total, the interests of the Unitholders is limited to the net assets of Crombie.

(iii) Statement of Comprehensive Income (Loss) presentation

As a result of the classification of all units as financial liabilities, the Statement of Comprehensive Income (Loss) recognizes distributions to Unitholders as a finance cost. In addition, terminology such as net income has been replaced by Increase (decrease) in net assets attributable to Unitholders to reflect the absence of an equity component on the Balance Sheet.

(iv) Presentation of per unit measures

As a result of the classification of all units as financial liabilities, Crombie has no equity instrument; therefore, in accordance with IAS 33 Earnings per Share, there is no denominator for purposes of calculation of per unit measures.

(v) Allocation of Comprehensive income (loss)

The components of Comprehensive income (loss) are allocated between REIT Units and Class B LP Units as follows:

- Operating income – based on the weighted average number of units outstanding during the reporting period.
- Distributions to Unitholders – based on the actual distributions paid to each separate unit class.
- Accumulated other comprehensive income (loss) – increases are allocated based on the weighted average number of units outstanding during the reporting period, decreases in previously accumulated amounts are drawn down based on the average accumulation allocation rate.

(z) Critical judgements in applying accounting policies

The following are the critical judgements that have been made in applying Crombie's accounting policies and that have the most significant effect on the consolidated financial statements:

(i) Investment properties

Crombie's accounting policies relating to investment properties are described in Note 2(e). In applying these policies, judgement is applied in determining whether certain costs are additions to the carrying amount of an investment property and whether properties acquired are considered to be asset acquisitions or business combinations. Crombie has determined that all properties acquired to date are asset acquisitions.

(ii) Leases

Crombie makes judgements in determining whether certain leases, in particular long-term ground leases where Crombie is the lessee and the property meets the definition of investment property, are operating or finance leases. Crombie determined that all long-term ground leases where Crombie is the lessee are operating leases. All tenant leases where Crombie is a lessor have been determined to be operating leases.

(iii) Classifications of Units as liabilities

Crombie's accounting policies relating to the classification of Units as liabilities are described in Note 2(x). The critical judgements inherent in this policy relates to applying the criteria set out in IAS 32, "Financial Instruments: Presentation", relating to the puttable instrument exemption.

(iv) Income taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on Crombie's latest budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Crombie recognizes expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax balances in the period when such determination is made.

(aa) Critical accounting estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

(i) Fair value measurement

A number of assets and liabilities included in Crombie's financial statements require measurement at, and/or disclosure of, fair value.

In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions. The significant methods and assumptions used in estimating fair value are set out in Notes 3 and 21.

(ii) Investment properties

Investment properties are carried at cost less accumulated depreciation. Crombie estimates the useful lives of investment properties and the significant components thereof to calculate depreciation and amortization.

(iii) Impairment of long-lived tangible and definite life intangible assets

Long-lived tangible and definite life intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

(iv) Investment property valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the measurement date, represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Internal quarterly valuations are performed using internally generated valuation models prepared by considering the aggregate cash flows received from leasing the property. A yield obtained from an independent valuation company, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual cash flows to arrive at the property valuation.

(v) Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of Crombie's defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account Crombie's specific anticipation of future salary increases. Discount factors are determined each reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of Crombie's defined benefit obligations.

(vi) Purchase price allocation

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Upon acquisition, management allocates the purchase price of the acquisition as described in Note 2(e). This allocation contains a number of estimates and underlying assumptions including, but not limited to, highest and best use and fair value of the properties, estimated cash flows, discount rates, lease-up rates, inflation rates, renewal rates, tenant incentive allowances, cost recoveries and leasing costs and termination costs.

(bb) Application of new and revised IFRSs

Crombie has applied the following new and revised IFRSs effective January 1, 2014:

(i) IAS 32 – Financial Instruments Presentation

Amendments were made to IAS 32 to clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of off-set' and 'simultaneous realization and settlement'. The amended standard did not have an impact on Crombie.

(ii) IFRS Interpretations Committee Interpretation 21 – Levies (“IFRIC 21”)
In May 2013, IFRIC 21 was issued. IFRIC 21 addresses various accounting issues relating to levies imposed by a government. Crombie has assessed the applicability of IFRIC 21 and has determined there is no impact on the consolidated financial statements.

(cc) Future changes in accounting standards

(i) IFRS 9 – Financial Instruments
In July 2014, the IASB issued IFRS 9 Financial Instruments which replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 has three main phases: classification and measurement, impairment and general hedging.

The new standard requires assets to be classified based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at FVTPL unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of financial liabilities remain generally unchanged, with the exception of financial liabilities recorded at FVTPL. For financial liabilities designated at FVTPL, IFRS 9 requires the presentation of the effects of changes in our own credit risk in other comprehensive income instead of decrease in net assets attributable to Unitholders. IFRS 9 also introduces an impairment model for financial instruments not measured at FVTPL that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting expands the scope of eligible hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the impact the adoption of this standard will have on Crombie’s consolidated financial statements.

(ii) IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, with early adoption permitted and is to be applied retrospectively. Management is currently assessing the impact the adoption of this standard will have on Crombie’s consolidated financial statements.

(dd) Comparative figures

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

3. INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2014	$ 956,672	$ 2,417,780	$ 5,621	$ 3,380,073
Acquisitions	46,425	118,271	—	164,696
Additions	3,798	24,828	581	29,207
Dispositions	(14,875)	(33,478)	(103)	(48,456)
Transfer to investment properties held for sale (Note 7)	(14,125)	(48,383)	(559)	(63,067)
Balance, December 31, 2014	977,895	2,479,018	5,540	3,462,453
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2014	—	209,218	2,758	211,976
Depreciation and amortization	—	57,983	535	58,518
Dispositions	—	(5,750)	(29)	(5,779)
Impairment	—	10,750	—	10,750
Transfer to investment properties held for sale (Note 7)	—	(8,810)	(299)	(9,109)
Balance, December 31, 2014	—	263,391	2,965	266,356
Net carrying value, December 31, 2014	$ 977,895	$ 2,215,627	$ 2,575	$ 3,196,097

(In thousands of CAD dollars) December 31, 2014

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2013	$ 545,337	$ 1,608,276	$ 4,861	$ 2,158,474
Acquisitions	414,666	790,572	—	1,205,238
Additions	195	28,029	829	29,053
Dispositions	(3,526)	(9,097)	(69)	(12,692)
Balance, December 31, 2013	956,672	2,417,780	5,621	3,380,073
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2013	—	157,009	2,240	159,249
Depreciation and amortization	—	42,101	544	42,645
Dispositions	—	(2,162)	(26)	(2,188)
Impairment	—	12,270	—	12,270
Balance, December 31, 2013	—	209,218	2,758	211,976
Net carrying value, December 31, 2013	$ 956,672	$ 2,208,562	$ 2,863	$ 3,168,097

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $563,060 at December 31, 2014 (December 31, 2013 – $567,980). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment.

During the fourth quarter of 2014, Crombie disposed of five retail properties. Two of the properties were sold for less than their carrying value, and as such, Crombie recorded an impairment of $3,250 during the third quarter. In addition, Crombie recorded an impairment charge of $7,500 during the fourth quarter of 2014 on two mixed use properties. Both properties are experiencing lower occupancy rates; renewals at reduced square footage; and indications of non-renewals when leases mature. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be the properties' fair value, based on selling price or a recent external appraisal report, less costs to sell.

During the year ended December 31, 2013, Crombie recorded an impairment charge of $12,270 on a retail property. The impairment was the result of the departure of a major tenant during 2013 and Crombie has had no success in finding a replacement tenant. The recoverable amount was determined to be the property's fair value, based on a recent external appraisal report, less costs to sell.

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

	Fair Value	Carrying Value
December 31, 2014	$ 3,939,000	$ 3,375,940
December 31, 2013	$ 3,877,000	$ 3,309,020

Carrying value consists of the net carrying value of:

	Note	December 31, 2014	December 31, 2013
Investment properties	3	$ 3,196,097	$ 3,168,097
Intangible assets	4	48,106	49,237
Accrued straight-line rent receivable	5	38,908	28,052
Tenant incentives	5	59,251	63,634
Investment properties held for sale	7	33,578	—
Total carrying value		$ 3,375,940	$ 3,309,020

The fair value of investment properties is a Level 3 fair value measurement. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value included in this summary reflects the fair value of the properties as at December 31, 2014 and 2013, respectively. Four of Crombie's investment properties have a fair value, that based on an assumption that highest and best use is as a redevelopment property, exceeds their current value in use as a revenue generating investment property. For all of Crombie's other investment properties, highest and best use is its current use.

The valuation techniques and significant unobservable inputs used in determining the fair value of investment properties are set out below:

(i) The capitalized net operating income method – Under this method, capitalization rates are applied to net operating income (property revenue less property operating expenses). The key assumption is the capitalization rates for each specific property. Crombie receives quarterly capitalization rate reports from external, knowledgeable property valuators. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. Management selects the appropriate rate for each property from the range provided. Crombie generally employs this method to determine fair value.

(ii) The discounted cash flow method – Under this method, discount rates are applied to the forecasted cash flows reflecting the initial terms of the lease or leases for that specific property and assumptions as to renewal and new leasing activity. The key assumptions are the discount rate applied over the initial term of the lease, as well as lease renewals and new leasing activity. Crombie employs this method when the capitalized net operating income method indicates a risk of impairment or when a property is or will be undergoing redevelopment.

(iii) External appraisals – Crombie has external, independent appraisals performed on all properties on a rotational basis over a period of not more than four years.

As at December 31, 2014, all properties have been subjected to external, independent appraisal over the past four years.

Crombie utilizes capitalization and discount rates within the ranges provided by external valuations. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next, or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

Crombie has utilized the following weighted average capitalization rates and has determined that an increase (decrease) in this applied capitalization rate of 0.25% would result in an increase (decrease) in the fair value of the investment properties as follows:

	Impact of a 0.25% Change in Capitalization Rate		
	Weighted Average Capitalization Rate	Increase in Rate	Decrease in Rate
December 31, 2014	6.22%	$ (154,000)	$ 167,000
December 31, 2013	6.18%	$ (152,000)	$ 165,000

Investment Property Acquisitions and Dispositions

The operating results of acquired properties are included from the respective date of acquisition and for disposed properties up to the date of disposition.

2014

Acquisition/Disposition Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price
January 31, 2014(1)	Empire(4)	—	6,700	$ 1,490
March 31, 2014(3)	Empire	1	53,000	12,127
March 31, 2014(3)	Empire	(1)	(53,000)	(12,127)
May 1, 2014	Empire	1	39,400	10,176
November 17, 2014	Empire	6	292,500	63,850
November 21, 2014	Third party	1	36,000	9,140
November 24, 2014	Empire	1	53,500	8,385
December 3, 2014(1)	Third party	—	24,300	11,000
December 12, 2014	Third party	1	39,100	18,814
December 12, 2014	Empire	1	78,100	28,750
December 19, 2014(1)	Empire	—	7,700	2,508
			577,300	154,113
January 16, 2014(2)	Third party	—	(25,000)	(1,200)
August 21, 2014(2)	Third party	—	—	(1,900)
October 17, 2014	Third party	(4)	(374,500)	(35,000)
December 10, 2014	Third party	(1)	(233,400)	(30,000)
			(632,900)	(68,100)
			(55,600)	$ 86,013

(1) Relates to acquisition of adjacent property or additional development on a pre-existing retail property.
(2) Relates to the partial disposition of a property.
(3) Relates to an exchange of properties in Canmore, Alberta.
(4) Empire includes Empire Company Limited, a related party, and its subsidiaries.

(In thousands of CAD dollars) December 31, 2014

The initial purchase prices stated above exclude closing and transaction costs. The acquisitions were funded through Crombie's floating rate revolving credit facility. On March 31, 2014, Crombie exchanged properties in Canmore, Alberta with Empire. The acquired property is measured at the carrying value of the disposed property, resulting in no gain or loss on exchange.

On August 21, 2014, Crombie completed a sale-leaseback of the land component of an investment property in Moncton, New Brunswick. The disposition is recorded at the fair value of the land and resulted in a small gain on disposal. The proceeds received in excess of fair value of the land have been deferred and will be recognized as a reduction in property operating expenses over the term of the land lease.

2013

Acquisition/Disposition Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 22, 2013	Third party	4	311,000	$ 131,890	$ 10,744
March 22, 2013	Empire	1	66,000	14,650	—
March 27, 2013	Empire	1	45,000	15,450	—
March 28, 2013(1)	Empire	—	9,000	2,455	—
April 30, 2013	Empire	1	59,000	20,875	—
September 6, 2013	Third party	4	77,000	44,370	—
November 3, 2013	Empire	70	3,105,000	991,300	—
			3,672,000	1,220,990	10,744
February 4, 2013	Third party	(1)	(31,000)	(1,700)	—
December 10, 2013	Third party	(1)	(113,000)	(13,431)	—
			3,528,000	$ 1,205,859	$ 10,744

(1) Relates to an acquisition of additional development on a pre-existing retail property.

The initial purchase prices stated above exclude closing and transaction costs. Excluding the November 3, 2013 transaction, the balance of the 2013 acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate revolving credit facility. The November acquisition, after deducting new mortgage proceeds, was financed through proceeds from REIT Units, Series E Debentures, Series A Notes and Class B LP Units issued in conjunction with the acquisition.

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

Investment property acquired, net:	Year ended December 31, 2014	Year ended December 31, 2013
Land	$ 46,425	$ 414,666
Buildings	118,271	790,572
Intangible assets	4,977	23,107
Fair value debt adjustment on assumed mortgages	—	(412)
Net purchase price	169,673	1,227,933
Assumed mortgages	—	(10,744)
	$ 169,673	$ 1,217,189

4. INTANGIBLE ASSETS

Tenant Relationships	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2014	$ 96,397	$ 47,160	$ 49,237
Acquisitions	4,977	—	4,977
Dispositions	(1,121)	(847)	(274)
Amortization	—	5,606	(5,606)
Transfer to investment properties held for sale (Note 7)	(1,234)	(1,006)	(228)
Balance, December 31, 2014	$ 99,019	$ 50,913	$ 48,106
Balance, January 1, 2013	$ 73,853	$ 40,304	$ 33,549
Acquisitions	23,107	—	23,107
Dispositions	(563)	(527)	(36)
Amortization	—	7,383	(7,383)
Balance, December 31, 2013	$ 96,397	$ 47,160	$ 49,237

5. OTHER ASSETS

	December 31, 2014	December 31, 2013
Trade receivables	$ 7,415	$ 6,389
Provision for doubtful accounts	(59)	(47)
Net trade receivables	7,356	6,342
Assets related to derecognized property[a]	—	5,830
Marketable securities[b]	2,123	986
Prepaid expenses and deposits	10,144	8,356
Restricted cash	3,609	5,643
Accrued straight-line rent receivable	38,908	28,052
Tenant incentives	59,251	63,634
	$ 121,391	$ 118,843

(a) During the fourth quarter of 2008, Crombie defeased the mortgage associated with a derecognized property. The transaction did not qualify for defeasance accounting, therefore the defeased loan and related asset were not removed from the balance sheet. The defeased loan was repaid April 1, 2014.

(b) As partial consideration for property dispositions in October 2014 and December 2013, Crombie received units of a publicly traded real estate entity. During the year ended December 31, 2014, Crombie disposed of all units received from the December 2013 property disposition on which a small gain on disposal was realized and is included in Gain on derecognition of investment properties. The marketable securities, which Crombie is restricted from trading until April 2015, are carried at their estimated fair value. Unrealized gains or losses are recorded in the change in fair value of financial instruments. Refer to Note 21(a) for fair value information.

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2014	$ 96,213	$ 32,579	$ 63,634
Additions	8,413	—	8,413
Amortization	—	7,567	(7,567)
Dispositions	(2,039)	(994)	(1,045)
Transfer to investment properties held for sale (Note 7)	(7,762)	(3,578)	(4,184)
Balance, December 31, 2014	$ 94,825	$ 35,574	$ 59,251
Balance, January 1, 2013	$ 76,762	$ 24,850	$ 51,912
Additions	20,835	—	20,835
Amortization	—	8,026	(8,026)
Dispositions	(1,384)	(297)	(1,087)
Balance, December 31, 2013	$ 96,213	$ 32,579	$ 63,634

6. LONG TERM RECEIVABLES

	December 31, 2014	December 31, 2013
Capital expenditure program	$ 105	$ 105
Interest rate subsidy	1,127	1,716
Amount receivable from related party	12,399	—
	$ 13,631	$ 1,821

On March 23, 2006, Crombie acquired 44 properties from Empire's subsidiary ECL Properties Limited ("ECL") and certain affiliates, resulting in ECL Developments Limited issuing two non-interest bearing promissory notes in the amounts of $39,600 and $20,564. Payments on the first note of $39,600 are being received as funding is required for a capital expenditure program relating to eight commercial properties. Payments on the second note of $20,564 are being received on a monthly basis to reduce the effective interest rate to 5.54% on certain assumed mortgages with terms to maturity to April 2022. The interest rate subsidy is carried at present value.

During March 2014, Crombie advanced $11,856 to a subsidiary of Empire to partially finance their acquisition of development lands. The loan is repayable October 1, 2016 and bears interest at a rate of 6% per annum.

See Note 21(a) for fair value information.

(In thousands of CAD dollars) December 31, 2014

7. INVESTMENT PROPERTY HELD FOR SALE

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2014	$ —	$ —	$ —	$ —	$ —	$ —
Assets transferred to held for sale	14,125	39,573	260	228	4,184	58,370
Dispositions	(6,986)	(15,862)	(38)	(228)	(1,678)	(24,792)
Net carrying value, December 31, 2014	$ 7,139	$ 23,711	$ 222	$ —	$ 2,506	$ 33,578

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2013	$ —	$ —	$ —	$ —	$ —	$ —
Assets transferred to held for sale	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—
Net carrying value, December 31, 2013	$ —	$ —	$ —	$ —	$ —	$ —

Crombie has determined that one investment property listed for sale met the criteria for classification as held for sale as at December 31, 2014. Prior to classification as held for sale, the property was assessed for impairment, which, at that time, is the amount by which the carrying amount exceeds its recoverable amount. While classified as held for sale, impairment is assessed as the amount by which carrying value exceeds fair value less costs to sell. No depreciation or amortization will be recorded while the property is classified as held for sale. Crombie expects to complete the sale of the property during the 12 months subsequent to classification as held for sale.

8. INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2014
Fixed rate mortgages	3.12–6.90%	4.77%	7.4 years	$ 1,490,187
Floating rate revolving credit facility		3.00%	2.5 years	145,000
Deferred financing charges				(10,640)
				$ 1,624,547

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2013
Fixed rate mortgages	3.12–6.90%	4.82%	8.0 years	$ 1,585,960
Floating rate revolving credit facility		2.97%	2.5 years	120,000
Deferred financing charges				(11,760)
				$ 1,694,200

As at December 31, 2014, debt retirements for the next five years are:

12 Months Ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
December 31, 2015	$ 45,830	$ 80,326	$ —	$ 126,156
December 31, 2016	44,006	36,322	—	80,328
December 31, 2017	41,057	44,833	145,000	230,890
December 31, 2018	40,787	46,206	—	86,993
December 31, 2019	41,432	72,030	—	113,462
Thereafter	173,959	818,803	—	992,762
	$ 387,071	$ 1,098,520	$ 145,000	1,630,591
Deferred financing charges				(10,640)
Unamortized fair value debt adjustment				4,596
				$ 1,624,547

Specific investment properties with a carrying value of $2,675,267 as at December 31, 2014 (December 31, 2013 – $2,832,554) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, investment properties held for sale, intangible assets, as well as accrued straight-line rent and tenant incentives which are included in other assets.

Mortgage Activity

			Weighted Average			
Year ended December 31, 2014:	Type	Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
	New	4	4.23%	8.8	25.0	$ 40,616
	Renewal	1	3.97%	1.0	10.0	—
	Repayment	21	5.27%	—	—	(87,633)
						$ (47,017)
Year ended December 31, 2013:						
	New	56	4.35%	9.9	24.7	$ 693,003
	Renewal	2	3.40%	5.0	22.0	—
	Repayment	2	6.53%	—	—	(16,708)
						$ 676,295

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $300,000 (December 31, 2013 – $285,000). Subsequent to year end, Crombie renegotiated the terms of the revolving credit facility and the facility now matures on June 30, 2018. 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 (December 31, 2014 – borrowing base of $300,000). The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin increases as Crombie's overall debt leverage increases beyond specific thresholds.

See e 21(a) for fair value information.

9. SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	December 31, 2014	December 31, 2013
Series A senior unsecured notes	October 31, 2018	3.986%	$ 175,000	$ 175,000
Series B senior unsecured notes	June 1, 2021	3.962%	100,000	—
Unamortized Series B issue premium			348	—
Deferred financing charges			(1,756)	(1,063)
			$ 273,592	$ 173,937

On March 5, 2014 Crombie issued, on a private placement basis, $100,000 Series B Notes (senior unsecured) with a seven year three month term and an annual interest rate of 3.962%. The Series B Notes were issued for $100,393, resulting in an effective interest rate of 3.90%. There are no principal repayments until maturity and interest is payable in equal semi-annual installments in arrears on June 1 and December 1 commencing June 1, 2014. The Series A Notes pay interest in equal semi-annual installments in arrears on April 30 and October 31.

As at December 31, 2014, senior unsecured note retirements for the next five years are:

12 Months Ending	Series A	Series B	Total
December 31, 2015	$ —	$ —	$ —
December 31, 2016	—	—	—
December 31, 2017	—	—	—
December 31, 2018	175,000	—	175,000
December 31, 2019	—	—	—
Thereafter	—	100,000	100,000
	$ 175,000	$ 100,000	275,000
Unamortized Series B issue premium			348
Deferred financing charges			(1,756)
			$ 273,592

See Note 21(a) for fair value information.

(In thousands of CAD dollars) December 31, 2014

10. CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	December 31, 2014	December 31, 2013
Series C (CRR.DB.C)	$ 15.30	June 30, 2017	5.75%	$ 45,000	$ 45,000
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	60,000	60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	74,400	75,000
Deferred financing charges				(4,185)	(5,071)
				$ 175,215	$ 174,929

Debenture Conversions	Conversion Price	Year ended December 31, 2014	Year ended December 31, 2013
Series B	$ 11.00	$ —	$ 17,115
Series E	$ 17.15	600	—
		$ 600	$ 17,115
REIT Units Issued		34,984	1,555,887

As at December 31, 2014, debenture retirements for the next five years are:

12 Months Ending	Series C	Series D	Series E	Total
December 31, 2015	$ —	$ —	$ —	$ —
December 31, 2016	—	—	—	—
December 31, 2017	45,000	—	—	45,000
December 31, 2018	—	—	—	—
December 31, 2019	—	60,000	$ —	60,000
Thereafter	—	—	74,400	74,400
	$ 45,000	$ 60,000	$ 74,400	179,400
Deferred financing charges				(4,185)
				$ 175,215

On August 14, 2013, Crombie issued $75,000 of convertible unsecured subordinated debentures (the "Series E Debentures"). The Series E Debentures have an interest rate of 5.25% per annum and pay interest semi-annually in arrears on March 31 and September 30 each year. Each one thousand dollar principal amount of Series E Debenture is convertible into approximately 58.3090 units of Crombie, at any time, at the option of the holder, representing a conversion price of $17.15 per unit. The Series E Debentures mature on March 31, 2021.

The Series C Convertible Debentures pay interest semi-annually on June 30 and December 31 of each year. The Series D and Series E Debentures pay interest semi-annually on March 31 and September 30 each year. Crombie has the option to pay interest on any interest payment date by issuing REIT units and applying the proceeds to satisfy its interest obligation. The Series C, Series D, and Series E Convertible Debentures (collectively the "Debentures") are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate per one thousand dollars of principal amount of approximately: 65.3595 REIT Units for Series C Convertible Debentures, 49.7512 REIT Units for Series D Convertible Debentures; and 58.3090 REIT Units for Series E Convertible Debentures. If all conversion rights attaching to the Series C Convertible Debentures, the Series D Convertible Debentures and the Series E Convertible Debentures were exercised, as at December 31, 2014, Crombie would be required to issue approximately 2,941,176 REIT Units, 2,985,074 REIT Units, and 4,338,192 REIT Units, respectively, subject to anti-dilution adjustments.

For the first three years from the date of issue, there is no ability to redeem the Debentures, after which, each series of convertible debentures has a period, lasting two years, during which the Debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the five year period from the date of issue, and to the maturity date, the Debentures may be redeemed, in whole or in part, at any time at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the Debentures at maturity or upon redemption, in whole or in part, by issuing the number of REIT Units equal to the principal amount of the Debentures then outstanding divided by 95% of the volume-weighted average trading price of the REIT Units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, Debenture holders have the right to put the Debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series C Unsecured Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the term of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015 for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

On September 6, 2013, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series B Unsecured Debentures ("Series B Debentures") maturing June 30, 2015, in accordance with the term of the Trust Indenture. Holders of the Series B Debentures were entitled to convert their Series B Debentures to Units based on the conversion price of $11.00 per Unit until October 10, 2013. The redemption of the then outstanding Series B Debentures was completed on October 11, 2013 for a principal payment of $1,564 plus interest.

Transaction costs related to the Debentures have been deferred and are being amortized into finance costs over the term of the Debentures using the effective interest method.

See Note 21(a) for fair value information.

11. INCOME TAXES

On September 22, 2007, tax legislation Bill C-52, the Budget Implementation Act, 2007 (the "Act") was passed into law. The Act related to the federal income taxation of publicly traded income trusts and partnerships. The Act subjects all existing income trusts, or specified investment flow-through entities ("SIFTs"), to corporate tax beginning in 2011, subject to an exemption for real estate investment trusts ("REITs"). A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its Unitholders or be subject to the restrictions on its growth that would apply to SIFTs.

Crombie's management and their advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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

	December 31, 2014	December 31, 2013
Tax liabilities relating to difference in tax and book value	$ 87,853	$ 91,906
Tax asset relating to non-capital loss carry-forward	(9,453)	(11,081)
Deferred tax liability	$ 78,400	$ 80,825

The tax recovery (expense) consists of the following:

	Year ended December 31, 2014	Year ended December 31, 2013
Provision for income taxes at the expected rate	$ (20,662)	$ (10,017)
Tax effect of income attribution to Crombie's Unitholders	23,087	11,692
Taxes – deferred	$ 2,425	$ 1,675

In the ordinary course of business, Crombie is subject to audits by tax authorities. One of Crombie's non-taxable subsidiaries is currently subject to audit by Canada Revenue Agency ("CRA") for fiscal years 2010 and 2011. While Crombie believes that its tax filing positions are appropriate, certain matters are under review by CRA. The audit is ongoing and the outcome is indeterminable at this time.

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

12. EMPLOYEE FUTURE BENEFITS

Crombie has a number of defined benefit and defined contribution plans providing pension and other retirement benefits to most of its employees.

Defined contribution pension plans

The contributions required by the employee and the employer are specified. The employee's pension depends on what level of retirement income (for example, annuity purchase) that can be achieved with the combined total of employee and employer contributions and investment income over the period of plan membership, and the annuity purchase rates at the time of the employee's retirement.

(In thousands of CAD dollars) December 31, 2014

Defined benefit pension plans

The ultimate retirement benefit provides pension benefits to members designated in writing by the Board of Trustees based on a formula recognizing length of service and final average earnings. The annual pension payable at age 65 is equal to 2% of the final average earnings multiplied by years of credited service (to a maximum of 30 years) over the estimated retirement income provided under the defined contribution pension plan and deferred profit sharing plan. The final average earnings is 12 times the average of the 60 highest months of eligible earnings. Employee contributions, if required, pay for part of the cost of the benefit, and the employer contributions fund the balance. The employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation. Crombie's defined benefit plans are unfunded.

Once participants attain age 55 and 5 years of continuous service, they can retire. The total pension payable is reduced by 5/12% for each month by which the early retirement precedes age 60 (62 for a member who was designated as a member on or after June 25, 2009). The normal form of pension payment is a 60% joint and survivor pension.

The post-employment benefits program offered to Crombie employees and retirees in Canada is an open plan that provides life and medical benefits for grandfathered employees and employees retired prior to May 1, 2011 as well as critical illness coverage for other employees. Full-time employees must be over age 55 to be eligible for the post-employment benefits program.

The total defined benefit cost related to pension plans and post-retirement benefit plans for the year ended December 31, 2014 was $514 (year ended December 31, 2013 – $465).

The plan typically exposes Crombie to actuarial risks such as: interest rate risk, mortality risk and salary risk.

(i) Interest rate risk – The present value of the defined benefit liability is calculated using discount rates that reflect the average yield, as at the measurement date, on high quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high quality corporate bonds will increase Crombie's defined benefit liability.

(ii) Mortality risk – The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(iii) Salary risk – The present value of the defined benefit plan liability is calculated by reference to the anticipated future salary of the plan participants. As such, an increase in the salary of plan participants over that anticipated will increase the plan's liability.

	Most recent valuation date	Next required valuation date
Senior Management Pension Plan	December 31, 2014	December 31, 2016
Post-Employment Benefit Plans	May 1, 2012	May 1, 2015

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and pension costs are as follows:

	December 31, 2014		December 31, 2013	
	Senior Management Pension Plan	Post-Employment Benefit Plans	Senior Management Pension Plan	Post-Employment Benefit Plans
Discount rate – accrued benefit obligation	3.75%	4.00%	4.50%	4.75%
Rate of compensation increase	3.50%	N/A	4.00%	N/A

For measurement purposes, a 7.00% (2013 – 7.50%) annual rate increase in the per capita cost of covered health care benefits was assumed. The cumulative rate is expected to decrease 0.50% annually to 5.00% in 2018.

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to year-end by reference to market yields of high quality corporate bonds that have a maturity approximating the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The projected unit credit method is used to determine the present value of the defined benefit obligation and the related current service cost for all active members.

Crombie uses December 31 as a measurement date for accounting purposes for its defined benefit pension plans.

Defined benefit plans

Information about Crombie's defined benefit plans are as follows:

	December 31, 2014		December 31, 2013	
	Senior Management Pension Plan	Post-Employment Benefit Plans	Senior Management Pension Plan	Post-Employment Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	$ 3,644	$ 3,534	$ 3,439	$ 3,706
Current service cost	141	39	143	42
Interest cost	166	169	131	149
Actuarial losses (gains)	409	173	131	(338)
Benefits paid	(200)	(33)	(200)	(25)
Balance, end of year	4,160	3,882	3,644	3,534
Plan Assets				
Fair value, beginning of the year	—	—	—	—
Employer contributions	200	33	200	25
Benefits paid	(200)	(33)	(200)	(25)
Fair value, end of year	—	—	—	—
Funded status – deficit	4,160	3,882	3,644	3,534
Current portion	200	39	200	33
Non-current portion	3,960	3,843	3,444	3,501
Accrued benefit obligation recorded as a liability	$ 4,160	$ 3,882	$ 3,644	$ 3,534
Net expense				
Current service cost	$ 141	$ 38	$ 143	$ 42
Interest cost	166	169	131	149
Net expense	$ 307	$ 207	$ 274	$ 191

The table below outlines the sensitivity of the fiscal 2014 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses. There was no change to the method and assumptions used in preparing the sensitivity analysis from prior years.

	Senior Management Pension Plan		Post-Employment Benefit Plans	
	Benefit Obligations	Benefit Cost(1)	Benefit Obligations	Benefit Cost(1)
Discount Rate	3.75%	3.75%	4.00%	4.00%
Impact of: 1% increase	$ (488)	$ (14)	$ (599)	$ 1
1% decrease	$ 599	$ 16	$ 753	$ (7)
Growth rate of health costs(2)			7.00%	7.00%
Impact of: 1% increase			$ 683	$ 36
1% decrease			$ (552)	$ (29)

(1) Reflects the impact on the current service costs, the interest cost and the expected return on assets.
(2) Gradually decreasing to 5.0% in 2018 and remaining at that level thereafter

For the year ended December 31, 2014, the net defined contribution pension plans expense was $687 (year ended December 31, 2013 – $632).

(In thousands of CAD dollars) December 31, 2014

13. TRADE AND OTHER PAYABLES

	December 31, 2014	December 31, 2013
Tenant incentives and capital expenditures	$ 15,999	$ 30,417
Property operating costs	26,143	27,444
Prepaid rents	4,726	8,514
Finance costs on investment property debt, notes and debentures	8,891	8,659
Distributions payable	9,685	9,116
Fair value of interest rate swap agreements	—	21
Fair value of embedded derivatives in convertible debentures	—	—
Deferred revenue	4,860	—
Liabilities related to derecognized property	—	5,627
	$ 70,304	$ 89,798

During 2014, Crombie completed a sale-leaseback of the land component of an investment property. The proceeds received in excess of fair value of the land have been deferred and will be recognized as a reduction in property operating expenses over the term of the land lease. In addition, Crombie received a prepayment, from a related party, of their future obligation under a land sub-lease. This prepayment has also been deferred and will be recognized as a reduction in property operating expenses over the term of the land lease.

Fair value of embedded derivatives in convertible debentures:

	Year ended December 31, 2014	Year ended December 31, 2013
Balance, beginning of year	$ —	$ 5,062
Change in fair value of financial instruments	—	(2,368)
Impact of debentures converted	—	(2,694)
Balance, end of year	$ —	$ —

Change in fair value of financial instruments:

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Change in fair value of embedded derivatives in convertible debentures	13	$ —	$ 2,368
Change in fair value of marketable securities	5	289	105
Change in fair value of financial instruments		$ 289	$ 2,473

14. PROPERTY REVENUE

	Year ended December 31, 2014	Year ended December 31, 2013
Rental revenue contractually due from tenants	$ 352,182	$ 296,959
Contingent rental revenue	2,014	2,141
Straight-line rent recognition	11,440	5,484
Tenant incentive amortization	(7,567)	(8,026)
Lease terminations	250	485
	$ 358,319	$ 297,043

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

	December 31, 2014		December 31, 2013	
	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	$ 148,213	41.4%	$ 98,874	33.3%

15. 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 December 31, 2014, is as follows:

	Year Ending December 31,						
	2015	2016	2017	2018	2019	Thereafter	Total
Future minimum rental income	$ 250,184	$ 240,815	$ 229,917	$ 219,502	$ 207,798	$ 1,999,070	$ 3,147,286

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from 10 to 75 years including renewal options:

	Year Ending December 31,						
	2015	2016	2017	2018	2019	Thereafter	Total
Future minimum lease payments	$ 1,471	$ 1,472	$ 1,527	$ 1,555	$ 1,556	$ 66,295	$ 73,876

16. EMPLOYEE BENEFIT EXPENSE

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

	Year ended December 31, 2014	Year ended December 31, 2013
Wages and salaries	$ 23,389	$ 21,155
Post-employment benefits	687	632
	$ 24,076	$ 21,787

17. FINANCE COSTS – OPERATIONS

	Year ended December 31, 2014	Year ended December 31, 2013
Fixed rate mortgages	$ 77,452	$ 66,429
Floating rate term, revolving and demand facilities	2,342	3,496
Senior unsecured notes	10,174	1,185
Convertible debentures	9,498	7,840
Subscription receipts adjustment payment	—	3,437
Finance costs – operations	99,466	82,387
Amortization of fair value debt adjustment and accretion income	2,107	2,938
Change in accrued finance costs	(232)	(2,141)
Amortization of effective swap agreements	(2,797)	(3,759)
Amortization of issue premium on senior unsecured notes	45	—
Amortization of deferred financing charges	(3,171)	(5,161)
Finance costs – operations, paid	$ 95,418	$ 74,264

(In thousands of CAD dollars) December 31, 2014

18. 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, 2014	72,662,264	$ 811,514	50,241,245	$ 551,511	122,903,509	$ 1,363,025
Units issued (proceeds are net of issue costs)	4,530,000	57,366	3,018,868	39,830	7,548,868	97,196
Units issued under EUPP	55,467	738	—	—	55,467	738
Units released under EUPP	—	64	—	—	—	64
Net change in EUPP loans receivable	—	40	—	—	—	40
Units issued under DRIP	21,364	256	15,153	182	36,517	438
Conversion of debentures	34,984	600	—	—	34,984	600
Balance, December 31, 2014	77,304,079	$ 870,578	53,275,266	$ 591,523	130,579,345	$ 1,462,101

	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, 2013	53,342,855	$ 575,506	38,430,221	$ 401,606	91,773,076	$ 977,112
Units issued (proceeds are net of issue costs)	17,720,000	215,716	11,811,024	149,905	29,531,024	365,621
Units issued under EUPP	43,522	634	—	—	43,522	634
Units released under EUPP	—	49	—	—	—	49
Net change in EUPP loans receivable	—	(200)	—	—	—	(200)
Conversion of debentures	1,555,887	17,115	—	—	1,555,887	17,115
Conversion feature of debentures	—	2,694	—	—	—	2,694
Balance, December 31, 2013	72,662,264	$ 811,514	50,241,245	$ 551,511	122,903,509	$ 1,363,025

Crombie REIT Units

Crombie is authorized to issue an unlimited number of REIT Units and an unlimited number of SVU and Class B LP Units. Issued and outstanding REIT Units may be subdivided or consolidated from time to time by the Trustees without the approval of the Unitholders. REIT Units are redeemable at any time on demand by the holders at a price per REIT Unit equal to the lesser of: (i) 90% of the weighted average price per Crombie REIT Unit during the period of the last ten days during which Crombie's REIT Units traded; and (ii) an amount equal to the price of Crombie's REIT Units on the date of redemption, as defined in the Declaration of Trust.

The aggregate redemption price payable by Crombie in respect of any REIT Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the REIT Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their REIT Units is subject to the limitation that:

(i) the total amount payable by Crombie in respect of such REIT Units and all other REIT Units tendered for redemption, in the same calendar month must not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees);

(ii) at the time such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units; and

(iii) the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or if not listed on a stock exchange, in any market where the REIT Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date.

On May 30, 2014, Crombie closed a public offering, on a bought deal basis, of 4,530,000 Units, at a price of $13.25 per Unit for proceeds of $57,366 net of issue costs.

During the year ended December 31, 2014, $600 of Series E Convertible Debentures were converted for a total of 34,984 REIT Units at the conversion price of $17.15.

On August 14, 2013, Crombie issued 17,720,000 subscription receipts at a price of $12.70 each for net proceeds of $215,716, as detailed in a Short Form Prospectus filed August 8, 2013. On November 4, 2013, upon completion of the acquisition of a portfolio of properties, each Subscription Receipt was exchanged for one REIT Unit. Each Subscription Receipt Holder also received a cash payment equal to the amount per Unit of cash distributions made by Crombie for the record dates occurring during the period that the Subscription Receipts were outstanding, being $3,943, including interest earned on the invested Subscription Receipts proceeds.

During the year ended December 31, 2013, $17,115 of Series B Convertible Debentures were converted for a total of 1,555,887 REIT Units at the conversion price of $11.00.

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

The Declaration of Trust and the Exchange Agreement provide for the issuance of SVUs to the holders of Class B LP Units used solely for providing voting rights proportionate to the votes of Crombie's REIT Units. The SVUs are not transferable separately from the Class B LP Units to which they are attached and will be automatically transferred upon the transfer of such Class B LP Unit. If the Class B LP Units are exchanged in accordance with the Exchange Agreement, a like number of SVUs will be redeemed and cancelled for no consideration by Crombie.

The Class B LP Units issued by a subsidiary of Crombie to ECL Developments Limited are indirectly exchangeable on a one-for-one basis for Crombie's REIT Units at the option of the holder, under the terms of the Exchange Agreement.

Each Class B LP Unit entitles the holder to receive distributions from Crombie, pro rata with distributions made by Crombie on REIT Units.

On May 30, 2014, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,830 net of issue costs, on a private placement basis.

On November 4, 2013, Crombie issued 11,811,024 Class B LP Units together with the attached SVUs to ECL Developments Limited, at a price of $12.70 per Class B LP Unit, the same price as the Subscription Receipts issued, for proceeds of $149,905 net of issue costs, on a private placement basis.

Employee Unit Purchase Plan

Crombie provides for REIT Unit purchase entitlements under the EUPP for certain senior executives. Awards made under the EUPP will allow executives to purchase REIT Units from treasury at the average daily high and low board lot trading prices per REIT Unit on the TSX for the five trading days preceding the issuance. Executives are provided non-recourse loans at 3% annual interest by Crombie for the purpose of acquiring REIT Units from treasury and the REIT Units purchased are held as collateral for the loan. The loan is repaid through the application of the after-tax amounts of all distributions received on the REIT Units, as well as the after-tax portion of any Long-Term Incentive Plan cash awards received, as payments on interest and principal. As at December 31, 2014, there are loans receivable from executives of $1,931 under Crombie's EUPP, representing 166,110 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2014 was $2,146.

The compensation expense related to the EUPP for the year ended December 31, 2014 was $42 (year ended December 31, 2013 – $40).

As at December 31, 2014, no further REIT Units will be issued under the EUPP. It will be replaced with a Restricted Unit Plan with a three year vesting period and no employee loans.

Distribution Reinvestment Plan

During the fourth quarter of 2014, Crombie instituted a DRIP whereby Canadian resident REIT Unitholders may elect to automatically have their distributions reinvested in additional REIT Units. Units issued under the DRIP will be issued directly from the treasury of Crombie REIT at a price equal to 97% of the volume-weighted average trading price of the REIT units on the TSX for the five trading days immediately preceding the relevant distribution payment made, which is typically on or about the 15th day of the month following the declaration. Crombie recognizes the net proceeds in Net assets attributable to Unitholders. Crombie issued 21,364 REIT Units and 15,153 Class B LP Units under the DRIP during the fourth quarter of 2014.

(In thousands of CAD dollars) December 31, 2014

19. SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Year ended December 31, 2014	Year ended December 31, 2013
Items not affecting operating cash:		
Accrued straight-line rent	$ (11,440)	$ (5,458)
Amortization of tenant incentives	7,567	8,026
Loss (gain) on derecognition of investment properties	(9,353)	(2,858)
Impairment of investment properties	10,750	12,270
Depreciation of investment properties	57,983	42,101
Amortization of deferred leasing costs	535	544
Amortization of intangible assets	5,606	7,383
Amortization of issue premium on senior unsecured notes	(45)	—
Unit based compensation	42	40
Amortization of effective swap agreements	2,797	3,759
Amortization of deferred financing charges	3,171	5,161
Non-cash distributions to Unitholders in the form of DRIP Units	438	—
Taxes – deferred	(2,425)	(1,675)
Change in fair value of financial instruments	(289)	(2,473)
	$ 65,337	$ 66,820

b) Change in other non-cash operating items

	Year ended December 31, 2014	Year ended December 31, 2013
Cash provided by (used in):		
Trade receivables	$ (1,014)	$ 3,757
Prepaid expenses and deposits and other assets	246	(4,423)
Payables and other liabilities	(325)	8,751
	$ (1,093)	$ 8,085

20. RELATED PARTY TRANSACTIONS

Related party transactions are transactions with associates, post-employment benefit plans and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this note. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2014, Empire, through its wholly-owned subsidiary ECL Developments Limited, holds a 41.5% (fully diluted 39.3%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Property revenue	(a)	$ 152,855	$ 106,926
Head lease income	(b)	$ 947	$ 712
Management support services provided	(c)	$ 431	$ 344
Property management services	(d)	$ 500	$ 224
Rental expense	(e)	$ 187	$ 187
Property operating expenses		$ 145	$ —
Interest rate subsidy	(b)	$ 700	$ 888
Finance costs – operations	(f)	$ 1,200	$ 1,200
Finance costs – distributions to Unitholders		$ 47,318	$ 36,766

(a) Crombie earned property revenue from Sobeys Inc. and other subsidiaries of Empire.

(b) For various periods, ECL Developments Limited has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006, between Crombie Developments Limited, Crombie Limited Partnership and ECL Developments Limited. The rental income is included in Property revenue and the interest rate subsidy is netted against Finance costs – operations.

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain subsidiaries of Empire on a cost sharing basis pursuant to a Management Cost Sharing Agreement, dated March 23, 2006, between Crombie Developments Limited, a subsidiary of Crombie, and ECL Developments Limited, a subsidiary of Empire.

(d) Certain on-site maintenance and management employees of Crombie provide property management services to certain subsidiaries of Empire on a cost sharing basis pursuant to the Management Cost Sharing Agreement. The costs recovered by Crombie pursuant to the Agreement were netted against property expenses.

(e) Crombie leases its head office space from ECL Developments Limited under a lease that expires December 2027.

(f) Empire holds $24,000 of Series D Convertible Debentures with an annual interest rate of 5.00%.

In addition to the above:

- During the fourth quarter of 2014, Crombie issued 15,153 Units to ECL Developments Limited under the DRIP (Note 18).
- During the fourth quarter of 2014, Crombie acquired eight retail properties from Empire for $100,985 excluding closing adjustments and transaction costs. The properties, containing approximately 424,000 square feet of GLA, included one in Prince Edward Island, Ontario and Manitoba, three in Alberta and two in British Columbia. Crombie also acquired additional development space from Empire on a pre-existing retail property for $2,508 excluding closing and transaction costs.
- During the third quarter of 2014, Crombie received $2,650 from a subsidiary of Empire related to a prepayment of their future obligation under a land sub-lease. The amount has been deferred and is being recognized as a reduction in property operating expenses over the remaining term of the land lease.
- On May 30, 2014, ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,830, net of issue costs, on a private placement basis.
- During the second quarter of 2014, Crombie acquired a retail property from Sobeys Developments Limited Partnership ("SDLP") for $10,176 excluding closing adjustments and transaction costs. The property, located in Ontario, contains approximately 39,000 square feet of fully occupied space.
- During the first quarter of 2014, Crombie exchanged properties with a subsidiary of Empire by acquiring 1200 Railway Avenue in Canmore, Alberta in exchange for disposing of 555 Main Street in Canmore, Alberta. Crombie also acquired additional development space from Empire on a pre-existing retail property for $1,490 excluding closing and transaction costs.
- During the first quarter of 2014, Crombie entered into a loan agreement with SDLP to partially finance SDLP's acquisition of development lands in Langford, British Columbia. The $11,856 loan bears interest at a rate of 6% per annum and has no principal repayments until maturity on October 1, 2016.
- During the fourth quarter of 2013, Crombie acquired 70 properties from a wholly-owned subsidiary of Sobeys Inc. for an aggregate purchase price of $991,300, excluding closing and transition costs.
- On November 4, 2013, contemporaneously with the closing of the acquisition of 70 properties, ECL Developments Limited purchased 11,811,024 Class B LP Units and the attached SVUs at a price of $12.70 per Class B LP Unit as detailed in a Short Form Prospectus filed August 8, 2013 for proceeds of $149,905, net of issue costs, on a private placement basis.
- During the second quarter of 2013, Crombie acquired one property from a subsidiary of Empire for a total purchase price of $20,875 excluding closing and transactions costs.
- During the first quarter of 2013, Crombie acquired two properties and acquired one development addition to an existing property from subsidiaries of Empire for a total purchase price of $32,555 excluding closing and transaction costs.

Key management personnel compensation

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

(In thousands of CAD dollars) December 31, 2014

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

	Year ended December 31, 2014	Year ended December 31, 2013
Salary, bonus and other short-term employee benefits	$ 4,158	$ 3,251
Other long-term benefits	103	94
	$ 4,261	$ 3,345

21. FINANCIAL INSTRUMENTS

a) Fair Value of Financial Instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 2,123	$ 2,123
Total financial assets measured at fair value	$ —	$ —	$ 2,123	$ 2,123
Financial liabilities				
Interest rate swaps	$ —	$ —	$ —	$ —
Embedded derivatives in convertible debentures	—	—	—	—
Total financial liabilities measured at fair value	$ —	$ —	$ —	$ —

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2014.

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:

	December 31, 2014		December 31, 2013	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Assets related to derecognized property	$ —	$ —	$ 5,733	$ 5,830
Long term receivables	13,663	13,631	1,901	1,821
Total other financial assets	$ 13,663	$ 13,631	$ 7,634	$ 7,651
Financial liabilities				
Investment property debt	$ 1,757,910	$ 1,635,187	$ 1,725,981	$ 1,705,960
Senior unsecured notes	284,778	275,000	175,035	175,000
Convertible debentures	183,698	179,400	183,863	180,000
Liabilities related to derecognized property	—	—	5,676	5,627
Total other financial liabilities	$ 2,226,386	$ 2,089,587	$ 2,090,555	$ 2,066,587

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 interest rate swaps, embedded derivatives and liabilities related to derecognized property)

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. A provision for doubtful accounts is taken for all anticipated collectability risks (Note 5).

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at December 31, 2014:

- Excluding Sobeys (which accounts for 50.3% of Crombie's go forward minimum rent), no other tenant accounts for more than 5.9% of Crombie's minimum rent; and
- Over the next five years, no more than 5.5% of the gross leasable area of Crombie will expire in any one year.

As outlined in Note 20, Crombie earned property revenue of $152,855 for the year ended December 31, 2014 (year ended December 31, 2013 – $106,926) from Sobeys Inc. and other subsidiaries of Empire.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general, balances over 30 days are considered past due. None of the receivable balances are considered impaired. The provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable from independent accounts and is recorded as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable. Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

There have been no significant changes to Crombie's credit risk.

	Year ended December 31, 2014	Year ended December 31, 2013
Provision for doubtful accounts, beginning of year	$ 47	$ 439
Additional provision	(43)	279
Recoveries	(33)	(222)
Write-offs	88	(449)
Provision for doubtful accounts, end of year	$ 59	$ 47

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.

As at December 31, 2014:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 7.4 years;
- Crombie has a floating rate revolving credit facility available to a maximum of 300,000, subject to available borrowing base, with a balance of $145,000 at December 31, 2014; and
- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

Crombie estimates that $2,520 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2015, based on all settled swap agreements as of December 31, 2014.

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

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Decrease in rate	Increase in rate
Year ended December 31, 2014	$ 334	$ (334)
Year ended December 31, 2013	$ 648	$ (648)

There have been no significant changes to Crombie's interest rate risk.

(In thousands of CAD dollars) December 31, 2014

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.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 22, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

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

	Year ended December 31, 2014						
	Contractual Cash Flows(1)	2015	2016	2017	2018	2019	Thereafter
Fixed rate mortgages(2)	$ 1,904,322	$ 175,329	$ 142,343	$ 143,638	$ 140,623	$ 163,996	$ 1,138,393
Senior unsecured notes	327,164	10,938	10,938	10,938	184,775	3,962	105,613
Convertible debentures	224,533	9,494	9,494	53,200	6,906	66,156	79,283
	2,456,019	195,761	162,775	207,776	332,304	234,114	1,323,289
Floating rate revolving credit facility	155,875	4,350	4,350	147,175	—	—	—
Total	$ 2,611,894	$ 200,111	$ 167,125	$ 354,951	$ 332,304	$ 234,114	$ 1,323,289

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

There have been no significant changes to Crombie's liquidity risk.

22. CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value, 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:

	December 31, 2014	December 31, 2013
Investment property debt	$ 1,624,547	$ 1,694,200
Senior unsecured notes	273,592	173,937
Convertible debentures	175,215	174,929
Crombie REIT Unitholders	716,025	680,935
SVU and Class B LP Unitholders	467,289	443,363
	$ 3,256,668	$ 3,167,364

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

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

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

	December 31, 2014	December 31, 2013
Fixed rate mortgages	$ 1,490,187	$ 1,585,960
Senior unsecured notes	275,000	175,000
Convertible debentures	179,400	180,000
Revolving credit facility	145,000	120,000
Total debt outstanding	2,089,587	2,060,960
Less: Applicable fair value debt adjustment	(2,203)	(2,903)
Debt	$ 2,087,384	$ 2,058,057
Investment properties, cost	$ 3,462,453	$ 3,380,073
Below-market lease component, cost(1)	71,368	71,173
Intangible assets, cost	99,019	96,397
Long term receivables	13,631	1,821
Other assets, cost (see below)	156,965	145,592
Cash and cash equivalents	611	7,167
Deferred financing charges	16,581	17,894
Investment properties held for sale, cost	40,417	—
Interest rate subsidy	(2,203)	(2,903)
Fair value adjustment to deferred taxes	(34,645)	(38,585)
Gross book value	$ 3,824,197	$ 3,678,629
Debt to gross book value	54.6%	55.9%

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

Other assets are calculated as follows:

	December 31, 2014	December 31, 2013
Other assets per Note 5	$ 121,391	$ 118,843
Add back (deduct):		
Tenant incentive accumulated amortization	35,574	32,579
Assets related to derecognized property	—	(5,830)
Other assets, cost	$ 156,965	$ 145,592

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 December 31, 2014, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

(In thousands of CAD dollars) December 31, 2014

23. COMMITMENTS AND CONTINGENCIES

There are various claims and litigation which Crombie is involved with arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies would not have a significant adverse effect on these financial statements.

Crombie has agreed to indemnify its trustees and officers, and particular employees, in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire.

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. As at December 31, 2014, Crombie has a total of $979 in outstanding letters of credit related to:

	December 31, 2014	December 31, 2013
Construction work being performed on investment properties	$ 979	$ 714
Mortgage lender primarily to satisfy defeasance of derecognized property	—	1,715
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	—	1,700
Total outstanding letters of credit	$ 979	$ 4,129

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

Land leases have varying terms ranging from 10 to 75 years including renewal options. For the year ended December 31, 2014, Crombie paid $1,225 in land lease payments to third party landlords (year ended December 31, 2013 – $1,240). Crombie's commitments under the land leases are disclosed in Note 15.

As at December 31, 2014, Crombie had signed construction contracts totaling $12,181 of which $10,558 has been paid.

24. SUBSEQUENT EVENTS

(a) On January 15, 2015, Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2015 to and including, January 31, 2015. The distributions were paid on February 13, 2015, to Unitholders of record as of January 31, 2015.

(b) On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series C Unsecured Subordinated Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the terms of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015, for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

(c) On January 15, 2015, Target Corporation ("Target") announced its intent to cease their Canadian operations and that Target Canada (an indirect wholly-owned subsidiary of Target) had entered into Companies' Creditors Arrangement Act (Canada) ("CCAA") to wind down its operations. Crombie has three Target Canada leased locations representing less than 1% of Crombie's 2014 total property revenue and less than 2% of total gross leaseable area. The Target Canada leases have a weighted average remaining term of 9.4 years and one of the leases is guaranteed through an indemnity agreement with Target.

IFRS requires conditions existing at the reporting date be considered in the determination of fair value. Conditions and assumptions arising after the reporting date related to the Target Canada departure will need be considered in future occupancy rates and future estimated net operating income.

Due to the uncertainty as to the nature, timing and outcome of the CCAA proceedings, as of the date of authorization of these consolidated financial statements, Crombie is not able to estimate the future financial impact of Target's announcement.

(d) On February 10, 2015, Crombie issued, on a bought-deal, private placement basis, $125,000 aggregate principal amount of 2.775% Series C Notes (senior unsecured) with a five-year term maturing February 10, 2020.

(e) On February 18, 2015, Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2015 to and including, February 28, 2015. The distributions will be paid on March 13, 2015, to Unitholders of record as of February 28, 2015.

25. SEGMENT DISCLOSURE

Crombie owns and operates primarily retail and office real estate assets located in Canada. Management, in measuring Crombie's performance or making operating decisions, does not distinguish or group its operations on a geographical or other basis. Accordingly, Crombie has a single reportable segment for disclosure purposes.

26. INDEMNITIES

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.

PROPERTY PORTFOLIO

Newfoundland & Labrador

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
2A Commerce St.	Deer Lake	Retail – Plazas	18,000	100.0
10 Elizabeth Ave	St. John's	Retail – Freestanding	80,000	100.0
21 Cromer Ave	Grand Falls	Retail – Freestanding	27,000	100.0
45 Ropewalk Lane	St. John's	Retail – Freestanding	50,000	100.0
69 Blockhouse Rd	Placentia	Retail – Freestanding	20,000	100.0
71 Grand View Blvd	Grand Bank	Retail – Freestanding	19,000	100.0
Avalon Mall	St. John's	Retail – Enclosed	573,000	98.0
Conception Bay Plaza	Conception Bay	Retail – Plazas	65,000	98.6
Hamlyn Road Plaza	St. John's	Retail – Plazas	43,000	45.9
Kenmount Business Centre	St. John's	Mixed Use	114,000	99.5
Random Square	Clarenville	Retail – Enclosed	110,000	99.9
Topsail Rd Plaza	St. John's	Retail – Plazas	158,000	100.0
Torbay Rd Plaza	St. John's	Retail – Plazas	161,000	85.3
			1,438,000	95.8

Prince Edward Island

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
531 North Main	Montague	Retail – Freestanding	25,000	100.0
Kinlock Plaza	Stratford	Retail – Plaza	53,000	100.0
			78,000	100.0

Nova Scotia

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
2 Forest Hills Parkway	Dartmouth	Retail – Freestanding	44,000	100.0
25 Acadia Avenue	Stellarton	Retail – Freestanding	24,000	100.0
25 Brookside St.	Glace Bay	Retail – Freestanding	17,000	100.0
39 Pitt St.	Sydney Mines	Retail – Freestanding	18,000	100.0
75 Emerald St	New Waterford	Retail – Freestanding	26,000	100.0
99 Keltic Dr.	Sydney River	Retail – Freestanding	51,000	100.0
133 Church St.	Antigonish	Retail – Freestanding	51,000	100.0
268 Baker Drive Russell Lake Sobeys	Dartmouth	Retail – Freestanding	51,000	91.6
279 Herring Cove Road	Spryfield	Retail – Freestanding	73,000	100.0
634 Reeves Street	Port Hawkesbury	Retail – Freestanding	34,000	100.0
22579 Hwy #7	Sheet Harbour	Retail – Freestanding	9,000	100.0
Aberdeen Business Centre	New Glasgow	Mixed Use	395,000	89.8
Amherst Centre	Amherst	Retail – Enclosed	228,000	56.2
Amherst Plaza	Amherst	Retail – Plazas	25,000	100.0
Blink Bonnie Plaza	Pictou	Retail – Plazas	45,000	93.7
County Fair Mall	New Minas	Retail – Enclosed	268,000	53.4
Dartmouth Crossing – Cineplex	Dartmouth	Retail – Freestanding	45,000	100.0
Downsview Mall	Lower Sackville	Retail – Plazas	73,000	88.0
Downsview Plaza	Lower Sackville	Retail – Plazas	226,000	89.6
Elmsdale Plaza	Hants County	Retail – Plazas	142,000	79.4
Fall River Plaza	Fall River	Retail – Plazas	98,000	100.0
Fort Edward Plaza	Windsor	Retail – Plazas	122,000	82.6
Fundy Trail Centre	Truro	Retail – Enclosed	130,000	88.2
Hemlock Square	Bedford	Retail – Plazas	152,000	99.1
Highland Square	New Glasgow	Retail – Enclosed	194,000	86.3
Lacewood & Dunbrack	Halifax	Retail – Freestanding	59,000	100.0
Mill Cove Plaza	Bedford	Retail – Plazas	139,000	96.5
North & Windsor Streets	Halifax	Retail – Freestanding	50,000	100.0
North Shore Ctr	Tatamagouche	Retail – Plazas	17,000	100.0
Panavista Dr	Dartmouth	Retail – Freestanding	48,000	100.0
Park Lane	Halifax	Mixed Use	267,000	87.8
Penhorn Plaza	Dartmouth	Retail – Plazas	104,000	96.8
Prince Street Plaza	Sydney	Retail – Plazas	71,000	98.7
Queen St Plaza	Halifax	Retail – Plazas	54,000	93.1
Sydney Shopping Centre	Sydney	Retail – Plazas	214,000	97.8
Tantallon Plaza	Tantallon	Retail – Plazas	150,000	100.0
West Side Plaza	New Glasgow	Retail – Plazas	71,000	95.2
Halifax Developments Properties				
Barrington Place	Halifax	Mixed Use	190,000	100.0
Barrington Tower	Halifax	Office	186,000	99.3
Brunswick Place	Halifax	Mixed Use	257,000	99.0
CIBC Building	Halifax	Office	207,000	86.2
Cogswell Tower	Halifax	Office	204,000	82.4
Duke Tower	Halifax	Office	254,000	90.1
Scotia Square Mall	Halifax	Mixed Use	265,000	92.1
Scotia Square Parkade	Halifax	Mixed Use		
			5,348,000	89.4

New Brunswick

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
26 Michaud St.	Edmundston	Retail – Freestanding	8,000	100.0
273 Pleasant St	Newcastle	Retail – Freestanding	20,000	100.0
501 Regis St.	Dieppe	Retail – Freestanding	25,000	100.0
850 St. Peters Avenue	Bathurst	Retail – Freestanding	18,000	100.0
Brookside Mall	Fredericton	Retail – Freestanding	43,000	100.0
Catherwood St	Saint John	Retail – Freestanding	46,000	100.0
Champlain Place Sobeys	Dieppe	Retail – Freestanding	52,000	100.0
Charlotte Mall	St Stephen	Retail – Plazas	119,000	72.1
Edmundston	Edmundston	Retail – Plazas	42,000	83.2
Elmwood Drive	Moncton	Retail – Plazas	74,000	100.0
Fairvale Plaza	Rothesay	Retail – Freestanding	52,000	100.0
Loch Lomond Place	Saint John	Mixed Use	192,000	44.9
Mountain Road	Moncton	Retail – Plazas	17,000	100.0
Northwest Centre, Mountain Rd	Moncton	Retail – Freestanding	52,000	100.0
Prospect St Plaza	Fredericton	Retail – Plazas	22,000	100.0
Riverview – Findlay Blvd	Riverview	Retail – Plazas	67,000	100.0
Riverview Place	Riverview	Mixed Use	150,000	70.4
1234 Main Street	Moncton	Office	207,000	41.1
Tracadie	Tracadie	Retail – Plazas	39,000	83.5
Uptown Centre	Fredericton	Retail – Plazas	320,000	99.0
Vaughan Harvey Blvd	Moncton	Retail – Plazas	85,000	100.0
			1,650,000	80.5

Québec

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
88-90 Bould. D'Anjou	Chateauguay	Retail – Freestanding	58,000	100.0
254 Hotel de Ville	Riviere du Loup	Retail – Plazas	72,000	100.0
645 Thibeau Street	Cap de la Madeleine	Retail – Freestanding	49,000	100.0
1500 Rue Bretagne	Baie Comeau	Retail – Freestanding	50,000	100.0
3260 Blvd, Lapiniere	Brossard, Longueuil	Retail – Freestanding	39,000	100.0
3950 Rue King Ouest	Sherbrooke	Retail – Freestanding	52,000	100.0
8980 Boul Lacroix	St Georges de Beauce	Retail – Freestanding	44,000	100.0
Beauport Plaza	Beauport	Retail – Plazas	68,000	96.5
Greenfield Park Centre	Longueuil	Retail – Plazas	184,000	98.6
Ile Perrot	Ile Perrot	Retail – Freestanding	24,000	100.0
Lebourgneuf	Charlesbourg	Retail – Freestanding	59,000	100.0
Les Saules, DeLormiere	Quebec	Retail – Plazas	69,000	100.0
McMasterville, Laurier Blvd	McMasterville	Retail – Plazas	55,000	100.0
Paspebiac Plaza	Paspebiac	Retail – Plazas	74,000	92.5
Saint Apollinaire	Saint Apollinaire	Retail – Plazas	55,000	100.0
Shawinigan	Shawinigan	Retail – Plazas	60,000	100.0
St Augustin (Mirabel)	St Augustin de Mirabel	Retail – Plazas	38,000	96.1
St Charles de Drummond	Saint Charles de Drummond	Retail – Plazas	48,000	100.0
St Lambert	St Lambert	Retail – Freestanding	19,000	100.0
St Romuald	St Romuald	Retail – Plazas	70,000	100.0
Vanier	Vanier	Retail – Freestanding	17,000	100.0
Westminster Shoppers	Montreal	Retail – Freestanding	21,000	100.0
			1,225,000	99.0

Ontario

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
44 Livingstone Ave	Grimbsy	Retail – Freestanding	36,000	100.0
215 Park Ave W,	Chatham	Retail – Freestanding	48,000	100.0
318 Ontario Street	St Catharines	Retail – Freestanding	47,000	100.0
385 Springbank	Woodstock	Retail – Plazas	55,000	91.0
400 First Ave South	Kenora	Retail – Freestanding	36,000	100.0
409 Bayfield Street	Barrie	Retail – Freestanding	48,000	100.0
977 Golf Links Road	Ancaster	Retail – Freestanding	65,000	100.0
5931 Kalar Rd	Niagara Falls	Retail – Plazas	36,000	100.0
Algonquin Avenue Mall	North Bay	Retail – Plazas	211,000	100.0
Bradford	Bradford	Retail – Freestanding	35,000	100.0
Brampton Mall	Brampton	Retail – Plazas	103,000	81.8
Brampton Plaza	Brampton	Retail – Plazas	76,000	98.1
Burlington Plaza	Burlington	Retail – Plazas	56,000	93.5
Carleton Place Mews	Carleton Place	Retail – Plazas	80,000	88.7
Dorchester Road Centre	Dorchester	Retail – Freestanding	18,000	100.0
Dorchester Road Plaza	Dorchester	Retail – Plazas	32,000	100.0
Eglinton Centre	Toronto	Retail – Freestanding	17,000	100.0
Glendale Ave Mountain Locks Plaza	St Catharines	Retail – Plazas	85,000	100.0
Grimsby Centre	Grimsby	Retail – Freestanding	29,000	100.0
Grimsby Mews	Grimsby	Retail – Plaza	29,000	100.0
Havelock Centre	Havelock	Retail – Freestanding	15,000	100.0
Huron Street Plaza	Stratford	Retail – Freestanding	27,000	100.0
International Gateway Centre	Fort Erie	Retail – Plazas	92,000	94.2
Lansdowne Centre Rockhaven	Peterborough	Retail – Plazas	24,000	100.0

Property	City	Description	GLA (approx. sq. ft.)	% Occu-pancy
Lansdowne Plaza	Peterborough	Retail – Plazas	67,000	100.0
Lindsay Street Centre	Fenelon Falls	Retail – Freestanding	35,000	100.0
London Pine Valley	London	Retail – Plazas	39,000	100.0
Markham Plaza	Toronto	Retail – Plazas	39,000	76.2
Middle Road Plaza	Burlington	Retail – Plazas	11,000	100.0
Milligan Corners	Napanee	Retail – Plazas	25,000	100.0
Niagara Falls Centre	Niagara Falls	Retail – Freestanding	17,000	100.0
Niagara Falls Plaza	Niagara Falls	Retail – Plazas	64,000	100.0
Notre Dame Street Centre	Embrun	Retail – Freestanding	17,000	100.0
Orleans – 5150 Innes Rd	Ottawa	Retail – Plazas	63,000	100.0
Parry Sound	Parry Sound	Retail – Freestanding	36,000	100.0
Perth Mews	Perth	Retail – Plazas	103,000	98.8
Port Colborne Mall	Port Colborne	Retail – Enclosed	130,000	73.7
Queensland Plaza	Stratford	Retail – Plazas	48,000	94.8
Queensway Plaza	Toronto	Retail – Plazas	67,000	100.0
Riddell Rd	Orangeville	Retail – Freestanding	46,000	100.0
Rose City Plaza	Welland	Retail – Plazas	96,000	74.0
Rymal Road Plaza	Hamilton	Retail – Plazas	65,000	98.4
Sinclair Place	Georgetown	Retail – Plazas	28,000	100.0
South Pelham Market Plaza	Welland	Retail – Plazas	63,000	98.1
Southdale	London	Retail – Plazas	20,000	88.3
Stittsville Corner 1122 Carp Road	Stittsville	Retail – Plazas	80,000	98.4
Stoney Creek Plaza	Stoney Creek	Retail – Plazas	9,000	63.5
Taunton & Wilson Plaza	Oshawa	Retail – Plazas	107,000	94.4
Town Centre	LaSalle	Retail – Plazas	88,000	77.6
Upper James Square	Hamilton	Retail – Plazas	114,000	100.0
Village Square Mall	Nepean	Retail – Plazas	92,000	95.6
Weston Rd Shoppers	Toronto	Retail – Freestanding	16,000	100.0
White Horse Plaza	Simcoe	Retail – Plazas	93,000	85.1
Windsor Huron Church Rd	Windsor	Retail – Freestanding	29,000	100.0
			3,007,000	94.4

Manitoba

Property	City	Description	GLA (approx. sq. ft.)	% Occu-pancy
498 Mountain Avenue Safeway	Neepawa	Retail – Freestanding	18,000	100.0
594 Mountain Avenue Safeway	Winnipeg	Retail – Freestanding	18,000	100.0
1305-1321 Pembina Highway Safeway	Winnipeg	Retail – Plazas	39,000	100.0
2155 Pembina Hwy.	Winnipeg	Retail – Freestanding	46,000	100.0
Bird's Hill Road Plaza	Birds Hill	Retail – Freestanding	39,000	100.0
Jefferson Avenue	Winnipeg	Retail – Freestanding	55,000	100.0
Kildare Avenue East	Winnipeg	Retail – Freestanding	43,000	100.0
Kildonan Green	Winnipeg	Retail – Plaza	39,000	100.0
Marion Street	Winnipeg	Retail – Freestanding	38,000	100.0
Manitoba Avenue	Selkirk	Retail – Freestanding	42,000	100.0
Osborne Street Safeway	Winnipeg	Retail – Freestanding	20,000	100.0
Portage La Praire Shoppers	Portage la Prairie	Retail – Freestanding	20,000	100.0
Portage Avenue Safeway	Winnipeg	Retail – Freestanding	55,000	100.0
River Avenue Safeway	Winnipeg	Retail – Plazas	59,000	100.0
River East Plaza	Winnipeg	Retail – Plaza	78,000	100.0
			609,000	100.0

Saskatchewan

Property	City	Description	GLA (approx. sq. ft.)	% Occu-pancy
1 Avenue NW Safeway	Moose Jaw	Retail – Freestanding	39,000	100.0
2 Avenue West Safeway	Prince Albert	Retail – Freestanding	56,000	100.0
13th Avenue	Regina	Retail – Plazas	41,000	100.0
McOrmond Drive Safeway	Saskatoon	Retail – Freestanding	50,000	100.0
Albert Street South	Regina	Retail – Plazas	41,000	100.0
River City Centre	Saskatoon	Retail – Plazas	160,000	96.2
Territorial Drive Plaza	North Battleford	Retail – Plazas	30,000	100.0
University Park	Regina	Retail – Freestanding	37,000	100.0
			454,000	98.7

Alberta

Property	City	Description	GLA (approx. sq. ft.)	% Occu-pancy
4th Street NW Safeway	Calgary	Retail – Plazas	48,000	100.0
10 Street NW Safeway	Calgary	Retail – Freestanding	38,000	100.0
11th Avenue SW Safeway	Calgary	Retail – Freestanding	40,000	100.0
16th Avenue NW Safeway	Calgary	Retail – Freestanding	42,000	100.0
23rd Street North Safeway	Lethbridge	Retail – Freestanding	45,000	100.0
32nd Avenue NE Safeway	Calgary	Retail – Freestanding	69,000	100.0
34th Avenue SW Safeway	Calgary	Retail – Plazas	48,000	100.0
100 Street Safeway	Grande Prairie	Retail – Plazas	66,000	100.0
109 Street NW Safeway	Edmonton	Retail – Plazas	34,000	100.0
114th Avenue Safeway	Grand Prairie	Retail – Plazas	62,000	100.0
130th Avenue SE Safeway	Calgary	Retail – Plazas	78,000	100.0
137th Avenue NW Safeway	Edmonton	Retail – Freestanding	55,000	100.0
94 MacLeod Ave	Spruce Grove	Retail – Freestanding	52,000	100.0
395 St. Albert St.	St. Albert	Retail – Freestanding	57,000	100.0
688 Wye Road, Nottingham	Sherwood Park	Retail – Freestanding	46,000	100.0
1109 James Mowatt Trail Southbrook Sobeys	Edmonton	Retail – Freestanding	45,000	100.0
1200 Railway Ave	Canmore	Retail – Freestanding	53,000	100.0
6112 50th Street	Leduc	Retail – Freestanding	47,000	100.0
Beaumont Plaza	Beaumont	Retail – Plazas	59,000	95.5
Big Rock Lane Safeway	Okotoks	Retail – Freestanding	42,000	100.0
Calgary McKenzie Town Drive	Calgary	Retail – Freestanding	19,000	100.0
Cassils Road West Safeway	Brooks	Retail – Plazas	54,000	100.0
Castleridge Boulevard NE Safeway	Calgary	Retail – Freestanding	56,000	100.0
Chestermere Station Way Safeway	Chestermere	Retail – Freestanding	43,000	100.0
Clearwater Landing	Fort McMurray	Retail – Plazas	143,000	98.6
Crowfoot Cresent NW Safeway	Calgary	Retail – Plazas	75,000	100.0
Elbow Drive Safeway	Calgary	Retail – Freestanding	25,000	100.0
Fairway Plaza Road South Safeway	Lethbridge	Retail – Plazas	64,000	100.0
Forest Lawn Sobeys	Calgary	Retail – Freestanding	42,000	100.0
Franklin Avenue & JW Mann Drive Safeway	Fort McMurray	Retail – Freestanding	40,000	100.0
Gaetz South Plaza	Red Deer	Retail – Plazas	74,000	100.0
Guardian Road NW Safeway	Edmonton	Retail – Freestanding	49,000	100.0
Marten Street Safeway	Banff	Retail – Freestanding	19,000	100.0
Manning Crossing	Edmonton	Retail – Freestanding	49,000	100.0
Millwood Sobeys	Edmonton	Retail – Plazas	58,000	100.0
Namao Centre	Edmonton	Retail – Freestanding	37,000	100.0
Namao Centre 167 Ave/95 St	Edmonton	Retail – Plazas	34,000	91.4
Saddletowne Circle NE	Calgary	Retail – Freestanding	51,000	100.0
South Park Drive Safeway	Stony Plain	Retail – Freestanding	44,000	100.0
Red Deer Cineplex Hwy II	Red Deer	Retail – Freestanding	40,000	100.0
West Highlands	Lethbridge	Retail – Plazas	29,000	100.0
West Lethbridge	Lethbridge	Retail – Plazas	105,000	95.8
Whyte Avenue Shoppers	Edmonton	Retail – Freestanding	21,000	100.0
			2,197,000	99.5

British Columbia

Property	City	Description	GLA (approx. sq. ft.)	% Occu-pancy
2nd Avenue West Safeway	Prince Rupert	Retail – Plazas	52,000	100.0
8th Street Safeway	Dawson Creek	Retail – Freestanding	43,000	100.0
27th Street East Safeway	North Vancouver	Retail – Freestanding	37,000	100.0
30th Avenue Safeway	Vernon	Retail – Freestanding	29,000	100.0
32nd Street Safeway	Vernon	Retail – Freestanding	56,000	100.0
100 Street Safeway	Fort St. John	Retail – Freestanding	55,000	100.0
120 Street Safeway	Surrey	Retail – Plazas	53,000	100.0
152nd Street Safeway	Surrey	Retail – Freestanding	56,000	100.0
20871 Fraser Highway Safeway	Langley	Retail – Freestanding	48,000	100.0
27566 Fraser Highway Safeway	Langley	Retail – Freestanding	45,000	100.0
Alder Avenue	100 Mile House	Retail – Plazas	28,000	100.0
Austin Road Safeway	Coquitlam	Retail – Freestanding	21,000	100.0
Baker Street Safeway	Cranbrook	Retail – Freestanding	48,000	100.0
Bernard Avenue Safeway	Kelowna	Retail – Freestanding	30,000	100.0
Blundell Road	Richmond	Retail – Freestanding	28,000	100.0
Columbia Avenue Safeway	Castlegar	Retail – Freestanding	27,000	100.0
Columbia Street West Safeway	Kamloops	Retail – Freestanding	50,000	100.0
Davie Street Safeway	Vancouver	Retail – Plazas	37,000	100.0
East Broadway Safeway	Vancouver	Retail – Freestanding	42,000	100.0
King Edward Avenue	Vancouver	Retail – Freestanding	28,000	100.0
Fortune Drive Safeway	Kamloops	Retail – Freestanding	56,000	100.0
Kingsway Safeway	Vancouver	Retail – Plazas	51,000	100.0
Lougheed Highway Safeway	Mission	Retail – Plazas	55,000	100.0
McBride Boulevard Safeway	New Westminster	Retail – Freestanding	43,000	100.0
Mt. Seymour Rd Safeway	North Vancouver	Retail – Freestanding	36,000	100.0
Main Street Safeway	Penticton	Retail – Plazas	59,000	100.0
Reid Street Safeway	Quesnel	Retail – Freestanding	30,000	100.0
Second Avenue Safeway	Trail	Retail – Plazas	32,000	100.0
Shaughnessy Street Safeway	Port Coquitlam	Retail – Freestanding	49,000	100.0
West Broadway Safeway	Vancouver	Retail – Plazas	55,000	100.0
Yale Road Safeway	Chilliwack	Retail – Freestanding	52,000	100.0
Yellowhead Highway Safeway	Smithers	Retail – Freestanding	42,000	100.0
			1,373,000	100.0
TOTAL			17,379,000	93.4

UNITHOLDER INFORMATION

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Unit Symbol

REIT Trust Units – CRR.UN

Stock Exchange Listing

Toronto Stock Exchange

Investor Relations and Inquiries

Unitholders, analysts, and investors should direct their financial inquiries or request to:

Glenn R. Hynes, F.C.A.
Executive Vice President,
Chief Financial Officer and Secretary
Email: investing@crombie.ca

Communication regarding investor records, including changes of address or ownership, lost certificates or tax forms, should be directed to the company's transfer agent and registrar, CST Trust Company.

Distribution Record and Payment Dates for Fiscal 2014

Record Date	Payment Date
January 31, 2014	February 17, 2014
February 28, 2014	March 17, 2014
March 31, 2014	April 15, 2014
April 30, 2014	May 15, 2014
May 31, 2014	June 16, 2014
June 30, 2014	July 15, 2014
July 31, 2014	August 15, 2014
August 31, 2014	September 15, 2014
September 30, 2014	October 15, 2014
October 31, 2014	November 14, 2014
November 30, 2014	December 15, 2014
December 31, 2014	January 15, 2015

TRANSFER AGENT

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Stewart McKelvey
Halifax, Nova Scotia

Auditors

Grant Thornton, LLP
New Glasgow, Nova Scotia

Multiple Mailings

If you have more than one account, you may receive a separate mailing for each.

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TOP 20 TENANTS

Crombie's portfolio is leased to a wide diversity of regional and national tenants. Other than Sobeys, which accounts for more than 50 percent of annual minimum rent, no other tenant represents more than 5.9 percent of annual minimum rent.

Tenant (As at December 31, 2014)	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys[1]	50.3%	15.3 years
Shoppers Drug Mart	5.9%	12.7 years
Cineplex	1.5%	10.6 years
Province of Nova Scotia	1.3%	3.9 years
CIBC	1.2%	15.1 years
Lawtons/Sobeys Pharmacy	1.1%	12.6 years
Good Life Fitness	1.1%	12.3 years
Best Buy Canada	1.0%	6.6 years
Bank of Nova Scotia	0.9%	3.5 years
Dollarama	0.9%	5.1 years
Marks Work Wearhouse	0.8%	3.5 years
Bell (Aliant)	0.8%	4.2 years
Target Canada	0.7%	9.7 years
Sears Canada	0.6%	10.8 years
Public Works Canada	0.6%	3.0 years
Winners	0.5%	4.7 years
Brick Warehouse	0.5%	10.8 years
Reitmans (Canada)	0.5%	3.7 years
Staples	0.5%	4.6 years
Liquor Control Board of Ontario	0.5%	10.3 years
Total	71.2%	

(1) Excludes Lawtons/Sobeys Pharmacy

11.8 YEARS

Crombie has one of the longest remaining lease terms in the Canadian REIT industry

WHY CROMBIE?

Diversified, low-risk and defensive portfolio

Attractive yield

High-quality cash flow

Proven growth record and
significant development potential

Strong capital structure, moderate leverage
and ample liquidity

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